Stock Symbol: 6488

GlobalWafers Co., Ltd.

2017 Annual Report

Issue Date: May 31, 2018

Information website: http://newmops.twse.com.tw

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

1. **Company Spokesman:**

Spokesman
Name: ChungWei Lee
Position: Vice President of Corporate Development
Tel:+886-3-577-2255
E-mail: GWCIR@sas-globalwafers.com

Deputy Spokesperson:
Name: Jason Chien
Position: CFO
Tel:+886-3-577-2255
E-mail: GWCIR@sas-globalwafers.com

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

Headquarter
Address: No.8, Industrial East Road 2, Science-Based Industrial Park, Hsinchu, Taiwan
Tel: +886-3-577-2255

Chunan Plant
Address: No. 21, Kejung Rd., Chunan, Miaoli County, Hsinchu Science Park, Taiwan
Tel: +886-37-582533

Taiwan Subsidiary I
Address: No.2, Yanxin 1st Road, Science-Based Industrial Park, Hsinchu, Taiwan
Tel: +886-3-5783131

Japan Subsidiary
Niigata
Address: 6-861-5 Higashiko, Seiro, Kitakanbara District, Niigata Prefecture, Japan
Tel: 81-25-256-3200

Tokuyama
Address: 2-1-32 Eguchi, Shunan, Yamaguchi Prefecture, Japan
Tel: 81-834-41-3001

Sekikawa
Address: 278 Tatsutashin, Sekikawa, Iwafune District, Niigata Prefecture, Japan
Tel: 81-254-64-0254

Oguni Silicon Crystal Center
Address: 378 Ogunimachi, Oguni, Nishiokitama District, Yamagata Prefecture, Japan
Tel: 81-238-62-5926

Utsunomiya
Address: 11-2 Kiyohara Industrial Park, Utsunomiya City Tochigi Prefecture, Japan
Tel: +81 28 667 6333

Korea Subsidiary
Cheonan Plant
Address: 854, Manghyang-Ro, Seonggeo-eup, Sebuk-gu, Cheonan-Si, Chungcheongnam-do, 331-831 Korea
Tel: +82 41 550 4114

China Subsidiary
Kunshan Plant
Address: No. 303 Hanpu Road, Chengbei, Kunshan, Jiangsu, China
TEL:+ 86-512-5778-1262

Malaysia Subsidiary
Kuala Lumpur Plant
Address: Jalan SS 8/2, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: +603 7877 3277

Singapore Subsidiary
Address: Block D #01-41A, 11 Lorong 3 Toa Payoh, Singapore 319579
Tel: +65 6361 9720

US Subsidiary
Texas Plant
Address: 200 F.M. 1417 West Sherman, Texas, USA 75092
Tel: 903.957.1999

Missouri Plant
Address: 501 Pearl Drive, St. Peters, Missouri, USA 63376
Tel: 636.474.5000

Italy Subsidiary
Merano Plant
Address: Via Nazionale, 59, 39012 Merano (Bolzano), Italy
Tel: +39 0473 333.333

Novera Plant
Address: SpA Viale Gherzi, 31, 28100 Novara, Italy
Tel: +39 0321 33.4444

Denmark Subsidiary
Copenhagen Plant
Address: Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark
Tel: +45 47 36 56 00

Poland Subsidiary
Warsaw Plant
Address: 133 Wolczynska St., 01-919 Warsaw, Poland
Tel: +48 22 835 19 39

3. **Stock Transfer Agency**
Agency name: Stock Agency Department, Yuanta Securities
Address: B1, No. 210, Sec. 3, Chengde Rd., Taipei, Taiwan
Website: http://www.yuanta.com.tw/
Tel: +886-2-2586-5859

4. **External Auditor**
Name of Accounting FiSrm: KPMG Taiwan
Name of CPAs: An-Chih Cheng, Cheng-Chien Chen
Address: 68F, No. 7, Sec. 5, Hsinyi Rd., Taipei, Taiwan
Website: http://www.kpmg.com
Tel: +886-2-8101-6666

5. **Global Depositary Receipt (GDR) Agency**
Luxembourg Stock Exchange
Website: https://www.bourse.lu/security/US37891E1038/250465

6. **Company Website**
http://www.sas-globalwafers.com

Table of Content

I. Letter to Shareholders

GlobalWafers Co., Ltd.

Fiscal 2017 Business Report

Dear shareholders,

2017 is a big milestone for GlobalWafers, we acquired semiconductor business of Topsil Semiconductor Materials A/S (Topsil) in Denmark and SunEdison Semiconductor Ltd. (SEMI) in US in July and December respectively in 2016, after group restructure and elevating managerial efficiency, financial and operational improvement have excelled our expectation, along with robust demand of global semiconductor market and price hike, GlobalWafers profit leaps and outshine other rivals.

In 2017 GlobalWafers has priced its debut GDR in April and listed on Luxembourg Stock Exchange. The major use of proceeds is for repayment of bank loans for SEMI acquisition, not only loan interests but also debt ratio are successfully lowered, contributing to overall operation. In respect to market situation, reviving 3C end product demand is the main reason for DRAM's increasing price; the growth in automotive electronics as well as industrial semiconductors resulted in supply shortage. Also, semiconductor application has entered into next generation comprised of IoT, smart manufacturing, AI, big data, WIT 120 and smart car. Benefited from brisk demand in end customers, GlobalWafers turns SEMI around in short time, annual profit also hit record high.

Annual consolidated revenue amounts to NTD 46.213 billion, up by 151% compared to 2016; owing to strict control on cost and wafer price hike, gross margin jumps to 26%, reaching NTD 11.81 billion. Operating expenses reduces to 10% from 15% in 2016. Operating income is NTD 7.414 billion. EPS (after tax) was NTD 12.68. Please see below summary on 2017 operation performance, 2017 business plan, future strategy, influence of competition, regulations and macro economics.

A. Operation Performance in 2017

1. Operation Performance

Unit: NT$'000

Year / Item	2017 (IFRSs)	2016 (IFRSs)	Change (%)
Revenue	46,212,601	18,426,950	151%
Operating Costs	34,404,835	14,296,567	141%
Gross Profit	11,807,766	4,130,383	186%
Operating Expenses	4,394,224	2,752,036	60%
Operating Income	7,413,542	1,378,347	438%
Profit Before Tax	6,874,699	1,344,439	411%
Net Income	5,278,207	939,171	462%

Along with economic recovery, semiconductor industry has grown significantly driven by all kinds of new products. Without capacity expansion, supply falls short of demand and ASP (Average Selling Price) are driven up. Operating expense is reduced by 5% to 10% owing to GlobalWafers' unparalleled cost control expertise. The newly acquired Topsil and SEMI also maximize group synergy, GlobalWafers successfully combines global footprint with sales network worldwide, seizing the industrial up-cycle and presents outstanding performance.

2. Budget Implementation: No financial forecast for 2017

3. Profitability Analysis

Item		2017	2016
Financial structure	Debt ratio (%)	51.51%	73.88%
	Long-term funds to PPE (%) (PPE-plant, property, equipment)	170.13%	114.93%
Profitability	ROA (%) (return on assets)	8.53%	2.39%
	ROE (%) (return on equity)	21.18%	5.77%
	Operating Income to Capital Stock (%)	169.54%	37.33%
	Profit Before Tax to Capital Stock (%)	157.22%	36.41%
	Net Profit Margin (%)	11.42%	5.10%
	EPS (NT$)	12.68	2.54

4. Financial Structure

2017 revenue is NT$46,212,601,000; operating cost is NT$34,404,835,000. Operating expense is NT$4,394,224,000. Non-business expenditure is NT$538,843,000. Net profit before tax is NT$6,874,699,000. Net profit after tax is NT$5,278,207,000. The financial structure is healthy.

5. Research & Development

(1) 2017 Research & Development Expenditure

Unit: NT$'000

Item / Year	2017	2016
Research and Development Expenses	1,445,060	726,206
Sales Revenue	46,212,601	18,426,950
%	3.13%	3.94%

(2) 2017 Achievement

i. Technology/Product

(1) CZ Non-doped Ingot resistivity >6000Ω-cm crystal growth technology

(2) Reclaim wafer manufactured technology for SiC wafer

(3) AT puller control system development

(4) Digitized manufactured system for Lapping process

(5) WSAW higher throughput technology development

(6) Ultra flatness polishing technology development

(7) Big data application of final polishing for ultra flatness development

ii. Future Plan

(1) Ultra low resistivity <0.7mΩ-cm wafer of Phosphorus Doped

(2) Ultra low resistivity <1.8mΩ-cm wafer of Arsenic Doped

(3) SiC wafer for next generation high power automotive electronic application

(4) Epi-substrate for GaN_HEMT application

(5) GaN Epi wafer for Fifth Generation Mobile Communications application

(6) SOI substrate development of next generation RF device application

(7) Silicon substrate for 7nm IC process

(8) Silicon wafer development for higher resolution CMOS image sensor

(9) Silicon wafer development for next generation 3D memory device

B. 2018 Business Plan

1. Business Guideline

   (1) Improve operational synergy of acquired business entities through source concentration. Profit-oriented through improving R&D, purchase, capacity and marketing in 16 operating sites locating in 10 countries to minimize cost.

   (2) Use current customer networking to expand FZ/SOI sales territory, increasing utilization rate and profitability.

   (3) Upgrade production efficiency continuously in all sites so as to maximize capacity with current equipments to satisfy customer demand.

   (4) Active deployment on niche patents and process so as to facilitate new technology and product development.

2. Sales Forecast

World Semiconductor Trade Statistics (WSTS) statistic showed that global sales were US$411.1 billion in 2017, up by 22.7% from the 2016 sales (US$334.9 billion) and the industry was expected to record 4% and 0.5% growth respectively in 2018 and 2019. Average annual growth from 2015~2018 accumulatively in global semiconductor shipment will reach 6.9%.

Among major semiconductor product categories, WSTS recorded growth in 2017 for discrete (3.8%/$ 20.144 billion), optoelectronics (-12%/ $28.365 billion), sensors (-1.2%/ $10.688 billion), IC (4.4%/$284.892 billion). When break down to details, Memory (70%/ $126.207 billion), Logic (11.3%/ $100.3 billion), Micro (4.8%/ $65.876 billion) and analog (23.2%/ $58.376 billion).

3. Production & Marketing Strategy

   (1) Integrate technology and resources among group, debottleneck to maximize capacity. Speed up in R&D consolidation of newly acquired business entities and set up international platform for further technology discussion in pursuit of better quality and customer satisfaction.

   (2) Increase group total capacity, flexibly arrange production to achieve competitiveness which fits economies of scale through vertical integration of group resources and capacity flexibility. Synchronize with markets and strengthen R&D bonding with customers.

   (3) Integrate ingot and wafer supply chain to work out additional capacity.

   (4) Allocate limited capacity to maximize revenue and profit.

   (5) Focus on development of high-efficiency niche products with core technology for more value.

   (6) Sign long-term agreement with key partners to solidify cooperation.

   (7) Search for technology and sales strategic alliance to meet our needs for R&D new materials as well as fast product introduction into end market so as to enlarge market share.

4. Future Strategy

(1) Develop next-generation wafers with our advancing technology; explore large size heavy-dopant & high-power epitaxial technology to become the biggest wafer maker with most complete product portfolio in the world.

(2) Close collaboration with industry, government and academy to develop core technology of large size ingot growth; increase innovation and accelerate RD ability to keep up with international rivals.

(3) De-bottlenecking to enlarge capacity and efficiency to meet keen demand

(4) Close collaboration with end customers to seize market demand and development trend

(5) Utilize our superior performance and enlarge operation scale via strategic alliance or M&A.

5. Influences from External Competition, Regulations and Economy

(1) Semiconductor industry has brought all kinds of products into people's daily life, embodying the deep bonding between semiconductor cycle and macroeconomics. GlobalWafers has extensive customers, and end products are widely expanded into all applications and business, such as automobile, power device and memory……etc, which effectively reduces dangerous dependence of one industry. Consequently, we could lower the impact when macroeconomic worsens.

(2) Integration in semiconductor industry is still on-going. Besides enlarging company scale and endeavoring in strengthening our competitiveness, GlobalWafers not only focus on current product but also collaborates with customers to develop new products, establishing profound partnership to secure business opportunities. In particular, with the acquisitions of Topsil & SEMI, we have complete product portfolio to better serve customers by satisfying all kinds of requirements.

(3) Entry into semiconductor business is not so easy for other competitors because this industry is capital and technology intensive. GlobalWafers has achieved economics-of-scale operation via merge & acquisition as well as equipment expansion. Our manufacturing process and technology is qualified by tier-1 customers with deep trust. We will use our current foundation along with unique technologies in worldwide manufacturing sites to develop new niche products with higher value via core technology, and minimize costs for better profits in the same time.

(4) Foreign exchange volatility and complicated economy have impacted exported-oriented semiconductor industry, yet we mitigate the exposed position by natural hedge. The finance department closely monitors international FX trend and operate financial tools such as Forward so as to minimize fluctuation impact.

Through two successful merger and acquisition in 2016, GlobalWafers have combined its unparallel operation model with innovative technology and global sales network of SEMI and Topsil, forged its unique advantages such as economics-of-scale competence, global collaboration. Not only possessing the complete product offering, GlobalWafers also explores its sales territory into Europe and South Korea, geographical revenue has achieved balance consequently.

In 2017, GlobalWafers focuses on adjusting operational structure. Through restructure and elevating managerial efficiency, we have demonstrated great synergy. With the up-cycle of semiconductor industry and wafer price hike, GlobalWafers has scaled up, vaulting itself into the third largest wafer maker in the world. GlobalWafers will endeavor to bring up its technology and cost-control superiorities, aiming to be the long-term partners of customers by providing total solution.

Chairperson	Hsiu-Lan Hsu
President	Mark England
Chief Account	Hsiu-Lin Hsu

II. Company Profile

2.1 Date of Incorporation: October 18, 2011

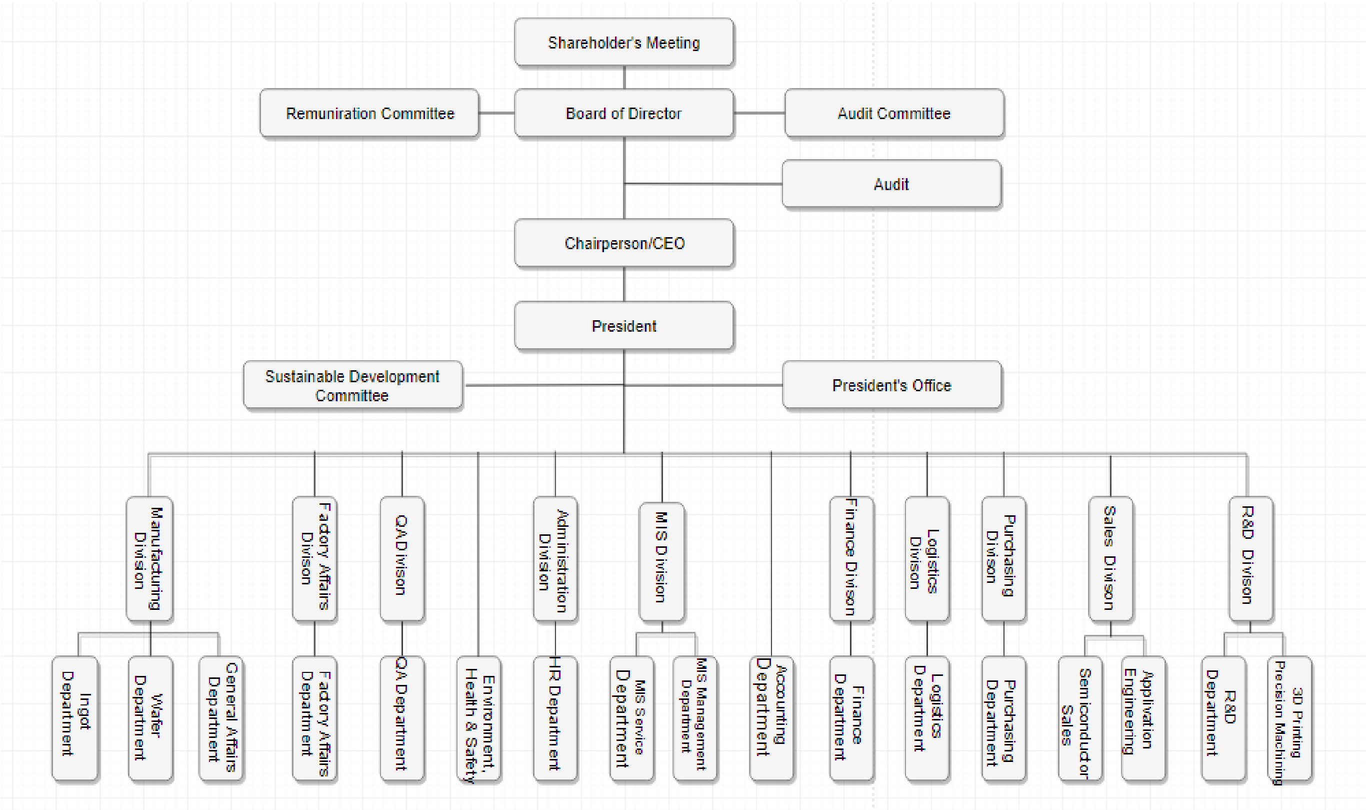
2.2 Corporate Milestones

10.2011	Formal establishment of GlobalWafers Co., Ltd. (carved out from SAS semiconductor business unit) Paid-in capital-NTD 1,800,000,000.
04.2012	GlobalWafers acquired all the semiconductor silicon wafer related business in the subsidiaries of the Japanese Covalent Materials Corp. Paid-in capital-NTD 3,175,000,000.
08.2013	ISO14001 certified
12.2013	Taiwan Intellectual Property Management System (TIPS) Certificate approved
12.2013	2013 Occupational Health initial mark certified by Ministry of Health and Welfare
07.2014	TS16949:2009 Quality Assurance Certificate granted
09.2014	IPO
10.2014	Emerging Stock Listing
01.2015	Paid-in capital increase to NTD 3,492,500,000 via cash offering
04.2015	Listing application on TPEx
09.2015	Paid-in capital increase to NTD 3,692,500,000 via cash offering
09.2015	List on Taipei Exchange
04.2016	2015 Best Supplier Award From Texas Instrument
07.2016	The acquisition for the semiconductor business of Topsil Semiconductor Materials A/S in Denmark
08.2016	Occupational Safety and Health System OHSAS 18001:2007 certificated
08.2016	ISO 14001:2015 Certified
08.2016	TOSHMS/CNS 15506：2011 Certified
12.2016	Acquisition of SunEdison Semiconductor
04.2017	Top 20% of Corporation Governance Award of the third term from Securities and Futures Institute
05.2017	Paid-in capital increase to NTD 4,372,500,000 via GDR issuance
05.2017	The Outstanding Cooperation Supplier Award from HHGrace
06.2017	The Front End Direct Materials Supplier of the Year Award from ONSEMI
12.2017	2017 Merge & Acquisition Award from MAPECT
01.2018	Triple A Country Award Taiwan 2017– Best GDR by The Asset
04.2018	Top 20% of Corporation Governance Award of the fourth term from Securities and Futures Institute

III. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Responsibilities of Major Departments

Department	Responsibilities
Chairperson	- Set up business plans, strategies, and targets. - Execute resolutions from Board of Directors Meeting and Shareholder Meeting
Audit Office	- Inspect and assess the soundness, adequacy and effectiveness over the Company's internal control system. - Responsible for the execution, audit and reports over the internal controls.
President and President's Office	- Perform resolutions from meetings of Board of Directors. - Execution of management and projects - Define business plans and strategies - Ensure planned business targets achieved. - Evaluate and analyze business and management performance.
Sustainable Development Committee	- Legislate and advocate policies such as environmental protection, corporate governance and corporate social responsibility so as to pursue sustainable development and fulfill social responsibility.
MIS	- Maintain IT hardware & software - Plan and execute E-working
Quality Assurance	- Establish and maintain products standards and its relevant inspection standards. - Inspect on purchased materials, tools, production process, and finished products. - Perform product quality improvement activities.
Administration	- Execute human resource and welfare regulations, define job description of all positions. - Plan, recruit and train human resources, plan and perform annual training courses.
Finance	- Fund arrangement and networking with financial institutions. - Project execution
Accounting	- Set up, perform, control and review annual budget - Plan, establish execute and revise accounting system - Prepare, analyze and explain financial structure, profit & loss and financial statements. - Tax arrangement
Environment, Health & Safety	- Define labor safety management and provide guidance for relevant departments - Plan, supervise relevant departments over labor safety audit and management - Equipment maintenance and examination. - Labor and safety training - Investigate, analyze occupational disasters - Provide labor and safety information and professional suggestions - Execute environmental hazard prevention plan
Sales	- Market strategy, explore potential market, customer communication and after service. - Collect market information, customer service and product application, assist the R&D and promotion activities of new products.
Logistics	- Production and capacity arrangement

Procurement	- Procure and purchase - Evaluate new suppliers. - Manage raw materials and suppliers.
R&D	- Research, develop, test new products - Improve production technology, yield and capacity. - Collaborate with academic institutions - Design and improve machineries..
Manufacturing	- Manage production and quality, abnormity, utilization of raw materials, scrap, maintain work environment and security, human resource arrangement and training, expansion preparation and execution. - Evaluate and purchase new machineries and in charge of maintenance and improvement.
Factory Affairs	- Plant construction and maintenance; security over environment, hygiene and safety training

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

3.2.1 Directors and Supervisors

(1)Directors' and Supervisors' Information

April 27, 2018 Unit: Share; %

Title	Nationality	Name	Gender	Date Elected	Duration	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairperson	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	Jan. 19, 2015	3 years	Oct. 01, 2011	700,000	0.22%	847,879	0.19%	0	0	0	0	- M.S. in computer science from University of Illinois - Vice president of Sino American Silicon Products Inc.	Note 1	RD Vice President	Wen-Ching Hsu	Sibling
Director	Taiwan R.O.C.	SAS Representative: Ming-Kuang Lu	Male	Jan. 19, 2015 Jan. 19, 2015	3 years 3 years	Oct. 01, 2011 Oct. 01, 2011	301,381,000 450,000	94.92% 0.14%	222,293,000 1,002,560	50.84% 0.23%	— 316,105	— 0.07%	— —	— —	- EMBA program in National Chengchi University - President of LiteOn Semiconductor Corp. - President of Vishay Lite-On Power Semiconductor Corp., - Vice President of Silitek Corp	Note 2	N/A N/A	N/A N/A	N/A N/A
Director	Taiwan R.O.C.	SAS Representative: Tan-Liang Yao	Male	Jan. 19, 2015 Jan. 19, 2015	3 years 3 years	Oct. 01, 2011 Oct. 01, 2011	301,381,000 200,000	94.92% 0.06%	222,293,000 200,293	50.84% 0.05%	— 674	— 0.00%	— —	— —	- MBA from Tamkang University - Assistant vice president at Lite-on Semiconductor Corp. - President of Sino American Silicon Products Inc.	Note 3	N/A N/A	N/A N/A	N/A N/A
Director	Taiwan R.O.C.	Kuo-Chow Chen	Male	Jan. 19, 2015	3 years	May. 26, 2014	500,000	0.16%	665,773	0.15%	—	—	—	—	- Nan Ying Vocation High School - Chairperson of Nan-hai photoelectric Co., Ltd. - Director of COTA Commercial Bank.	Note 4	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Chun-Yen Chang	Male	Jan. 19, 2015	3 years	Jan. 19, 2015	0	0	0	0	0	0	0	0	- Doctorate from National Chiao Tung University. - Chief Director of Microelectronics and Information Systems Research Center in National Chiao Tung University - President of National Chiao Tung University - Founder and chairperson of National Nano Device Laborites - Senior researcher of Bell Labs - Guest professor of Stuttgart University.	Note 5	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Chi-Hsiung Cheng	Male	Jan. 19, 2015	3 years	Jan. 19, 2015	0	0	5	0.00%	0	0	0	0	- Bachelor degree in business administration from Chinese Culture University - Vice section manager of Yulon Motors - Audit manager at Yue Sheng Industrial Co., Ltd. - Cost manager at Yueki Industrial Co., Ltd - Administration manager at Rica Auto Parts Co., Ltd. - Financing manager at Wafer Works Corporation.	Note 6	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Ming-Chang Chen	Male	Jan. 19, 2015	3 years	Jan. 19, 2015	0	0	0	0	0	0	0	0S	- Ph.D. in business administration from National Chengchi University. - President of Department of Business Administration of National Chung Hsing University - President of China Productivity Center - Manager of Department of Economics of Mainland Affairs Council	Note 7	N/A	N/A	N/A

Note 1: Concurrently Director and the president of Sino-American Silicon Products Inc., Director of GlobalWafers Inc., Director and CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Director of GlobalSemiconductor Inc., Vice chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of Shanghai GROWFAST Semiconductor Technology Co., Ltd., Chairperson of Topsil GlobalWafers A/S, The legal chairperson of board of director representative of Taisil Electronic Materials Corp., Director of GWafers Singapore Pte. Ltd., Director of GlobalWafers Singapore Pte. Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, The legal board of director representative SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte. Ltd., Supervisor of Cathy Sunrise Corporation, Supervisor of Sunrise PV One Co., Ltd., The legal board of director representative of Sunrise PV World Co., The legal board of director representative of Sunrise PV Two Co., Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., The legal board of director representative of Sunrise PV Four Co., Ltd., The legal board of director representative of Sunrise PV Five Co., Ltd., The legal board of director representative of Sunrise PV Electric Power Two and Director of Crystalwise Technology Inc.

Note 2: Concurrently Chairperson & CEO of Sino-American Silicon Products Inc., Chairperson and CEO of Actron Technology Corporation, The legal board of director representative of Solar Energy Corp., The legal board of director representative of Formerica Optoelectronics Inc., The legal chairperson of board of director representative of Sino Silicon Technology Inc., The legal board of director representative of SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte. Ltd. The legal chairperson of board of director representative of Sunrise PV World Co. (Solar power), Director of GlobiTech Incorporated (Semiconductor wafer), Director of GlobalWafers Japan Co., Ltd. (Semiconductor wafer), Director of GWafers Singapore Pte. Ltd. (Investment)

Note 3: Concurrently Vice chairperson & vice CEO of Sino-American Silicon Products Inc., The legal board of director representative of Actron Technology Corporation, Chairperson of REC Technology Corporation, The legal board of director representative of Solar Energy Corp., Chairperson and CEO of Crystalwise Technology Inc., Director of Song Long Electronics Co., Ltd., Remuneration committee of Taiwan Styrene Monomer Corporation, Director of Yuan Hong (Shang Dong) Technical Materials Ltd., Director of Shanghai Sawyer Shenkai Technology Material Co., Ltd.,Director of SY Company LLC, The legal board of director representative of SAS Sunrise Pte. Ltd., The legal representative of supervisor of Sunrise PV World Co., The legal board of director representative of Sunrise PV Two Co., Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., The legal board of director representative of Sunrise PV Four Co., Ltd., The legal chairperson of board of director representative of Sunrise PV Five Co., Ltd., The legal board of director representative of Sunrise PV Electric Power Two Co., Ltd., Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd, Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of GWafers Singapore Pte. Ltd.

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

Note 5: - foreign academician of National Academy of Engineering (America), an academician of Academia Sinica (Taiwan), a tenured professor of National Chiao Tung University, a distinguished chair professor of Academia Sinica Research Center for Applied Sciences, an independent director at United Microelectronics Corporation. and an independent director at BizLink Holding Inc. Previously,

Note 6: Concurrently a member of remuneration committee of the board of director of Kenly Precision Industrial Co., Ltd.

Note 7: the president of the Department of Business Administration of National Taipei University, a guest professor of Nanhua University, a counsel of Straits Exchange Foundation, an independent director of Airmate (Cayman) International Co. Ltd. and a member of the remuneration committee of the board of directors of Kenda Rubber Industrial Co., Ltd.

(2)Major Shareholders of Institutional Shareholders

Table 1: Major Shareholder of Institutional Shareholders

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Sino-American Silicon Products Inc.	Public Service Pension Fund Committee - New (5.11%), Fidelity Select Portfolios: Technology Portfolio (4.35%), Solartech Energy Corp. (3.69%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Fidelity Central Investment Portfolio LLC: Fidelity Information Technology Central Fund (3.18%), Hong-Wang Investment Company (2.57%), Public Service Pension Fund Committee - Old(2.45%), MLI for Client OMNIBUS Taiwan Day Trading (2.08%), Ming-Kuang Lu (1.99%), Hong-Mou Investment Company (1.76%), Feng-Ming Chang (1.69%)

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

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Solartech Energy Corp.	Sino-American Silicon Products Inc. (7.85%), Norges Bank (3.42%), Li-Mou Investment Company (3.31%)、CDIB Capital Group (2.05%), Hsin-Dong Investment Company (1.77%), Key-Sheng Industry Co., Ltd. (1.64%), China Development Financial Holding Corporation (1.39%), Vanguard Emerging Market Stock Index Fund(1.20%), Solartech Energy Corp.- Chinatrust custody (1.17%), Dimensional Emerging Markets Value Fund (1.16%)
Hong-Wang Investment Company	Wei-Lieng Technology Co. Ltd. (39.06%), Actron Technology Corporation (36.56%), GlobalWafers Co., Ltd. (24.38%)
Hong-Mou Investment Company	Christian Faith/Hope/Love Welfare Committee (19.90%), Cross-strait peace Taiwan Faith/Hope/Love Education Foundation (19.90%), Mercy Social Welfare Committee (19.90%), Via Technology Welfare Committee (19.90%)

(3)Director and supervisor information

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

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

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
(8) Not a spouse or relative within the second degree of kinship of any other director of the Company.
(9) Not a person of any conditions defined in Article 30 of the Company Act.
(10) Not elected with the conditions of government, juristic person or its representative defined in Article 27 of the Company Act.

3.2.2 Information on the Company’s President, Vice President, Assistant Vice President, and the supervisors of all the Company’s Divisions and Branch Units as follows:

April 27, 2018 Unit: share; %

Title	Nationality	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons’ Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	Oct. 1, 2011	847,879	0.19%	–	–	–	–	- M.S. in computer science from University of Illinois - Vice president of Sino-American Silicon Products Inc	Note1	RD VP	Wen-Ching Hsu	Sibling
President	USA	Mark Lynn England	Male	Oct. 1, 2014	–	–	–	–	–	–	- University of Texas,Austin,Texas, BBA, Engineering Management - GlobalWafers Co., Ltd. V.P., Sales & Marketing - Texas Instruments Manager,Product Engineering	Note 2	N/A	N/A	N/A
R&D Vice President Manufacturing Vice President	Taiwan R.O.C.	Wen-Ching Hsu	Male	Sep. 2, 2014	17,778	0.00%	–	–	–	–	- Ph. D, Institute of NanoEngineering and MicroSystems of National Tsing Hua University - Researcher of Industrial Technology Research Institute of Taiwan - R&D vice president of Sino-American Silicon Products Inc.	N/A	CEO	Hsiu-Lan Hsu	Sibling
Logistics Vice President	Taiwan R.O.C.	Wei-Wen Chen	Male	Sep. 2, 2014	60,700	0.01%	190,000	0.04%	–	–	- Master in finance and economics from National Taiwan University - Master in finance and economics in engineering from Cornell University. - Assistant vice president at the Asia-pacific Logistics Chain Department of NXP Semiconductors	Note 3	N/A	N/A	N/A
Sales& Marketing Vice President	Taiwan R.O.C.	Sheng-Hsiung Hung	Male	Mar. 19, 2015	–	–	–	–	–	–	- Master in engineering from Boston University. -Vice president of Sales & RD in Kunshan Sino Silicon Technology Co., Ltd.	Note 4	N/A	N/A	N/A
Procurement Vice President	Taiwan R.O.C.	Ching-Wen Chou	Female	Jul. 1, 2016	28,150	0.01%	–	–	–	–	- Master degree in Business Administration , University of Long Island,USA - Procurement manager of Wistron NeWeb Corp - Project manager of Symbol Technologes	N/A	N/A	N/A	N/A
Corporate Development Vice President	Taiwan R.O.C.	Chung-Wei Lee	Male	Mar. 21, 2017	–	–	–	–	–	–	-Bachelor in Business Management, Master Business Administration, Meiji University -Vice CEO/President of Covalent Materials Taiwan -Assistant Director, Mitsui & Co. (Taiwan), Ltd.	Note 5	N/A	N/A	N/A
Sales& Marketing Assistant Director	Taiwan R.O.C.	Tien-Wen Yu	Male	Mar. 20, 2018	10,510	0.00%	–	–	–	–	- Bachelor in Business Administration, National Taipei University of Business -Vice director of Sales& Marketing in Sino-American Silicon Products Inc.	N/A	N/A	N/A	N/A
CFO	Taiwan R.O.C.	Ming-Huei Chien	Male	Sep. 2, 2014	27,730	0.01%	–	–	–	–	- Master in Business Administration from National Taipei University -Manager at Administration Department of JihSun International Commercial Bank -Manager of finance at Sunrise Global Solar Energy Co., Ltd.	Note 6	N/A	N/A	N/A
Accounting Manager	Taiwan R.O.C.	Yu-Ting Lo	Female	Mar. 23, 2018	–	–	–	–	–	–	- Department of Accountancy, National Cheng Kung University - Audit Manager, KPMG -Assistant Manager of Accounting in LITE-ON Technology Corporation -Assistant Manager of Accounting in Sunplus Technology Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: Concurrently CEO of GlobalWafers Co., Ltd., Director and the president of Sino-American Silicon Products Inc., Director of GlobalWafers Inc., Director and CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Director of GlobalSemiconductor Inc., Vice chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of Shanghai GROWFAST Semiconductor Technology Co., Ltd., Chairperson of Topsil GlobalWafers A/S, The legal chairperson of board of director representative of Taisil Electronic Materials Corp., Director of GWafers Singapore Pte. Ltd., Director of GlobalWafers Singapore Pte. Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, The legal board of director representative SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte. Ltd., Supervisor of Cathy Sunrise Corporation, Supervisor of Sunrise PV One Co., Ltd., The legal board of director representative of Sunrise PV World Co., The legal board of director representative of Sunrise PV Two Co., Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., The legal board of director representative of Sunrise PV Four Co., Ltd., The legal board of director representative of Sunrise PV Five Co., Ltd., The legal board of director representative of Sunrise PV Electric Power Two and Director of Crystalwise Technology Inc.

Note 2: Concurrently Director and President of GlobiTech Incorporated, Director and President of MEMC LLC, Director of GlobalWafers Singapore Pte. Ltd., Director of Taisil Electronic Materials Corp., Director of MEMC Korea Company,

Note 3: Concurrently Supervisor of Kunshan Sino Silicon Technology Co., Ltd., Supervisor of Shanghai GROWFAST Semiconductor Technology Co. Ltd., and Director of Topsil GlobalWafers A/S.

Note 4: Concurrently Director of Kunshan Sino Silicon Technology Co., Ltd., and Director and President of SunEdison Semiconductor Technology (Shanghai) Ltd.

Note 5: Concurrently Corporate Development Vice President of Sino-American Silicon Products Inc., Supervisor of GlobalWafers Japan Co., Ltd., Director of MEMC Japan Limited, The legal supervisor representative of Sunrise PV Electric Power Two

Note 6: Concurrently Director of Kunshan Sino Silicon Technology Co., Ltd., Director of MEMC Electronic Materials S.p.A., Director of MEMC Holding B.V., Supervisor of Taisil Electronic Materials Corp., The legal supervisor representative of Sunrise PV Two Co., Ltd., The legal supervisor representative of Sunrise PV Three, Ltd. and The legal supervisor representative of Sunrise PV Four Ltd.

3.2.3 Compensation Paid to CEO, President and Vice Presidents

(1) Remuneration Paid to Directors (Independent Directors included)

Date: December 31, 2017 Unit: NTD$ 1,000

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company Other than the Company’s Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus to Directors (C)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Profit Sharing- Employee Bonus (G)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">All companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Director</td><td>Hsiu-Lan Hsu</td><td rowspan="7">2,160</td><td rowspan="7">2,160</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">15,000</td><td rowspan="7">17,413</td><td rowspan="7">230</td><td rowspan="7">230</td><td rowspan="7">0.33%</td><td rowspan="7">0.38%</td><td rowspan="7">3,060</td><td rowspan="7">3,060</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">29,000</td><td rowspan="7">0</td><td rowspan="7">29,000</td><td rowspan="7">0</td><td rowspan="7">0.94%</td><td rowspan="7">0.98%</td><td rowspan="7">NA</td></tr>
<tr><td>Director</td><td>Sino-American Silicon Products Inc Representative: Ming-Kuang Lu</td></tr>
<tr><td>Director</td><td>Sino-American Silicon Products Inc Representative: Tan-Liang Yao</td></tr>
<tr><td>Director</td><td>Kuo-Chow Chen</td></tr>
<tr><td>Independent Director</td><td>Chun-Yen Chang</td></tr>
<tr><td>Independent Director</td><td>Chi-Hsiung Cheng</td></tr>
<tr><td>Independent Director</td><td>Ming-Chang Chen</td></tr>
<tr><td colspan="23">Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as being consultant): NA</td></tr>
</table>

Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT$2,000,000	Chun-Yen Chang Chi-Hsiung Cheng Ming-Chang Chen	Chun-Yen Chang Chi-Hsiung Cheng Ming-Chang Chen	Chun-Yen Chang Chi-Hsiung Cheng Ming-Chang Chen	Chun-Yen Chang Chi-Hsiung Cheng Ming-Chang Chen
NT$2,000,001 ~ NT$4,999,999	Hsiu-Lan Hsu Sino-American Silicon Products Inc. (Representative: Ming-Kuang Lu, Tan-Liang Yao) Kuo-Chow Chen	Sino-American Silicon Products Inc. (Representative: Ming-Kuang Lu, Tan-Liang Yao) Kuo-Chow Chen -	Sino-American Silicon Products Inc. (Representative: Ming-Kuang Lu, Tan-Liang Yao) Kuo-Chow Chen -	Sino-American Silicon Products Inc. (Representative: Ming-Kuang Lu, Tan-Liang Yao) Kuo-Chow Chen -
NT$5,000,000 ~ NT$9,999,999	-	Hsiu-Lan Hsu	-	-
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,0010~ NT$29,999,999	-	-	-	-
NT$30,000,000 ~ NT$49,999,999	-	-	Hsiu-Lan Hsu	Hsiu-Lan Hsu
NT$50,000,000 ~ NT$99,999,999	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	7	7	7	7

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

Date: December 31, 2017 Unit: NT$1,000

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Hsiu-Lan Hsu	15,618	21,867	432	432	2,196	2,196	49,500	0	49,500	0	1.28%	1.40%	NA
President	Mark Lynn England													
Vice President	Wen-Ching Hsu													
Vice President	Wei-Wen Chen													
Vice President	Sheng-Hsiung Hung													
Vice President	Ching-Wen Chou													
Vice President	Chung-Wei Lee													

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Chung-Wei Lee	Chung-Wei Lee
NT$2,000,001 ~ NT$4,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	Mark Lynn England, Wen-Ching Hsu, Wei-Wen Chen Sheng-Hsiung Hung, Ching-Wen Chou	Wen-Ching Hsu, Wei-Wen Chen Sheng-Hsiung Hung, Ching-Wen Chou
NT$10,000,000 ~ NT$14,999,999	-	Mark Lynn England
NT$15,000,0010~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	Hsiu-Lan Hsu	Hsiu-Lan Hsu
NT$50,000,000 ~ NT$99,999,999	-	-
Over NT$100,000,000	-	-
Total	7	7

(4) Employee Profit Sharing Granted to Management Team

Date: December 31, 2017 Unit: NT$ 1,000

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Management Team	Chairperson	Hsiu-Lan Hsu	—	56,000	56,000	1.06%
	President	Mark Lynn England				
	Vice President	Wen-Ching Hsu				
	Vice President	Wei-Wen Chen				
	Vice President	Sheng-Hsiung Hung				
	Vice President	Ching-Wen Chou				
	Vice President	Chung-Wei Lee				
	Finance Manager	Ming-Hui Chien				
	Accounting Manager	Hsiu-Ling Hsu				

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

1. Total Remuneration to Net Income

Unit: NT$ 1,000; %

Title	2017		2016	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	0.33%	0.38%	0.63%	0.63%
President and Vice President	1.28%	1.40%	2.26%	2.98%

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

2.1. Remuneration to the directors is proceeded in accordance with Articles of Incorporation and approved by the Board Meeting. Remuneration of president and vice presidents including salary, bonus and profit sharing plan are decided by his/her position, responsibility, and contribution with consideration of common level of the same trade concerned. The procedure of remuneration appropriation is determined based on Articles of Incorporation and internal delegation process. Remuneration appropriated to directors, president and vice presidents is taken consideration with positive correlation with the performance of the Company's business and future operation risk, so as to achieve the balance between sustainable management and risk control.

2.2 Procedures of Remuneration

Remuneration to the directors is performed in accordance with Articles of Incorporation:

If the Company has surplus at the end of each fiscal year, 3~15% of the profit shall be appropriated for the employees' remuneration and no more than 3% shall be appropriated for directors' remuneration.

Also, execution fee is transportation expenses of each board of directors meeting, remuneration to presidents and vice president are in accordance with operation performance set in forth in Year Plan, its distribution is proceeded according to Procedure of Performance Evaluation and Procedure of Employee Stock Option.

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

2.3 Connection between operation performance and future risk

Performance evaluation and remuneration of directors and managers are measured based on market average, monetary amount, distribution method and future risk of the company. It has a positive correlation with the performance and responsibility of the company's business.

3.3 Implementation of Corporate Governance

3.3.1 Attendance of Directors for Board Meetings

A total of 9 meetings【A】of the board of directors were held in the previous period. Director attendance was as follows:

Title	Name	Attendance in Person【B】	By Proxy	Attendance Rate in Person (%)【B/A】	Notes
Chairperson	Hsiu-Lan Hsu	9	0	100%	The Third Term (Elected on 2015/1/19)
Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	7	2	78%	
Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao	8	1	89%	
Director	Kuo-Chow Chen	9	0	100%	
Independent Director	Chun-Yen Chang	8	1	89%	
Independent Director	Chi-Hsiung Cheng	9	0	100%	
Independent Director	Ming-Chang Chen	9	0	100%	

Other mentionable items:

1. If there are any of below circumstances, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:
   i. Circumstances in Article 14-3 of Securities and Exchange Act: The Company has established Audit Committee, thus Article 14-3 is not applicable.
   ii. Apart from the aforementioned, resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: No abovementioned matters so far.
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: No abovementioned matters so far.

3. Measures taken to strengthen the functionality of the Board (such as Audit Committee, information transparency elevation):
   i. Establishment of independent director & Audit Committee to strength objectiveness of independent directors so as to supervise BOD performance – The Company has elected all directors and three independent directors on 2015/1/19 Extraordinary Shareholders' Meeting, and established Audit Committee to substitute supervisors.
   ii. Establishment of Remuneration Committee to assist BOD to execute and evaluate overall remuneration and benefit system; periodically examine adequateness of reward for directors and managers.
   iii. Information transparency - Assigned employee to disclose information and update company website, set up investor section to disclose financial information as well as interested party section for mutual communication.
   iv. Improve functionality and professionalism of Board of Directors – The Company has legislated "Rules of Procedure for Board of Directors Meetings" to strengthen functionality of Board of Directors, and encourages board members to participate various of training courses and advocates relevant regulations in board meeting so as to elevate the ability of decision making and compliance of all regulations.

3.3.2 Attendance of Audit Committee

The Company established Audit Committee on 2015/1/19 to substitute supervisors. A total of 9 meetings of the audit committee were held in the previous period. Independent director attendance was as follows:

Title	Name	Attendance in Person	Attendance In Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Chun-Yen Chang	8	1	89%	Established Audit Committee on 2015/1/19
Independent Director	Chi-Hsiung Cheng	9	0	100%	
Independent Director	Ming-Chang Chen	9	0	100%	

Other mentionable items:

1. If there are the circumstances referred to in any of below, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
   (1) in Article 14-5 of the Securities and Exchange Act: None
   (2) Except the above, resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors: None
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
   i. Communication among independent directors and internal auditors and CPAs.
      - The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee.
      - The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, audit and internal control audit in quarterly meeting with the Audit Committee.
   ii. Summary of independent directors' communication with internal auditors

Date	Communication Topic
2017.03.21 Audit Committee	2016 Internal Audit Report 2016 Statement of Internal Control System
2017.05.11 Audit Committee	2017Q1 Internal Audit Report
2017.08.08 Audit Committee	2017Q2 Internal Audit Report
2017.11.07 Audit Committee	2017Q3 Internal Audit Report 2018 Internal Audit Plan

iii. Summary of independent directors' communication with CPAs

Date	Communication Topic
2017.03.21 Audit Committee	Review result of 2016 Consolidated and Standalone Financial Statements. Discussion & Communication of accounting principles and influences of newly-modified regulations
2017.05.11 Audit Committee	Review result of 2017Q1 Consolidated and Standalone Financial Statements. Discussion & Communication of accounting principles and influences of newly-modified regulations
2017.08.08 Audit Committee	Review result of 2017Q2 Consolidated and Standalone Financial Statements. Discussion & Communication of accounting principles and influences of newly-modified regulations
2017.11.07 Audit Committee	Review result of 2017Q3 Consolidated and Standalone Financial Statements. Discussion & Communication of accounting principles and influences of newly-modified regulations

Circumstances referred to in Article 14-5 of the Securities and Exchange Act

Board Meeting Term/Date	Agenda	Article 14-5 of the Securities and Exchange Act	Resolved not by Audit Committee, but by more than two thirds of Board Meeting
3rd Term/22nd meeting 2017.01.17	1. Report on Derivative Products	V	Approved by all audit committee presented and by all directors presented in board meeting
	2. 2017 Year Plan	V	
	3. 2016 CPA professional fees	V	
	4. Amendment on "Policies and Procedures for Financial Derivatives Transactions"	V	
	5. Amendment on "Procedures for Endorsement and Guarantee"	V	
	6. Amendment on "Lending Funds to Other Parties"	V	
3rd Term/23rd meeting 2017.02.24	1. Capital increase (USD$0.35bn) to GWAFERS SINGAPORE PTE LTD(GWS), the Singaporean subsidiary	V	
3rd Term/24th meeting 2017.03.21	1. Report on Derivative Products	V	
	2. 2016 Financial statements	V	
	3. Amendment on "Acquisition or Disposal of Assets Procedure"	V	
	4. Cash offering by issuance of Global Depositary Receipts	V	
	5. To invest capital fund	V	
	6. Application for credit line of subsidiary, SunEdison Semiconductor, LLC.	V	
	7. Internal Audit Report	V	Approved by all audit
	8. 2016 Statement of Internal Control System	V	
	9. Evaluation on CPA adequacy and independence	V	
	10. Auditor change due to job rotation in accounting firm	V	

Board Meeting Term/Date	Agenda	Article 14-5 of the Securities and Exchange Act	Resolved not by Audit Committee, but by more than two thirds of Board Meeting
3rd Term/25th meeting 2017.05.09	1. 2016 Profit Distribution	V	committee presented and by all directors presented in board meeting
	2. Cash dividend issuance via capital surplus	V	
3rd Term/26th meeting 2017.05.11	1. 2017Q1 Consolidated Financial Statements	V	
	2. Internal Audit Report	V	
	3. Report on Derivative Products	V	
	4. Application for credit line of subsidiary, Taisil Electronic Materials Corp., GWC to issue LOG	V	
3rd Term/27th meeting 2017.08.08	1. 2017Q2 Consolidated Financial Statements	V	
	2. Internal Audit Report	V	
	3. Report on Derivative Products	V	
	4. Report on group restructure and fund lending among subsidiaries	V	
	5. Application for general credit line and foreign exchange quota for subsidiaries, GWC as guarantor	V	
	6. Fund lending to Taisil Electronic Materials Corp.	V	
3rd Term/28th meeting 2017.09.28	1. Report on group restructure	V	
	2. Taisil Electronic Materials Corp. share purchase from subsidiaries, SunEdison Semiconductor B.V. and SunEdison Semiconductor Holdings B.V.	V	
	3. Application for credit line of subsidiary, Topsil GlobalWafers A/S, GWC as guarantor	V	
	4. Application for credit line of subsidiary, GlobalWafers Japan Co., Ltd., GWC to issue LOG	V	
	5. Application for credit line of subsidiary, Globitech Incorporated, GWC to issue LOS	V	
	6. Application for credit line of subsidiary, SunEdison Semiconductor, LLC, GWC to issue LOG	V	
3rd Term/29th meeting 2017.11.07	1. 2017Q3 Consolidated Financial Statements	V	
	2. Internal Audit Report	V	
	3. 2018 Internal Audit Plan	V	
	4. Report on Derivative Products	V	
	5. To purchase Chunan plant I, facilities and some equipments from SAS, the parent company,.	V	
3rd Term/30th meeting 2017.12.12	1. 2018 Year Plan	V	
	2. 2017 CPA professional fees	V	
	3. Amendment on ”Audit Committee Charter”	V	
	4. Amendment on “Rules of Procedure for Board of Directors Meetings”	V	
	5. Amendment on “Rules Governing the Scope of Powers of Independent Directors”	V	
	6. Report on Derivative Products	V	
	7. Application for general credit line & guarantee for foreign exchange & derivative trading amount for subsidiaries.	V	

3.3.3 Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles by following the principles of corporate governance.	None
2. Shareholding structure & shareholders' rights i. Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? ii. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? iii. Does the company establish and execute the risk management and firewall system within its conglomerate structure? iv. Does the company establish internal rules against insiders trading with undisclosed information?	V V V V		(1) The Company has appointed Yuanta Securities' Stock Transfer and Registrar Services Department to take care of shareholder services. Spokesman and website area are also designated for all questions and suggestions. (2) The Company monitors shareholding of directors, managers and major shareholders with over 10% company shares; submit reports to MOPS monthly. (3) Internal control system includes enterprise risk monitoring and operation. GWC also legislates "Supervision and Management of Subsidiary" to execute risk control. "Procedure of Investment Management" and "Transaction Procedure among Group and Related Parties" are also legislated to control import/export, acquisition/deposal of assets, endorsement/guarantee, fund lending of affiliated companies. (4) The Company has established "Procedures for Inside Trading Prevention" to forbid insiders trading on undisclosed information.	None
3. Composition and Responsibilities of the Board of				

Directors i. Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) Our "Corporate Governance Best Practice Principles" has regulated the capability of the board. Current board consist of one female director and 6 male directors, who possess operation management, professional expertise commercial and finance experiences, fully equipping the needed knowledge, skill and ability for jobs. Our diversified policy is disclosed in corporate website.	None
ii. Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2) "Articles of Incorporation" stipulates that functional committees may be established under BoD, which was set up in accordance with related regulations. The Company has established the remuneration committee and audit committee. ➢ Remuneration Committee- set up in 2014, consist of 3 independent directors ➢ Audit Committee- set up in 2015, consist of 3 independent directors ➢ Sustainable Development Committee- set up in 2017, chairperson is the leader who reports policy and performance periodically to the BoD.	
iii. Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		(3) The company has legislated "Board of Directors' Performance Evaluation Procedure" and annually conducts self-evaluation. The result will be reported to the BoD and disclosed on the website. The criteria include operational involvement, directors' conflicts of interest, continuing education and attendance. Overall performance is good and 2017 annual evaluation result is reported to Board of Directors on 2018/3/20.	
iv. Does the company regularly evaluate the independence of CPAs?	V		(4) The Company has legislated "CPA Independence and Performance Evaluation Procedure" to appraise their independence and adequacy as well as performance. The result will be reported to Audit Committee and BoD meeting for approval. 2017 annual evaluation result is reported to Audit Committee Board of Directors on 2018/3/20. Independence criteria include if CPA serves as customer's	

			directors/supervisors, managers or critical position which may affect their audit; any direct/indirect/major financial interests or commercial/employment relationship with the Company, any advocacy/brokerage of customer's stocks or other type of shares……totaled 15 items. Evaluation criteria include service quality, professional and efficiency.	
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?			President's Office is in charge of corporate governance affairs, including: (1) Legislate and plan corporate governance related regulations and execution. (2) Provide information needed for directors to perform their job and assist directors to follow regulations. (3) Plan board meetings and send out meeting notice at least by 7 days prior to board meeting with sufficient meeting materials. Distribute meeting minutes within 20 days after BoD meeting. (4) Register shareholder meeting in accordance with applicable laws, write meeting notice, handbook and minutes, and handle corporate registration if there is any change in Articles of Incorporation or directors election. Also, the Company has set up Sustainable Development Committee in 2017 to execute environmental protection, corporate governance and social responsibility. Chairperson services as committee leader who reports policy and performance periodically to the BoD in the pursuit of corporate development as social responsibility.	None
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders'	V		We have spokesman & deputy spokesman to keep smooth communication with interested parties. The Company sets up interested party section in corporate website to take care of all kinds of inquiry and designates appropriate employee to answer.	None

questions on corporate responsibilities?				
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities to deal with shareholder affairs.	None
7. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)	V V		(1) The Company has set up website to disclose information regarding the Company's financials, business and corporate governance status. (2) The Company has set up English website and assigned an appropriate person to handle information collection and disclosure. The Company has complied applicable laws and regulations for public announcement and report. All shareholders could search for our material information as well as all messages in MOPS or corporate website. We have spokesman & deputy spokesman system.	None
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) Maintenance on employee rights and employee welfare The Company always treasure relationship between employer and employees, and treats employees with honest and trust and protect employees rights according to Labor Standards Act. To maintain great relationship with employees via all kinds of welfare and training programs. (2)Stakeholders: The Company fully discloses via MOPS and official website to familiarize investors with corporal operation, and communicates with investors through shareholder meeting and spokesman. (3)Supplier relationship: The Company has maintained stable relationship with suppliers, randomly audits to ensure suppliers' quality. (4)The rights of interested party:	None

			Interested party could ensure their rights via communication/suggestion with the Company (5)Continuing education/training of directors and supervisors: All directors have required professional expertise and attend continuing education in compliance with governmental requirements. (6) Status of risk management policies and risk evaluation: The company has managed risk stably. Internal regulations and control system are legislated to prevent risks from happening. Internal auditors perform periodical and random examinations. (7) Customer policy execution: The Company has maintained stable relationship with customers in customer-first principle to maximize profit. (8) Responsibility insurance for director The Company has purchased responsibility insurance for Director, Independent Director and Important Managers to ensure protection of stockholders' rights and discloses at Market Observation Post System	

9. The improvement status for the result of corporate governance & improvement measures

   Evaluation announced by Taiwan Stock Exchange GWC was ranked in top 20% in the 4th Corporate Governance Evaluation. Improvement are listed as below:

   (1) Improvement
      i. Announce English material information simultaneously
      ii. Disclose communication among independent directors and CPAs, internal auditors in corporate website
      iii. Disclose employee welfare, retirement system and its execution in official website

   (2) Proposal for further improvement
      i. Amend Articles of Incorporation so as all directors election could adopt candidate nominee system
      ii. Upload English annual financial statements in official website (including financial statements and footnotes)
      iii. Prepare CSR report to disclose non-financial information

3.3.4. Operation of Remuneration Committee

1. Member Information

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

Note 1: Check in blocks if matching below description in tenure or two years before the tenure.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.

(6) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.

(8) Not matching description in Article 30 of Company Act

Note 2: If a remuneration committee member is director, please specify if matching item 5, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded Over the Counter"

2. Attendance of Remuneration Committee

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in Person(B)</th><th>Attendance In Proxy</th><th>Attendance Rate in Person (%) (B/A)</th><th>Remark</th></tr>
<tr><td>Committee member</td><td>Chun-Yen Chang</td><td>3</td><td>0</td><td>100%</td><td rowspan="3">2nd term
(elected on
2015.01.19)</td></tr>
<tr><td>Committee member</td><td>Chi-Hsiung Cheng</td><td>3</td><td>0</td><td>100%</td></tr>
<tr><td>Committee member</td><td>Ming-Chang Chen</td><td>3</td><td>0</td><td>100%</td></tr>
<tr><td colspan="6">Other mentionable items:
(1) If remuneration committee’s suggestions are objected ir modified by BOD, BOD date, term, contents of motions, resolution and countermeasure of remuneration committee’s statement (if remuneration resolved by BOD is better than that of remuneration committee, discrepancy and reason should be specified): NA
(2) If any member is against or reserves his/her opinion with record or paper statement regarding committee’s resolution, remuneration committee’s date, term, contents of motions, resolution and countermeasure of member’s statement should be specified: NA</td></tr>
</table>

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation	V		(1) The Company has established "Corporate Social Responsibility Best Practice Principles", including social responsibilities, environmental protection, health and safety…, and continuously to execute.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The Company carries out regular trainings sessions in consistence with its employees' needs every year. Training courses include laws, management, communication, professional ethics, labor safety and environment protection, and advocates CSR policies.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		(3) We have established the Sustainable Development Committee (SDC) and designated chairperson as committee leader with members from all relevant departments to legislate relevant policies and strategies, such as environmental protection, corporate service and social responsibility. Regular examination and continuous improvement are performed, chairperson reports implementation status and	

Evaluation Item	Implementation Status: Yes	Implementation Status: NO	Implementation Status: Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
			performance to Board of Directors in an effort to pursuit corporate sustainable development and social responsibility.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		(4) The Company declares a reasonable salary remuneration policy, and integrates the employee performance appraisal system in compliance with Labor Act with reference of rivals in same industries.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as	V V V		(1) The Company endeavors to escalate utilization of all resources and recycle scrapes so as to use materials more efficiently. (2) The Company is certified by ISO 14001:2015 and OHSAS 18001:2007. Via advocacy and execution on environmental protection, training courses, internal carbon reduction and establishment of labor safety department to execute relevant measures. (3) The Company has implemented all kinds of energy-saving measures to reduce operational impact to natural sources. Apart from energy-monitoring over	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	
well as establish company strategies for energy conservation and carbon reduction?			manufacturing process, garbage recycle, we also incept carbon and greenhouse gas reduction into operational mindset for sustainable development. In 2017, we are certified with ISO 50001:2011, ISO 14064:2006, ISO 14046:2014 and Green Plant evaluation, and fairly examined by third party. Green House Gas Exhaustion： Unit: CO2e ton/year 2015: 10,990; 2016: 10,464; 2017: 12,108 Our main green house gas exhaustion is electricity, which is our top priority for energy saving and efficiency improvement. Through environment management system and implementation of all correction measures (air-conditioning, cooling water, LED) we strive to achieve green production. Our total electricity usage target is to reduce 1% in 2017~2018, which is 195,779 Kwh/year. Converted in the basis of 0.529 (2016 electricity discharge coefficient), we lowered green house gas exhaustion by 103,567 CO2e/Wh。	

Unit: CO2e ton/year

2015	2016	2017
10,990	10,464	12,108

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	
			We save water by recycle polishing and LTO cleaning water, 548CMD is saved according to our estimation.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) GWC not only complies with local regulations to formulate working regulations and personnel management policy, but also legislates "Employment Code" with reference of internationally-recognized the United Nations Universal Declaration on Human Rights to avoid discrimination and protection of human rights. The Company complies with Labor Standards Act to define working hours, recess, holidays, pension, labor and health insurance, occupational hazard compensation.	None
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(2) We offer an Employee Relations Email and Mail Box that provide a channel for employees to express their opinions. HR department ensure all cases are handled with care and Labor-Management Meeting are convened periodically.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its	V		(3) The Company dedicates to provide healthy and safe working environment for all employees. We perform periodic facility and health examination for all staffs, and	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	
employees on a regular basis?			the Company is certified by ISO 14001:2015 and OHSAS 18001:2007.	
(4) Does the company set up a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) Continuous efforts are made to reinforce mutual and timely employee communications, based on multiple channels and platforms (Ex: Labor-Management Meeting, Welfare Committee), which, in turn, fosters harmonious labor relations and creates a win-win situation for the Company and its employees.	
(5) Does the company provide its employees with career development and training sessions?	V		(5) The Company provides various training courses and employees are encouraged to participate external curriculums to strength professional skills and competitiveness.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) The Company constructs smooth communication channel with clients to provide transparent and efficient customer service by legislating and strictly following "Customer Complaint Procedure"	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards? (8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships? (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V V V		(7) The Company advertises and labels its goods and services according to relevant regulations and international standards in this industry. (8) The Company has "Procedure of Supplier Management and Evaluation" for periodic and random audit on our suppliers. (9) The Company signs "Ethical Corporate Management Best Practice Principles" with our suppliers. The Company may terminate contracts if the supplier violates social responsibility and causes adverse impact on environment and the society	
4. Enhancing Information Disclosure Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?			The Company has set up corporate website to disclose relevant and reliable CSR information.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	

5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation:
The Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles and dedicates to realize the actual practice.

6. Other important information to facilitate better understanding of the company's corporate social responsibility practices：

(1) Environmental Protection
Apart from energy-monitoring over manufacturing process, the Company also endeavors to recycle garbage, advocate and invest carbon-reduction equipments.

(2) 2017 Charity Events
1. Dream Come True Program- donate 93 presents to children in remote elementary schools.
2. Purchase 204 moon cake sets and donate to 7 charity institutions
3. Hold regular blood donation activities, total 48,750 cc blood are donated.
4.Sponsor NTD10,000 for Garden Party of Taiwan Fund for Children and Families

(3) Customer Rights
The Company regulates "Customer Complaint Procedure" and also signs supply contracts and quality contract with clients to guarantee customer rights.

(4) Human Rights
The Company emphasizes on human rights, same work rights are applied to everyone no matter races, gender, age; we also provides opportunity for individual opinion and development and respects personal dignity.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	NO	Abstract Explanation	
(5) Safety/Hygiene Our goal is zero pollution. We dedicate in safety policy realization and improve manufacturing situation. We improve safety and hygiene via all employees' efforts. (6) Employee Care: The Company provides annual health examination for employees. Via the examination, employees under and care health. The Company sets alarm and periodically evaluates working environment so as to maintain safe and monitor hazardous factors.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company is writing 2017 corporate social responsibility report, which will be verified by DNV-GL. CSR report will be uploaded to corporate website when available.				

3.3.6 Ethical Corporate Management

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>1. Establishment of ethical corporate management policies and programs
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</td><td>V</td><td></td><td>(1) The Company legislates "Corporate Governance Best-Practice Principles", "Corporate Social Responsibility Best Practice Principles" and "Ethical Corporate Management Best Practice Principles" which are guidelines for BoD and management team to practice in internal operation and business transaction.</td><td>None</td></tr>
<tr><td>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</td><td>V</td><td></td><td>(2) The aforementioned principles have established preventive measures against the following:
i. offering and accepting bribes;
ii. illegal political donations;
iii. improper charitable donations or sponsorship;
iv. offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits.
The aforementioned principles and related</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline. Internal audit also considers this as one of audit item, when such behavior happens, the violators will be punished in the consideration of impact degree.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(3) The Company legislates "Corporate Governance Best-Practice Principles" and "Ethical Corporate Management Best Practice Principles" to define behavior of staffs whose job is associate with important business operation. Via internal audit we prevent misconduct such as offering and accepting bribes, illegal political donations…etc	
2.Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) The Company sets up evaluation system for all clients, suppliers and external contractors. In addition, clear definition of both parties' obligation and duty is included in every business contract with Non-Disclosure Agreement.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(2) President's Office takes care of CSR propaganda and execution. Audit team also inspects in regular audit. Any abnormal will be reported to BoD immediately. We have established the Sustainable Development Committee (SDC) and designated chairperson as committee leader with members from all relevant departments to legislate relevant policies and strategies, such as environmental protection, corporate service and social responsibility. Regular examination and continuous improvement are performed; chairperson reports implementation status and performance to Board of Directors in an effort to pursuit corporate sustainable development and social responsibility.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) Our Work Regulation stipulates award/punishment criteria for interest conflict and avoidance. Rules of Procedure for Board of Directors Meetings also specify that directors should recue himself/herself if he/she is an interested party in any agenda.	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	V V		(4) The Company has established internal audit system and fully executes. Internal auditor periodically inspects the implementation status and submits audit report to BoD. Additionally, to ensure credibility of the system, annual examination and revision are performed in order to establish good corporate governance and risk control which served as basis for internal control system and statement issuance. (5) The Company carries out regular training for new employees to advocate our ethical principle. We also plan annual curriculum program covering corporate governance and ethical operation. In 2017 training include ethical rules, personal data protection, compensation for non-compete clause, Intellectual property and confidentiality protection. Four courses cost four hours, 203 staff participated.	
3.Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity	V		(1) The Company legislates “Procedures for	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	 V V		reporting cases of illegal and unethical or dishonest conduct" and establishes email and opinion mail box with designated department to handle related issues. Violators will be punished according to circumstances. (2) The Company legislates "Procedures For Reporting Cases Of Illegal And Unethical Or Dishonest Conduct" and establishes email and opinion mail box with designated department to handle related issues. Whistleblower's identity and report content are seriously protected. (3) The Company designates employee to take care of improper behavior report. Whistleblower's identity and report content are seriously protected, and will take effect investigation.	
4.Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the	V		The Company's culture operational guideline and Ethical Corporate Management Best-Practice	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>results of its implementation on the company’s website and MOPS?</td><td></td><td></td><td>Principles have been posted on the Company website.</td><td></td></tr>
<tr><td colspan="5">5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.
There have been no differences.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).

(1) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEx-Listed Companies, and other laws and decrees concerning business transactions.
(2) The Company’s “Rules of Procedure for Board of Directors Meetings” stipulates that if a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.
(3) The Company has set up the "Management Procedures for Preventing Insider Trading", which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.</td></tr>
</table>

3.3.7 Corporate Governance Guidelines and Regulations

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

3.3.8 Other Important Information Regarding Corporate Governance

1. The Company's website/Investor section http://www.sas-globalwafers.com
2. Directors' continuing education

Name	Date	Institution	Course	Hours
Hsiu-Lan Hsu	2017/05/11	Taiwan Corporate Governance Association	Corporate And Directors' Duty And Responsibility Under Securities And Exchange Act	3
	2017/11/09	Taiwan Corporate Governance Association	Countermeasure For Global And Cross-Strait Anti-Avoidance Rules Against International Tax	3
	2018/05/10	Taiwan Corporate Governance Association	Common Tax Issue Of Corporate M&A	3
Ming-Kuang Lu	2017/05/11	Taiwan Corporate Governance Association	Corporate And Directors' Duty And Responsibility Under Securities And Exchange Act	3
	2017/11/09	Taiwan Corporate Governance Association	Countermeasure For Global And Cross-Strait Anti-Avoidance Rules Against International Tax	3
	2018/05/10	Taiwan Corporate Governance Association	Common Tax Issue Of Corporate M&A	3
Tan-Liang Yao	2017/05/11	Taiwan Corporate Governance Association	Corporate And Directors' Duty And Responsibility Under Securities And Exchange Act	3
	2017/11/09	Taiwan Corporate Governance Association	Countermeasure For Global And Cross-Strait Anti-Avoidance Rules Against International Tax	3
	2018/05/10	Taiwan Corporate Governance Association	Common Tax Issue Of Corporate M&A	3

Kuo-Chow Chen	2017/05/11	Taiwan Corporate Governance Association	Corporate And Directors' Duty And Responsibility Under Securities And Exchange Act	3
	2017/08/03	Taipei Exchange	Shareholding Guideline For TWSE/Tpex Listed Companies' Insiders	3
	2018/05/10	Taiwan Corporate Governance Association	Common Tax Issue Of Corporate M&A	3
Chun-Yen Chang	2017/05/11	Taiwan Corporate Governance Association	Corporate And Directors' Duty And Responsibility Under Securities And Exchange Act	3
	2017/11/09	Taiwan Corporate Governance Association	Countermeasure For Global And Cross-Strait Anti-Avoidance Rules Against International Tax	3
	2018/05/10	Taiwan Corporate Governance Association	Common Tax Issue Of Corporate M&A	3
Chi-Hsiung Cheng	2017/05/11	Taiwan Corporate Governance Association	Corporate And Directors' Duty And Responsibility Under Securities And Exchange Act	3
	2017/07/05	Taipei Exchange	Shareholding Guideline For TWSE/Tpex Listed Companies' Insiders	3
	2017/11/09	Taiwan Corporate Governance Association	Countermeasure For Global And Cross-Strait Anti-Avoidance Rules Against International Tax	3
	2018/05/10	Taiwan Corporate Governance Association	Common Tax Issue Of Corporate M&A	3
Ming-Chang Chen	2017/08/11	Taiwan Corporate Governance Association	Actual Practice Of Corporate Governance And Audit Committee	3
	2017/12/07	Taiwan Corporate Governance Association	Corporate Governance And Security Regulation	3

3.3.9 Internal Control System Execution Status

1. Statement of Internal Control System

GlobalWafers Co.,Ltd.
Internal Control Disclosure Statement

Date: 20th. Mar. 2018

Based on the findings of a self-assessment, GlobalWafers Co.,Ltd.(GWC) states the following with regard to its internal control system during the year 2017:

1. GWC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and GWC takes immediate remedial actions in response to any identified deficiencies.
3. GWC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. GWC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, GWC believes that on December 31, 2017, we have maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of GMC's Annual Report for the year 2017 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in the meeting held on 20th. Mar. 2018, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

GlobalWafers Co.,Ltd.

Chairman: Doris Hsu

President: Mark Lynn England

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

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

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

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

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

1. Shareholder Meeting

(1) 2017.2.20 Extraordinary Shareholders' Meeting

Important resolution	Implementation status
1. Approve to amend "Policies and Procedures for Financial Derivatives Transactions"	Proceed in accordance with newly amended procedure after EGM resolution
2. Approve to amend "Procedures for Endorsement and Guarantee"	Proceed in accordance with newly amended procedure after EGM resolution
3. Approve to amend "Lending Funds to Other Parties"	Proceed in accordance with newly amended procedure after EGM resolution
4. Approval of issuance of new common shares through domestic cash offering or issuance of new common shares through global depositary receipts offering	GWC issued new common shares through global depositary receipts offering on April 26, 2017 based on EGM resolution. (unit-68,000,000/amount-USD469,200,000)

(2) 2017.6.19 Annual Shareholders' Meeting

Important resolution	Implementation status
1. Approve to amend "Acquisition or Disposal of Assets Procedure"	Proceed in accordance with newly amended procedure after AGM resolution
2. Approve to distribute cash dividends via capital surplus	Cash dividends via capital surplus was distributed on 2017/8/9 (cash dividend is NTD 0.7413 per share, totaled NTD 324,133,425)
3. Approval on 2016 Financial statements	Approved
4. Approval on 2016 Profit distribution	Profit distribution via cash dividends was distributed on 2017/8/9 (cash dividend is NTD 1.7587 per share, totaled NTD 768,991,575)

2. Board of Directors Meeting

Board Meeting Term/Date	Agenda
2017.01.17	1. 2017 Year Plan
	2. 2016 CPA professional fees
	3. Amendment on "Policies and Procedures for Financial Derivatives Transactions"
	4. Amendment on "Procedures for Endorsement and Guarantee"
	5. Amendment on "Lending Funds to Other Parties"
	6. Application for credit line and foreign exchange quota
2017.02.24	1. Capital increase (USD$0.35bn) to GWAFERS SINGAPORE PTE LTD(GWS), the Singaporean subsidiary
2017.03.21	1. 2016 remuneration distribution for employee and director
	2. 2016 Financial statements
	3. Amendment on "Acquisition or Disposal of Assets Procedure"
	4. To decide agenda and relevant issues of 2017 AGM
	5. Shareholder proposal, review and following procedure for 2017 AGM
	6. Cash offering by issuance of Global Depositary Receipts
	7. To invest capital fund
	8. 2016 Statement of Internal Control System
	9. Application for credit line of subsidiary, SunEdison Semiconductor, LLC.
	10. Application for credit line and foreign exchange quota
	11. Appointment of subsidiary directors, supervisors and presidents
	12. Auditor change due to job rotation in accounting firm
	13. To change GWC spokesperson
	14. Salary adjustment for new and current managers
2017.05.09	1. 2016 Profit Distribution
	2. Cash dividend issuance via capital surplus
	3. To decide agenda and relevant issues of 2017 AGM
2017.05.11	1. Application for credit line and foreign exchange quota
	2. Application for credit line of subsidiary, Taisil Electronic Materials Corp., GWC to issue LOG
	3. 2017Q1 Consolidated Financial Statements
2017.08.08	1. Application for credit line and foreign exchange quota
	2. Application for general credit line and foreign exchange quota for subsidiaries, GWC as guarantor
	3. Fund lending to Taisil Electronic Materials Corp.
	4. 2016 profit distribution for managers and employees
	5. Amendment of Regulations for Performance Evaluation
	6. 2017Q2 Consolidated Financial Statements
2017.09.28	1. Application for credit line and foreign exchange quota
	2. Taisil Electronic Materials Corp. share purchase from subsidiaries, SunEdison Semiconductor B.V. and SunEdison Semiconductor Holdings B.V.
	3. Application for credit line of subsidiary, Topsil GlobalWafers A/S, GWC as guarantor
	4. Application for credit line of subsidiary, GlobalWafers Japan Co.,Ltd., GWC to issue LOG

Board Meeting Term/Date	Agenda
	5. Application for credit line of subsidiary, GlobiTech Incorporated, GWC to issue LOS
	6. Application for credit line of subsidiary, SunEdison Semiconductor, LLC, GWC to issue LOG
2017.11.07	1. Application for credit line and foreign exchange quota
	2. 2018 Internal Audit Plan
	3. To purchase Chunan plant I, facilities and some equipments from SAS, the parent company,.
	4. 2017Q3 Consolidated Financial Statements
2017.12.12	1. 2018 Year Plan
	2. 2017 CPA professional fees
	3. Legislate 2018 4-year employee incentive plan
	4. Amendment on “Audit Committee Charter”
	5. Amendment on “Rules of Procedure for Board of Directors Meetings”
	6. Amendment on “Rules Governing the Scope of Powers of Independent Directors”
	7. Application for credit line and foreign exchange quota
	8. Application for general credit line & guarantee for foreign exchange & derivative trading amount for subsidiaries.
2018.03.20	1. 2017 Financial statements
	2. 2017 remuneration distribution for employee and director
	3. 2017 Profit distribution
	4. 2017 Internal Control Disclosure Statement
	5. Amendment to the “Articles of Incorporation"
	6. Amendment on “Acquisition or Disposal of Assets Procedure”
	7. Election of directors
	8. Release of the newly elected directors from the non-competition restrictions
	9. Independent directors nomination
	10. Relevant issues of independent directors nominated by shareholders in 2018 AGM
	11. To decide agenda and relevant issues of 2018 AGM
	12. Shareholder proposal, review and following procedure for 2018 AGM
	13. Application for credit line and foreign exchange quota
	14. Appointment of subsidiary directors, supervisors and presidents
	15. To change GWC accounting manager
	16. Employee Promotion
2018.05.08	1. Independent directors nominees qualification screening
	2. 2017 profit distribution
	3. 2017 remuneration distribution for employee and director
	4. Application for credit line and foreign exchange quota
	5. 2017 profit retaining for subsidiary MEMC Korea Company
	6. 2018Q1 consolidated financial statements

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

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

2018/5/31

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Accounting manager	Hsiu-Ling Hsu	2014.09.02	2018.03.23	Reassigned to Sino-American Silicon Products Inc.

3.4 Information Regarding Audit Fees

3.4.1 Audit Fees

Accounting Firm	Name of CPA		Audit Period	Note
KPMG	Chen-Chien Chen	An-Chih Cheng	2017.01.01-2017.12.31	

Remuneration range \ Item		Audit Fee	Non-audit Fee	Total
1	Under NT$2,000,000	-	v	-
2	NT$2,000,000~NT$3,999,999	-	-	-
3	NT$4,000,000~NT$5,999,999	-	-	-
4	NT$6,000,000~NT$7,999,999	-	-	-
5	NT$8,000,000~NT$9,999,999	-	-	-
6	Over NT$10,000,000	v	-	v

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

Unit: NT$ 1000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
KPMG	Chen-Chien Chen	21,453	0	0	0	1,300	1,300	2017.01.01 - 2017.12.31	"Others" refer to transfer pricing audit, worldwide & national reports, capital increase……
	An-Chih Cheng								

NOTE 1: When the Company changes its auditors and the accounting firm, shall separately specify audit period and reason in the Note column, and disclose information of audit and non-audit fees.
NOTE 2: Please record non-audit fees separately according to service item, if non-audit fees indicated under "Other" constitute 25 percent of total non-audit fees, the nature of those service items shall be indicated in the Note column.

3.4.3 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Therefore Shall Be Disclosed: None.

3.4.4 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 15 Percent Or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Therefore Shall Be Disclosed: None.

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

The Company does not change accounting firm in the last two years, CPAs are changed due to KPMG's internal job rotation and restructure.

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

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

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

Title	Name	2017		As of 2018/4/30		Note
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairperson	Hsiu-Lan Hsu	—	—	—	—	2015.1.19 on board
Director	Sino-American Silicon Products Inc.	—	—	—	—	
	Representative: Ming-Kuang Lu	—	—	—	—	2015.1.19 on board
	Representative: Tan-Liang Yao	(9,000)	—	—	—	2015.1.19 on board
Director	Kuo-Chow Chen	—	—	—	—	2015.1.19 on board
Independent Director	Chi-Hsiung Cheng	—	—	—	—	2015.1.19 on board
Independent Director	Chun-Yen Chang	—	—	—	—	2015.1.19 on board
Independent Director	Ming-Chang Chen	—	—	—	—	2015.1.19 on board
President	Mark Lynn England	—	—	—	—	2014.10.1 on board
Manager	Wen-Ching Hsu	(16,000)	—	—	—	2014.9.2 on board
Manager	Wei-Wen Chen	—	—	—	—	2014.9.2 on board
Manager	Sheng-Hsiung Hung	—	—	—	—	2014.9.2 on board
Manager	Ching-Wen Chou	—				2016.7.1 on board
Manager	Chung-Wei Lee	—	—	—	—	2017.3.21on board
Manager	Tien-Wen Yu	—	—	—	—	2018.3.20 on board
Finance Manager	Ming-Hui Chien	(10,000)	—	—	—	2014.9.2 on board
Accounting Manager	Hsiu-Ling Hsu	—	—	—	—	2014.9.2 on board 2018.3.23 dismissal
Accounting Manager	Yu-Ting Lo	—	—	—	—	2018.3.23on board

Note: The shareholding status is only disclosed during the managers' tenure.

3.7.2 Shares Trading with Related Parties: None

3.7.3 Shares Pledge with Related Parties: None

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

Unit：share；%；2018.4.27

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Top 10 shareholders among who are related parties		Note
	Share	%	Share	%	Share	%	Name	Relationship	
Sino-American Silicon Products Inc.	222,293,000	50.84%	－	－	－	－	N/A	N/A	
Representative: Ming-Kuang Lu	1,002,560	0.23%	316,105	0.07%	－	－	N/A	N/A	
Public Service Pension Fund Committee - New	11,997,000	2.74%	－	－	－	－	N/A	N/A	
Government Of Singapore--GOS-EFM C	11,461,041	2.62%	－	－	－	－	N/A	N/A	
James Capel (Taiwan) Nominees Limited	6,084,500	1.39%	－	－	－	－	N/A	N/A	
Public Service Pension Fund Committee - Old	5,967,000	1.36%	－	－	－	－	N/A	N/A	
Saudi Arabian Monetary Authority - Fund Manager BNY Mellon Asset Management - Administrator	4,169,000	0.95%	－	－	－	－	N/A	N/A	
Fidelity Investment Trust: Fidelity Series Emerging Markets Fund	4,107,300	0.94%	－	－	－	－	N/A	N/A	
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	3,534,000	0.81%	－	－	－	－	N/A	N/A	
JpMorgan Chase Bank N.A. Taipei Branch In Custody For Vanguard Total International Stock Index Fund - A Series Of Vanguard Star Funds	2,861,000	0.65%	－	－	－	－	N/A	N/A	
Mas - GIC Private Limited	2,653,847	0.61%	－	－	－	－	N/A	N/A	

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

2017.12.31

Unit: thousand shares；%

Reinvestment	Investment by SAS		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Share	%	Share		Share	%
GlobalWafers Inc.	90,000	100.00%	-	-	90,000	100.00%
GlobalSemiconductor Inc.	25,000	100.00%	-	-	25,000	100.00%
GWafers Inc. (Note3)	(Note2)	100.00%	-	-	(Note 2)	100.00%
GWafers Singapore Pte. Ltd.	364,000	100.00%	-	-	364,000	100.00%
Topsil GlobalWafers A/S	1,000	100.00%	-	-	1,000	100.00%
Hong-wang Investment Company	312	24.38%			312	24.38%
Taisil Electronic Materials Corp.	9,998	99.98%	-	-	9,998	99.98%
GlobiTech Incorporated.	-	-	1	100.00%	1	100.00%
GlobalWafers Japan Co., Ltd.	-	-	128	100.00%	128	100.00%
MEMC Japan Ltd.	-	-	-	100.00%	-	100.00%
Kunshan Sino Silicon Technology Co., Ltd.	-	-	(Note 2)	100.00%	(Note 2)	100.00%
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	-	-	(Note 2)	60.00%	(Note 2)	60.00%
Topsil Semiconductor sp z o.o.	-	-	1	100.00%	1	100.00%
SunEdison Semiconductor Limited (Note4)	-	-	121,771	100.00%	121,771	100.00%
SunEdison Semiconductor B.V. (Note5)	-	-	0.1	100.00%	0.1	100.00%
MEMC Electronic Materials, SpA	-	-	65,000	100.00%	65,000	100.00%
MEMC Electronic Materials France SarL	-	-	0.5	100.00%	0.5	100.00%
MEMC Electronic Materials GmbH	-	-	0.002	100.00%	0.002	100.00%
MEMC Holding B.V.	-	-	0.2	100.00%	0.2	100.00%
MEMC Korea Company	-	-	17,200	100.00%	17,200	100.00%
SunEdison Semiconductor LLC (Note6)	-	-	1	100.00%	1	100.00%
MEMC Electronic Materials, Sdn Bhd	-	-	1,036	100.00%	1,036	100.00%
SunEdison Semiconductor Technology (Shanghai) Ltd	-	-	(Note 2)	100.00%	(Note 2)	100.00%
MEMC Ipoh Sdn Bhd	-	-	699,374	100.00%	699,374	100.00%

Note 1：Investment in equity method

Note 2：It is Limited Liability Company, no shares.

Note3：Merged with GlobalWafers Japan Co., Ltd. in 2018.1

Note4：Renamed GlobalWafers Singapore Pte. Ltd. in 2018.3

Note5：Renamed GlobalWafers B.V. in 2018.3

Note6：Renamed MEMC LLC in 2018.3

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

1. Issued Shares

1. Type of Stock

As of 12/31/2017

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary share	437,250,000	162,750,000	600,000,000	TPEx Listed stock

2. Issued Shares

As of 12/31/2017; Unit: NT/Share

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2011/10	10	300,000,000	3,000,000,000	180,000,000	1,800,000,000	Founding capital 1,800,000,000	N/A	Note1
2012/05	10	400,000,000	4,000,000,000	317,500,000	3,175,000,000	Cash offering 1,375,000,000	N/A	Note2
2015/01	10	400,000,000	4,000,000,000	349,250,000	3,492,500,000	Cash offering 317,500,000	N/A	Note3
2015/09	10	400,000,000	4,000,000,000	369,250,000	3,692,500,000	Cash offering 200,000,000	N/A	Note4
2017/05	10	600,000,000	6,000,000,000	437,250,000	4,372,500,000	Cash offering 680,000,000	N/A	Note5

Note 1: Approval Document No. The 18 October 2011 Letter No. Science-Park-Listed-Company –1000030345 of Science Park Administration
Note 2: Approval Document No. The 16 May 2012 Letter No. Science-Park-Listed-Company –1010014266 of Science Park Administration
Note 3: Approval Document No. The 25 February 2015 Letter No. Science-Park-Listed-Company –1040005439 of Science Park Administration
Note 4: Approval Document No. The 15 October 2015 Letter No. Science-Park-Listed-Company –1040029649 of Science Park Administration
Note 5: Approval Document No. The 17 May 2017 Letter No. Science-Park-Listed-Company –1060012613 of Science Park Administration

3. Shelf Registration: NA

4.1.2 Shareholder Structure

Date: April 27, 2018

Unit：person；share；%

Structure / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institution & Persons	Total
Number	5	188	95	8,866	771	9,925
Ownership (Share)	21,368,000	22,831,503	228,779,741	23,173,122	141,097,634	437,250,000
Ownership (%)	4.89%	5.23%	52.32%	5.29%	32.27%	100%

4.1.3 Diffusion of Ownership

1. Common Shares

Each share having a par value of NT$ 10

Date: April 27, 2018

Unit：person；share；%

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~999	3,865	529,575	0.12%
1,000~5,000	4,572	7,788,113	1.78%
5,001~10,000	434	3,435,644	0.79%
10,001~15,000	180	2,309,846	0.53%
15,001~20,000	102	1,834,747	0.42%
20,001~30,000	123	3,139,949	0.72%
30,001~40,000	100	3,542,241	0.81%
40,001~50,000	57	2,595,674	0.59%
50,001~100,000	175	12,490,928	2.86%
100,001~200,000	118	16,371,918	3.74%
200,001~400,000	98	28,173,815	6.44%
400,001~600,000	33	15,840,730	3.62%
600,001~800,000	19	13,254,904	3.03%
800,001~1,000,000	9	8,183,690	1.87%
Over 1,000,001	40	317,758,226	72.68%
Total	9,925	437,250,000	100%

4.1.4 Major Shareholders

Date: April 27, 2018

Unit：person；share；%

Name	Shareholding	
	Share	%
Sino-American Silicon Products Inc.	222,293,000	50.84%
Public Service Pension Fund Committee - New	11,997,000	2.74%
Government Of Singapore--GOS-EFM C	11,461,041	2.62%
James Capel (Taiwan) Nominees Limited	6,084,500	1.39%
Public Service Pension Fund Committee - Old	5,967,000	1.36%
Saudi Arabian Monetary Authority - Fund Manager BNY Mellon Asset Management - Administrator The	4,169,000	0.95%
Fidelity Investment Trust: Fidelity Series Emerging Markets Fund	4,107,300	0.94%
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	3,534,000	0.81%
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For Vanguard Total International Stock Index Fund A Series Of Vanguard Star Funds	2,861,000	0.65%
Mas - GIC Private Limited	2,653,847	0.61%

4.1.5 Market Price, Net Worth, Earnings, Dividends per Share for the Recent Two Years

Item \ Year			2016	2017	2018/1/1~ 2018/3/31
Market Price per Share	Highest		122.5	448	472
	Lowest		63.2	106	402
	Average		90.79	256.34	443.80
Net Worth per Share	Before Distribution		42.72	77.86	84.88
	After Distribution		39.76	67.86	-
Earnings per Share	Weighted Average Shares (thousands)		369,250	415,826	437,250
	Earnings per Share	Before adjustment	2.54	12.68	6.36
		After adjustment	2.54	12.66	6.35
Dividends per Share	Cash Dividends		2.5	10.0	-
	Stock Dividend	Retained Earning	-	-	-
		Capital Surplus	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on Investment	Price/Earnings Rate		35.74	20.22	-
	Price/Dividend Rate		36.32	25.63	-
	Cash dividend Yield		2.75%	3.90%	-

4.1.6 Dividend Policy and Execution Status

1. Dividend Policy

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

(1) Compensating losses

(2) Contributing 10% as legal reserve. If the legal reserve has reached the amount of the paid-in capital of the Company, no contribution shall be made

(3) Appropriating or transferred to special reserve in accordance with applicable laws and regulations or as requested by the competent authority.

(4) After the above 1~3 are deducted from profit after tax of the fiscal year, the balance (if any) together with accumulated inappropriate retained earnings of previous years can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting.

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

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

The aforementioned employee remuneration could either be distributed via share or cash, entitled employees include subsidiaries' employees who meet the conditions set by the Board.

The Company will distribute cash for directors’ remuneration, and share or cash for employee remuneration. The distribution shall be resolved with a consent of a majority of the directors present at a meeting attended by more than two thirds of the total directors and reported to the shareholder's meeting by the Board.

2. Dividend allocation

The proposal for the distribution of 2017 profits was approved at the meeting of the Board of Directors in 2018.3.20. The proposal for a cash dividend of NT$ 10 per share, totaled NTD 4,372,500,000, will be discussed at the annual shareholders’ meeting.

4.1.7 Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share: NA

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. Percentage of Dividends For Employees And Remuneration For Directors In The Articles Of Incorporation:
   Please refer to above 4.1.6
2. The Estimated Basis for Calculating the Employee Bonus and Directors’ Remuneration as well as Employee Stock Bonus, Accounting Treatment if the Actual Distribution Is Different from Estimation:
   (1) Allocation for employee stock bonus and directors’ remuneration:
   In compliance with Articles of Incorporation
   (2) Ratio of employee stock bonus to capitalization of earnings:
   If employee remuneration is distributed via stock, this will be calculated based on the total equity attributable to owners of parent in the latest financial statement audited by CPA. The Company does not distribute employee remuneration via stock this year.
   (3) Accounting Treatment if the Actual Distribution Is Different from Estimation:
   If shareholder resolution is different from the estimation, it will be deemed as changes in accounting estimates and recognized in current profit and loss.
3. Remuneration distribution approved by board meeting:
   (1) If the recommended distribution of employees’ bonus and directors’ remuneration has differences with estimation, therefore, its reason, variance and dealing should be disclosed:
   Employees’ bonus and directors’ remuneration are approved in Board Meeting dated 2018.3.20.
   Employees’ bonus: NTD 291,640,000, all will be issued in cash
   Directors’ remuneration: NTD15,000,000, all will be issued in cash
   There is no difference in actual distribution of employee bonus and directors’ remuneration with the recognition in 2017 financial statements.
   (2) Ratio of recommended employee stock bonus to net income in the current standalone or consolidated financial statements, and the total amount of employees to remuneration : NA

4. Actual distribution of employees bonus, directors’ and supervisors’ remuneration in the

previous year (including shares numbers, amount and price), if there is any difference with estimation, its variation, reason and handling should be specified:
2016 profit distribution was approved in 2017.3.21 Board Meeting and 2017.6.19 Shareholder Meeting as below:

Unit: NTD

Item	Shareholder Meeting	Board Meeting	Variation	Explanation
Employee Cash Bonus	41,400,000	41,400,000	0	NA
Director REMUNIRATION	3,500,000	3,500,000	0	NA

4.1.9 Repurchase of Company Shares: NA

4.2 Status of Corporate Bonds: NA

4.3 Status of Preferred Stocks: NA

4.4 GDR Issuance

Date: April 30, 2018

<table>
<tr><td colspan="3">Date of Issuance</td><td>April 26, 2017</td></tr>
<tr><td colspan="3">Issuance and Listing</td><td>Luxembourg Stock Exchange</td></tr>
<tr><td colspan="3">Total Amount</td><td>USD 469,200,000</td></tr>
<tr><td colspan="3">Offering Price per GDS</td><td>US$ 6.9</td></tr>
<tr><td colspan="3">Units Issued</td><td>68,000,000 Units</td></tr>
<tr><td colspan="3">Underlying Securities</td><td>Common shares of GlobalWafers Co., Ltd.</td></tr>
<tr><td colspan="3">Common Shares Represented</td><td>68,000,000 Shares</td></tr>
<tr><td colspan="3">Rights and Obligations of GDS Holders</td><td>Rights and Obligations of GDS Holders shall follow current ROC law and relevant provisions in the Deposit Agreement. The main items are specified as below:
1.Voting right
Holders of GDSs shall be entitled, in accordance with the provisions of the Deposit Agreement and the applicable provisions of laws and regulations of the ROC, to exercise the voting rights of the underlying common shares represented by the GDSs.
2.Subject to the laws and regulations of ROC, the GDSs holders have the same rights to distributions of dividends as shareholders of common stocks. If GWC declares stock dividends or other distribution of common shares in the future, the Depositary shall, in accordance with the provisions of the Deposit Agreement and relevant applicable laws and regulations, issue correspondent units of new GDSs and allocate them to the GDSs holders on a pro-rata basis to their respective GDSs holding, increase the number of the underlying common shares represented by each unit of GDS, or sell, for and on behalf of the holders of GDSs, such stock dividends and distribute the proceeds (net of the applicable taxes and expenses) to the GDSs holders in proportion to the number of GDSs held by them.
Subject to compliance with the relevant applicable laws and regulations, the GDSs holders have the same pre-emptive rights as GWC shareholders of common stocks in the event of a rights offering or other similar offering by GWC. The Depositary shall, to the extent permitted by the Deposit Agreement and the relevant laws and regulations, provide such pre-emptive rights to GDSs holders or sell such rights, for and on behalf of the GDSs holders, and distribute the proceeds (net of the applicable taxes and expenses) to the GDSs holders in proportion to the number of GDSs held by them.</td></tr>
<tr><td colspan="3">Trustee</td><td>Not Applicable</td></tr>
<tr><td colspan="3">Depositary Bank</td><td>Citibank, N.A.</td></tr>
<tr><td colspan="3">Custodian Bank</td><td>First Commercial Bank</td></tr>
<tr><td colspan="3">GDSs Outstanding</td><td>201,981 Units</td></tr>
<tr><td colspan="3">Apportionment of expenses for the issuance and maintenance</td><td>(1)Issuance Expenses
Apart from laws or provisions from GWC, overseas underwriter and depositary bank, all cost and expenses incurred from the GDSs including legal fees, listing fees, financial consultant fees and other expenses related to issuance of GDSs were borne by GWC.
(2)Maintenance Expenses
Apart from laws or provisions from GWC, overseas underwriter and depositary bank, annual listing fees, information disclosure and other relevant fees were borne by GWC.</td></tr>
<tr><td colspan="3">Terms and Conditions in the Deposit Agreement and Custody Agreement</td><td>-</td></tr>
<tr><td rowspan="3">Closing Price per GDS</td><td rowspan="3">2017</td><td>High</td><td>USD 14.46</td></tr>
<tr><td>Low</td><td>USD 6.72</td></tr>
<tr><td>Average</td><td>USD 9.62</td></tr>
</table>

	01/01/2018~ 04/30/2018	High	USD 17.80
		Low	USD 13.40
		Average	USD 15.33

4.5 Employee Stock Options : NA

4.6 Status of New Shares Issuance of Limited Stocks for Employees: NA

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: NA

4.8 Financing Plans and Implementation: NA

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. The Company shall engage in the following business:
   CC01080 Electronic Parts and Components Manufacturing
   F401010 International Trade
   a. Research and development, design, manufacture and sell silicon-based semiconductor materials and their components
   b. Import-export activities related to the above mentioned business.

2. Revenue distribution

Unit: NT$1,000

Year / Product	2016		217	
	Revenue	%	Revenue	%
Semiconductor ingot	167,912	0.91%	496,690	1.07%
Semiconductor wafer	17,850,126	96.87%	45,540,327	98.55%
Other	408,912	2.22%	175,584	0.38%
Total	18,426,950	100.00%	46,212,601	100.00%

3. Current Products and Service
   (1)Ultra low resistivity ingot with Phosphorus doped
   (2)Ultra low resistivity ingot with Arsenic doped
   (3)Ultra low resistivity ingot with Boron doped
   (4)MCZ ingot with ultra low oxygen content
   (5)Polished wafer & Epi wafer
   (6)Anneal wafer
   (7)Unpolished wafer and ultra thin wafer
   (8)Untra flat wafer for MEMS application
   (9)High reflectivity etching wafer
   (10)SOI wafer & bounding wafer for high power electronic device
   (11)Diffusion wafer & deep diffusion polished waferr
   (12)High strength silicon substrate for GaN_HEMT application
   (13)Ultra low resistivity <1.0mΩ-cm wafer with Boron doped
   (14)FZ wafer
   (15)NTD wafer
   (16)Perfect Silicon
   (17)Engineered Customizable Application Specific “ECAS®” wafer
   (18)Engineered-CZ “E-CZ” wafer

4.Future New Technology and Products

(1) Ultra low resistivity <0.7mΩ-cm wafer of Phosphorus Doped

(2)Ultra low resistivity <1.8mΩ-cm wafer of Arsenic Doped

(3)SiC wafer for next generation high power automotive electronic application

(4)Epi-substrate for GaN_HEMT application

(5)GaN Epi wafer for Fifth Generation Mobile Communications application

(6)SOI substrate development of next generation RF device application

(7)Silicon substrate for 7nm IC process

(8)Silicon wafer development for higher resolution CMOS image sensor

(9)Silicon wafer development for next generation 3D memory

5.1.2 Industry Overview

1. Industrial Current Status and Future Development

(1) Worldwide Semiconductor Market

According to WSTS, 2017 worldwide semiconductor revenue totaled US$412.2 billion, a year-to-year increase of 21.6%. Sales quantity reached 935.1 billion ICs, up 13.5% on-year. ASP was US$0.440, up 6.9% on-year.

2017 semiconductor revenue in the US totaled US$88.5 billion, a 35% increase on-year. 2017 Revenue in Japan totaled US$36.6 billion, a 13.3% growth on-year. Revenue in Europe totaled US$38.3 billion, up 17.1% on-year. Revenue in Asia totaled US$248.8 billion, up 19.4% on-year. 2017 worldwide semiconductor revenue totaled US$412.2 billion, a 21.6% increase from 2016.

The 2017 year-end update to the SEMI World Fab Forecast report reveals 2017 spending on fab equipment investments will reach an all-time high of USD 57 billion.

High chip demand, strong pricing for memory, and fierce competition are driving the high-level of fab investments, with many companies investing at previously unseen levels for new fab construction and fab equipment. The SEMI World Fab Forecast data shows fab equipment spending in 2017 totaling USD 57 billion, an increase of 41 percent year-over-year (YoY). In 2018, spending is expected to increase 11 percent to USD 63 billion. While many companies, including Intel, Micron, Toshiba (and Western Digital), and GLOBALFOUNDRIES increased fab investments for 2017 and 2018, the strong increase reflects spending by just two companies, Samsung and SK Hynix.

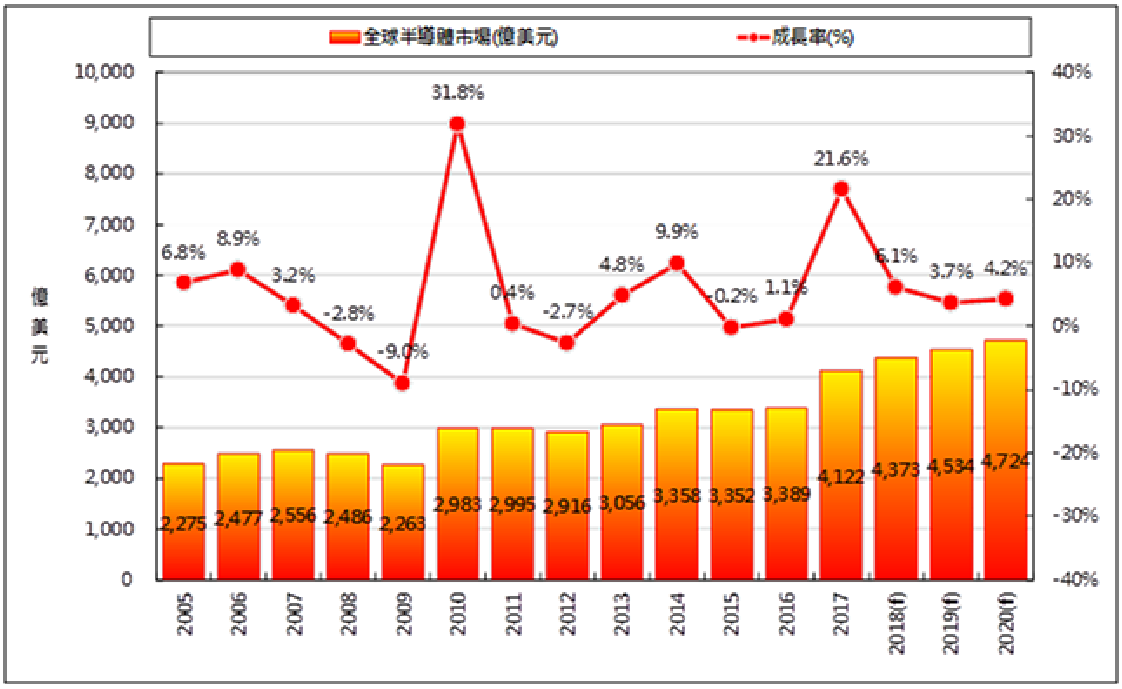
SEMI data shows a surge of investments in Korea, due primarily to Samsung, which is expected to increase its fab equipment spending by 128% in 2017, from USD 8 billion to USD 18 billion. SK Hynix also increased fab equipment spending, by about 70%, to USD 5.5 billion, the largest spending level in its history. While the majority of Samsung and SK Hynix spending remains in Korea, some will take place in China and the United States. Both Samsung and SK Hynix are expected to maintain high levels of investments in 2018.

In 2018, China is expected to begin equipping many fabs constructed in 2017. In the past, non-Chinese companies accounted for most fab investments in China. For the first time, in 2018 Chinese-owned device manufacturers will approach parity, spending nearly as much on fab equipment as their non-Chinese counterparts. In 2018, Chinese-owned companies are expected to invest about USD 5.8 billion, while non-Chinese will invest USD 6.7 billion. Many new companies such as Yangtze Memory Technology, Fujian Jin Hua, Hua Li, and Hefei Chang Xin Memory are investing heavily in the region.

Historic highs in equipment spending in 2017 and 2018 reflect growing demand for advanced devices. Construction spending will reach all-time highs with China construction spending taking the lead at USD 6 billion in 2017 and USD 6.6 billion in 2018, establishing another record: no region has ever spent more than USD 6 billion in a single year for construction.

Reported the SEMI Silicon Manufacturers Group (SMG) in its year-end analysis of the silicon wafer industry, worldwide silicon wafer area shipments in 2017 increased by 10 percent against 2016 shipments, while worldwide silicon revenues rose by 21 percent over 2016 levels.
Silicon wafer area shipments in 2017 totaled 11,810 million square inches (MSI), up from the previous market high of 10,738 million square inches shipped during 2016. Revenues totaled $8.71 billion, 21 percent higher from the $7.21 billion posted in 2016.

According to WSTS analyses, demand continuously grows until 2020



Source：WSTS； IEK(2018/02)

(2) Semiconductor Industry

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

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

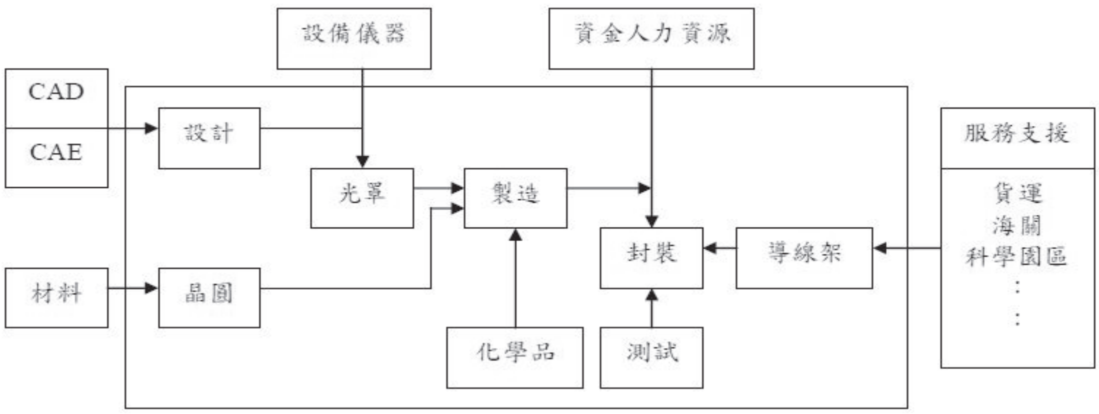
Wafers used in semiconductor industry could be categorized into polished wafer, argon anneal wafer and epitaxial wafers based on different process design and product characteristic.

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

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

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

Upstream Middle Stream Downstream



Source: ITRI/ Project ITIS

3. Product Trends and Competition

The followings are from latest report from TSIA:

A. In the World Economy Outlook forum of 2018 January, IMF published that the global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes. Thus the report raises the grow rate of US, from 2.3% to 2.7%, also emerging markets and developing economy, from 4.7% to 4.9%, respectively.

B. IMF predicts that the growth rate of euro area in 2018 is 2% and 2.2% in 2019, reflecting the stronger momentum in domestic demand and higher external demand. Growth in Spain, which has been well above potential, has been marked down 0.1% for 2018 to 2.4%, and marked up 0.1% for 2019 to 2.1%, reflecting the effects of increased political uncertainty on confidence and demand. Nevertheless, the growth rate of Spain remains higher than averages of Euro area, also the fastest growing country among 4 Euro Advanced economies.

C. IMF estimates the growth rate of US is 2.7%, with 0.4 % increase from previous forecast. The U.S. tax policy changes are expected to stimulate activity, with the short-term impact in the United States mostly driven by the investment response to the corporate income tax cuts, reducing from 35% to 21%. The effect on U.S. growth is estimated to be positive through 2020, cumulating to 1.2 percent through that year, with a range of uncertainty around this central scenario. Due to the temporary nature of some of its provisions, the tax policy package is projected to lower growth for a few years from 2022 onwards.

D. Japanese government sets its GDP growth rate as 1.8% in its economy forest in 2018. Reflecting upward revisions to external demand in 2017 December, and supposed increase in salary along with higher consumption, it would be possible to achieve "near 2%", the goal sets by Japanese government in 2018.

E. Bank of Korea sets its benchmark interest rate as unchanged 1.5%, and increased its expected growth rate to 3% from 2.9%. This would be 2 consecutive years that the growth rate is above 3%, after 2010~2011 period. The growth rate is raised due to the recovery of global economy, increase in household income with consumption, and better export outlook.

F. IMF projects GDP growth in China achived 6.9%, over its official goal 6.5%. The growth rate of China can reach 6.6% in 2018, higher than 6.5% in last October. Parts of its growth is due to the fact, that China remains to be the largest consumer market in the world, accounting most middle class population who is willing to spend, and remaining this growing trend.

G. IMF states emerging and developing Asia keeps an average of 6.4% growth rate from 2016 to 2018, much higher than the rate of all emerging economies (due to Russian, Brazil and South Africa achieves less than 2% growth rate). Furthermore, ASEAN-5 (Singapore, Indonesia, Malaysia, Thailand and Philippines) keeps a steady 5.2% growth rate, and achieves more if including Vietnam.

H. Saudi Arabia states they are now a "Post-Oil" economy, meaning their growth depends further on megacity rather than oil, which focusing on area such entertainment, economy, finance, tourism, knowledge and technology. The population is expected to achieve 1.5 billion in 2025, and they believe this will help them play a major role in growth of global economy

I. IMF estimates that GDP of Indian in 2017~2018 fiscal years can reach 6.7%, and 7.4% in 2018~2019 fiscal years. The growth is based on more regulation in banking sector, stronger consumer spending and better servicing. The Indian government announced a stimulus package which encompasses near 10 trillion rupee in November 2017,hope to further stabilize its economy.

J. In Latin America, IMF predicts the recovery is expected to strengthen due to stronger commodity prices, with growth of 9 % in 2018 and 2.6 percent in 2019. For Chile, IMF states that growth is based on rising prices in copper and confidences in its local firms.

K. From the prediction of Chunghua Institution for Economic Research in Taiwan, growth rate is 2.53% in 2017, up 1.12% from 1.41% in 2016. Further breakdown, consumer spending is 2.18%, investment is -0.36% and commodity and servicing export is 6.86%. The increase ratio of CPI is 0.56%, -0.83% from previous year. Average exchange rate of USD to TWD is 30.46 NTD, increased 5.78% from previous year. Unemployment rate in 2017 is 3.77%, down 0.15% year-over-year. In 2018, growth rate expected to be 2.27%, CPI expected to be 0.99%, exchange rate of USD to TWD 30.23 NTD (up 0.74%), and unemployment rate is expected as 3.68%.

4. Competition Status

Owing to successful acquisitions of Topsil and SunEdison in 2016, GlobalWafers has vaulted itself into the third largest wafer maker in the world. Market remains robust since 2016Q4, and supply is short of demand. Semiconductor capacity expansion takes at least two years, all customers require us to sign long-term agreements to secure wafer supply, under such circumstances, we do not face too much pressure from competition.

5.1.3 Research and Development

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

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

In new product development, we have achieved unprecedented milestones, for instances, we have developed 12-inch semiconductor for high power IC components, SOI for 4G and 5G communication applications and the next generation wide band-gap material GaN on silicon and on SiC wafers.

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

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

In addition, GlobalWafers is also actively expanding its patent portfolio to protect its intellectual properties procured from R&D, and has obtained more than 1200 patents worldwide. These R&D achievements will enforce us to progress and become the leading wafer supplier in the world.

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

Unit: NTD $1000

Year	2016	2017	By 2018/3/31
Net Revenue	726,206	1,445,060	394,937
Research and Development Expenses	18,426,950	46,212,601	13,909,958
Research and Development Expense to Revenue (%)	3.94	3.13	2.84

2. Newly Developed Technology and Products in Most Recent Year

Year	Technology/Product
2017	1. Monocrystalline ingot growth technology for Non-doped CZ Ingot with resistivity >6000Ω-cm 2. Reclaim wafer manufacturing technology for SiC wafer 3. AT puller control system development 4. Digitized manufacturing system for Lapping process 5. High throughput WSAW technology development 6. Ultra flat polishing technology development 7. Big data application for final polishing process

5.1.4 Long-term and Short-term Development

1. Long-term Development

A. Focus on research and development of large-size and heavy-dope ingot and power semiconductor epitaxy, aiming to become the largest wafer maker with complete product portfolio.

B. Focus on research and development of high-efficiency ingot growth, aiming to become the wafer maker with best quality, highest efficiency and complete product portfolio.

C. Integrate 16 operational sites around the world and technology platform; actively debottleneck to maximize capacity so as to utilize internal resources efficiently.

D. Centralize worldwide sales for simple decision making to better utilize and analyze regional information and to achieve efficient sales operation.

E. Because of discrete devices' migration to large size (150mm, 200mm) from small size(75mm, 100mm, 125mm), the Company needs to plan next generation products to satisfy customers' extensive needs. We dedicate in 8" heavily-doped wafer and epi wafer with the help from efficient hot zone design and CZ pulling in Italian and Japanese sites, lowering industrial competition and enhancing sales territory via construction of R&D platform to pursue high-value technology. We also concentrate in 8" market exploration and we are qualified by more and more customers, aiming to deeply penetrate into 8" market and build long-term partnership with customers.

F. Fully integrate 12" capacity and technology in Taiwanese, Korean and Japanese sites for higher market share among tier 1 memory and IC makers.

G. Take advantage of niche technologies in Europe, US, Korea and Japan to develop next generation wafers and surpass all rivals for extensive market share.

2. Short-term Development

A. Research and develop high-quality heavy-dope ingot and wafering to satisfy the increasing needs for power semiconductors.

B. Enthusiastically explore automotive and smart phone markets, expand capacity to draw more 4" & 6" orders, search strategic sales and technology alliance; R&D on new niche products and materials; fast product implementation, enhance market share, focus on core technology on large size wafer and ingot growth, strengthen academic interaction to elevate technology and product at international level.

C. Fast expand capacity, improve 12" productivity, increase 8" & 12" worldwide market share.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales Region

Unit: NTD $1,000

Area		2016		2017	
		Turnover	%	Turnover	%
Local		4,233,637	22.98%	9,789,976	21.18%
Abroad	Asia	8,256,356	44.81%	20,554,540	44.48%
	America	2,474,094	13.43%	6,319,293	13.67%
	Others	3,462,863	18.78%	9,548,792	20.67%
Total		18,426,950	100.00%	46,212,601	100.00%

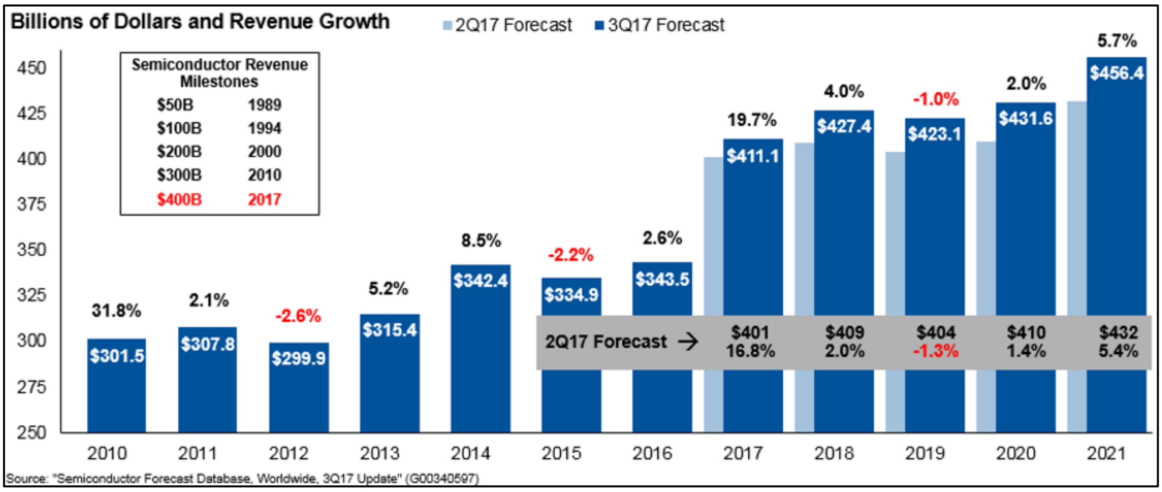
2. Market Share (%) of Major Product

According to SEMI ORG 2018Q1 analyses, GWC shipment occupies 18.2% among worldwide rivals, and is recognized as Top 3 wafer manufacturer. Semiconductor wafer industry is undergoing centralization with Top 5 makers account for 95% market share. Top 5 manufacturers are Shin-Etsu (Japanese), Sumco (Japanese), GWC, Siltronic AG (Germany) and SK Siltron (Korean). Being Top 3 with 18.2 market share, our operation grows gradually, aiming to explore market continuously and improve market standing on the favorable foundation of the widest product offering.

3. Market Share (%) of Major Product

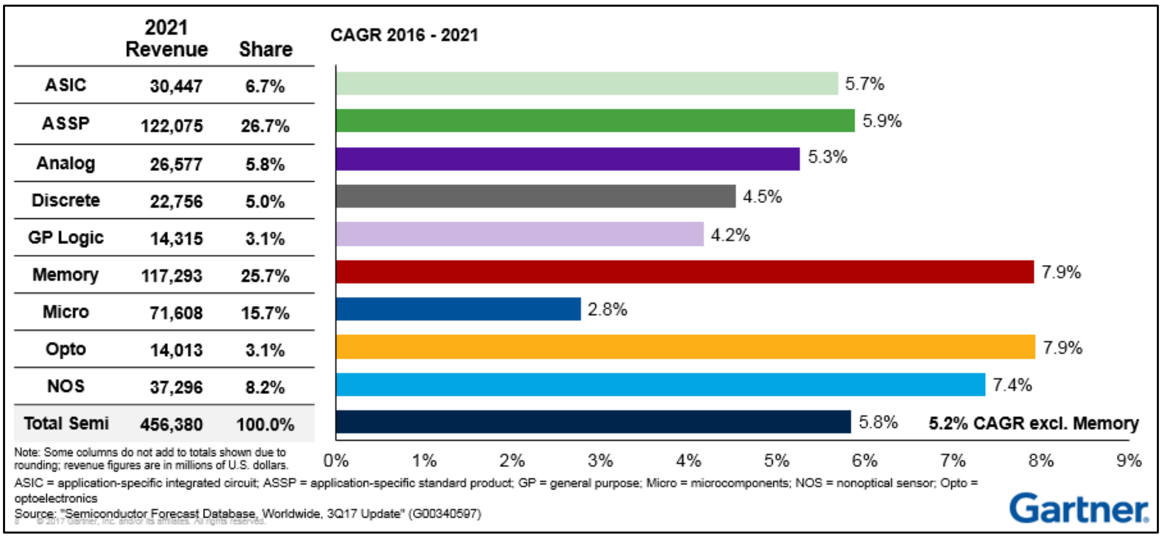
Statistics show that end market demand continuously to thrive but the upstream wafer makers went through over supply until 2017, so all makers do not take expansion into consideration. Besides, it takes at least 3 years from plant construction, production line planning, mass production and customer qualification, so wafer suppliers are extremely cautious. Consequently, in 2017 where booming demand and dozens of new chip factories are being built with augmenting commercial operation needs, customer orders will constantly prosper and it’s favorable for GWC.

2010~2021 Worldwide Semiconductor Market Growth



Source：Gartner (2017/Q4)

2015～2021 Worldwide IC CAGR



Source：Gartner (2017/Q4)

4. Competition Superiority

A. Experienced and visionary management and R&D teams

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

B. Proven research & development ("R&D") and technological capability

We have been continuously endeavoring to improve the technologies of silicon monocrystalline ingot growth and silicon wafer precision machining, and by cooperating with academia research institutes and university professionals, we have accumulated explosive energy in innovating new technologies as well as new products. With years of devoting in the technology development in the projects of "Silicon monocrystalline ingot growth and silicon wafer precision machining" and "Silicon epitaxy deposition technology and SOI wafer bonding technology", we have fulfilled or exceeded the international standards in the fields, such as the productivity of monocrystalline ingot growth, lowering the resistivity of ingot, ingot defect control, ingot quality improvement, homogeneous/heterogeneous epitaxial technique, homogeneous/heterogeneous wafer bonding technique, improvement of wafer strength with reducing wafer thickness, improvement of energy consumption and water usage, reducing of material usage and waste. We have reached several remarkable indices with regard to the development of process technology, research and development of new products, and most importantly, many customers' qualifications as well. In addition, GlobalWafers is also actively expanding its patent portfolio to protect its intellectual properties procured from R&D, and has obtained more than 1200 patents worldwide. These R&D achievements will enforce us to progress and become the leading wafer supplier in the world.

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

We also have an established global manufacturing network comprises of 16 manufacturing sites located in 10 countries strategically positioned across Asia, Europe and the U.S. Our capacity has reached economies of large scale; our engineers and operators are highly skilled, with our efficient management model and diversified operational strategy, we maximize production efficiency and minimize unit cost.

D. Long-term Partnership with Valued Customers

We have been well recognized by tier 1 customers by offering one-stop-shop solutions with core technology that satisfy their various needs in terms of precision machining, quality and delivery, who in turn bestow their trust on us because of technical confidentiality, quality and long-term cooperation. Semiconductor suppliers will not easily be replaced unless material weakness. GWC has established long-term partnership with our customers. Besides keeping intensive relationship with current customers, GWC endeavors to explore new selling opportunities with new clients on our unparalleled advancing technology for robust future growth.

E. Complete Product Portfolio Offering

We have complete production line covering ingot growth, slicing, etching, diffusion, polishing and epitaxy, and our product offering includes ultra low resistivity ingot with Phosphorus doped, ultra low resistivity ingot with Arsenic doped, ultra low resistivity ingot with Boron doped, MCZ ingot with ultra low oxygen content, polished wafer and Epi wafer, Anneal wafer, unpolished wafer and ultra thin wafer, ultra flat wafer for MEMS application, high reflectivity etching wafer, SOI wafer and bounding wafer for high power electronic device, diffusion wafer and deep diffusion polished wafer, high strength silicon substrate for GaN_HEMT application ranging in diameter from 3” to 12”. In addition, our ability to tailor products to address the specific performance characteristics required by our customers and to provide a bespoke solution had differentiated us from our competitors.

F. Solid Financial Structure

Concentration is the future trend in semiconductor industry. Sufficient cash flow and balanced asset/liability structure ensure GWC’s constant investment and development, which also serve as key for sustainable development and investment in down cycles. Our solid financial structure is the major foundation for long-term partnership and mutual growth with our valued customers as well as our competitiveness.

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

A. Favorable Factors

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

Being capital and technology intensive with expensive production equipments, increasing IDM orders and rapid production evolvement, semiconductor industry requires huge capital expenditure. In addition, talents and manufacturing process are key factors in determining production cost due to expertise and yield. However, it’s not easy to recruit/scout professional talents, let alone orders could only obtained after certified by customers, constructing difficult entry level for competitors. Possessing professional R&D ream who have been devoting in semiconductor industry for decades, with sophisticated core technology, we are capable to satisfy customers with diversified, tailor-made products and synchronize with current trends and demands. Moreover, with economic scale and deep trust of tier-1 customers, we fully demonstrate our competition capability.

(b) Growing Demand Stipulate Wafer Shipment

Growing Demand in global semiconductor market stipulates wafer shipment. Smartphone and tablets are driving forces for ICs, such as memory, processor and communication chips, keeping high utilization in foundries as well as wafer makers, especially in 8” and 12”. Besides, ≦ 6”wafers are spurred by automotive and consumer electronics, global demand for wafer will grow along with semiconductor surging market.

(c) Synchronize with Market Trend

Top 5 wafers makers focus on standard application like memory, which is keenly competitive and less profitable. The Company not only provides customers with complete product portfolio with full size and thorough process (pulling, slicing, lapping, polishing, cleaning, annealing and epitaxy) , but also dedicates in niche market such as automotive and power application; our gross margin rate is 22%~27% in last two years, contributing solid profit; we also aggressively deploy in advanced application manufacturing, our future is promising and bright.

B. Unfavorable Factors and Countermeasures:

(a)Seasonal Variation in Semiconductor Industry

Being the professional semiconductor wafer maker, the Company is positioned in the upstream of supply chain. Our products are sold to not only semiconductor foundries and manufacturers but also IC and automobile electronics makers. Wafer is essential to semiconductor components, therefore our operation is deeply connected with semiconductor industry.

Countermeasure：

GlobalWafers is the third largest wafer maker with complete product offering from 3” to 12”, equipped with large economic scale and irreplaceable market position. Our end products are widely applied in niche market like autotronics and power devices. Besides, the Company and its subsidiaries’ talents have been devoted in semiconductor industry for decades. With sophisticated core technology, we are capable to satisfy customers with diversified, tailor-made products. Moreover, our global footprint extends to Taiwan, China, Japan, USA and Europe. By centralized procurement and marketing, we not only effectively lower operational cost, but also flexibly utilize worldwide plants to mitigate unfavorable market fluctuation.

(b)Shortage of Key Material

Prosperous development in semiconductor industry has stipulated wafer demand, which in turn requires larger quantity of semiconductor grade of polysilicon, the major material to produce wafer. Wafer shortage occurs once we could not have sufficient polysilicon from upstream supplier.

Countermeasure：

We purchase polysilicon, the major raw material, from world-renowned manufacturers and sign long-term agreement to secure sufficient supply as well as good quality.

(c)Foreign Currency Fluctuation

We operate overseas subsidiaries in Europe, US and Asia, wages and production costs are paid in local currencies. In terms of dales, most of our customers pay USD, only some customers are paid with their local currencies. Consequently we are exposed to USD fluctuation in exchange rate.

Countermeasure：

The Company takes natural hedge as foreign currency principle in supply and sales, lowering the position exposed in volatile market. Finance department closely monitors exchange rate and carefully operates free convertible exchange. No obvious risk on operation.

(d) New competitors in small size wafer

Small size wafer market become more and more competitive with new comers stepping into, especially those with strong national support such as China.

Countermeasure：

Entry into semiconductor business is not so easy for other competitors because of this industry is capital and technology intensive. GlobalWafers has achieved economics-of-scale operation via merge & acquisition as well as equipment expansion. Our manufacturing process and technology is qualified by tier-1 customers with deep trust. We will use our current foundation along with unique technologies in worldwide manufacturing sites to develop new niche products with higher value via core technology, and minimize costs for better profits in the same time.

5.2.2 The Production Procedures of Main Products

1. Major Products and Their Application

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

2. Process Flow

Wafering

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

Cystallite

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

Polishing

Lapping → Etching → Pre-Polishing Inspection → Polishing → Pre0Cleaning → Inspection → Final Cleaning → Surface Scanning → Inspection → Packaging

5.2.3 Supply Status of Main Materials

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

5.2.4 Major Suppliers and Clients

1. Major Suppliers Information for the Last Two Calendar Years

Unit: NTD $1000

Item	2016				2017			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	Company C	1,398,202	17.85%	NA	Company D	1,710,868	11.00%	NA
2	Company A	853,017	10.89%	NA	Company C	1,206,909	7.76%	NA
3	Company D	411,573	5.25%	NA	Company E	1,160,192	7.46%	NA
	Other	5,172,008	66.01%		Other	11,474,252	73.78%	
	Net Supplies	7,834,800	100.00%		Net Supplies	15,552,221	100.00%	

Note : The main business of the Company and its subsidiaries are semiconductor wafer manufacturing and selling, and polysilicon being the main material. The variance in supplier ranking is resulted from the acquisition of SunEdision Semiconductor Limited in 2016.12.

2. Major Clients Information for the Last Two Calendar Years

Unit: NTD $1000

Item	2016				2017			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	Company A	1,962,297	10.65%	NA	Company C	6,503,622	14.07%	NA
2	Company B	1,316,327	7.14%	NA	Company D	3,303,010	7.15%	NA
	Other	15,148,326	82.21%		Other	36,405,969	78.78%	
	Net Sales	18,426,950	100.00%		Net Sales	46,212,601	100.00%	

Note : The main business of the Company and its subsidiaries are semiconductor wafer manufacturing and selling, and ingot and customized wafers being the major transaction, major customers are tier-1 semiconductor device makers. The variance in client ranking is resulted from the customer mix after acquisition of SunEdision Semiconductor Limited in 2016.12.

5.2.5 Production over the Last Two Years

Unit: NTD $1000

Major Products (or by department) \ Output \ Year	2016			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Semiconductor Ingot	261	27.83	576,825	2,847	2,755	1,544,592
Semiconductor Wafer	30,270	21,942	17,850,125	55,211	53,371	44,137,965
Total	-	-	18,426,950	-	-	45,682,556

5.2.6 Shipments and Sales over the Last Two Years

Unit: NTD $1000

Major Products (or by department) \ Shipments & Sales \ Year	2016				2017			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Semiconductor Ingot	0	0	28	167,912	2	16,282	92	480,408
Semiconductor Wafer	7,362	3,712,464	14,581	14,137,662	12,160	9,354,104	34,631	36,186,223
Other	-	2,746	-	406,166	-	14,206	-	161,378
Total		3,715,210		14,711,740		9,384,592		36,828,009

Note : “Other” is comprised of selling of ingot and raw materials, which are miscellaneous with wide price range, therefore shipments are skipped

Analyses: The main products are ingot and customized wafers; major customers are tier 1 semiconductor device makers. The variance in product mix is resulted from different demand, and is considered reasonable.

5.3 Human Resources

Year		2016	2017	By 2018/3/31
Number of Employees	Staff	288	352	361
	Manufacturing	203	240	254
	Total	491	592	615
Average Age		37.57	37.3	37.3
Average Years of Service		8.13	7.89	7.99
Education %	Doctor	1.63	1.52	1.46
	Masters	12.83	13.34	13.33
	Bachelor's Degree	48.88	47.64	49.11
	Senior High School and Below	36.66	37.50	36.10

Note : Subsidiaries are excluded

5.4 Environmental Protection Expenditures

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

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

2017.12.31

Equipment	Quantity	Acquisition Date	Investment Cost	Non-Depreciated Balance Amount	Purpose & Possible Benefits
Cleaning tower	8	2003/5	12,848,000	-	To control process emission so as to meet air quality standards
Cleaning tower	10	2015/3	14,943,000	12,888,000	To control process emission so as to meet air quality standards
Wastewater Treatment	1	1991/8	8,396,000	-	To control process wastewater so as to meet water quality standards
Wastewater Treatment	4	2015/1	7,040,000	61,000	To control process wastewater so as to meet water quality standards
Wastewater Treatment - Piping Extension	1	2016/8	840,000	443,000	To control process wastewater so as to meet water quality standards
Emission Treatment – computer surveillance	1	2016/12	215,000	137,000	To control process wastewater so as to meet water quality standards

Equipment	Quantity	Acquisition Date	Investment Cost	Non-Depreciated Balance Amount	Purpose & Possible Benefits
Wastewater Treatment	3	2017/3~ 2017/12	20,208,000	20,158,000	To control process wastewater so as to meet water quality standards
Emission Treatment	13	2017/3~ 2017/6	55,715,000	48,489,000	To control process emission so as to meet air quality standards
Scrap Storage	1	2017/2	1,200,000	1,100,000	To extend scrap storage area and improve garbage area conditions I order to meet environmental regulation
Cleaning tower	1	2017/3	5,081,000	4,742,000	To control process emission so as to meet air quality standards

5.4.3 The Company Shall Specify if There's Any Conflict Related to Pollution in the Last Two Years to the Date Issued Annual Report: NA

5.4.4 The Company Shall Specify the Total Amount of Loss (Including Compensation), Punishment of Environment Pollution, and Disclose Future Countermeasures (Including Improvement) and Possible Expenditures (Including Estimate Of Possible Loss, Punishment, Compensation, or Specify Facts if Cannot Be Estimated) in the Last Two Years to the Date Issued Annual Report: NA

5.4.5 Effects of Current Pollution Condition and Improvement to Company Profit, Competition and Capital Expense, With Anticipated Major Environmental Protection Expenditures in The Next Two Years: NA

5.4.6 RoHs Information: Perform RoHs-Prohibitive Materials Examination on Wafers.

5.5 Labor Relations

5.5.1 Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

1.Employee Benefits:

(1) Provide high quality salary and fair reward, promotion methods to confirm all the colleagues to the company's contribution. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, year-end party, cash premiums for wedding/funeral, travel allowance, Emergency assistance, scholarship, shuttle bus, lunch, dormitory, employee stocks and complete staff training.

(2) The company allocates 0.1% of monthly turnover and 40% of scrap income to Employee welfare committee, which operates in accordance with related regulations.

2.Training and Practice:

The company offers a wide range of training courses and profession in-service and self-growth courses, including fresh staff training, pm-site training, safety and sanitary training, profession courses and other related external programs. The company aims to foster competent employees for all challenges.

3.Retirement Policy:

A. Two types for retirement: voluntary and mandatory.
Voluntary retirement: work over 15 years and reach age 55, or work over 25 years;
work over 10 years and reach age 60
Mandatory retirement: reach age 65 since 2008.5.14/ insanity/ physically disabled for work, the company can perform mandatory retirement.

B. Years of service calculation: start on the date of employment, except military service, position retained without pay should be deducted.

C. Pension payment standards:

Old System: Two units of radix shall be given when reaching one service year. One unit shall be given annually when reaching 15 service years, yet the maximum is 45. Service under 6 months is considered as one half year; service over 6 months is considered as one year. Any labor subjected to mandatory retirement, such as insanity or handicapped due to work injury, whose units of radix will be calculated according to above regulation with 20% plus.

New system: Labor who chooses new system after 2005.7, whose service year before that shall be calculated according to old system; while after that, according to new system.

D. Employment after 2005.7 shall be calculated according to new system. (Employer shall allocate 6% of salary into personal account in Bureau of Labor Insurance)

4.Precaution of Environment And Labor Safety:

The Company has set up “Environment, Healthy & Safety Department” with delegated staff and legislates “Guideline for Environment, Healthy & Safety Management.” Content extract as below:

(1) Regulation on work

- All staffs shall keep health physical and mental status, as well as good sanity.
- Keep working area organized and clean
- No smoking, betel nuts and liquor in factory

- Smoking is only allowed in smoking area and no littering cigarette butts.
- Wear protection when handling hazardous materials.
- Mark hazardous materials and no breakage
- Set qualified dispensers in factory and regularly exams.
- Disinfect whole factory annually
- Keep great toilet ventilation
- Full observation of 6S
- No spitting, littering cigarette butts and trash

(2) Protection for Employee

- Follow protocol and SOP in every work
- Don’t be abrupt when facing no SOP work. One should carefully apply other SOPs or discuss with leaders before execute
- Workers and inspectors should wear helmet with fasten strings when working at over 2 meters heights or falling objects.
- Use safe rope when working in open areas with over 2 meters heights
- Set up “danger” signs when power outage. Signs can only be removed when all problems are cleared and employees are off the spot.
- Wear personal protections according to different stations. Any danger should be reported immediately.
- No chasing, running or anything dangerous while working.
- Following instruments and equipment limitations

5.Labor Negotiations:

The Company follows Labor Act for all legislations, and hold labor-management meeting periodically. Labor relations have been harmonious, keeping open and smooth communication. Via labor relations meeting and employee welfare committee, both sides negotiate mutual benefits to meet needs and expectations. All colleagues are working for a better future in the belief of one-family.

6.Measures To Protect Employee Rights:

The Company has established complete management system with various procedures and regulations, specifying labor rights, duties and welfare, and perform random review for improvement so as to protect employees’ rights. Therefore, labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

5.5.2 The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report:

Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land lease	Science Park Administration	2011.10.01~2020.12.31	4,638 square meter, rental paid annually, NTD $228,885/month	Object business purpose only
Supplier contract	Supplier C	2010~2019	Polysilicon contract	None
Supplier contract	Supplier D	2010~2018	Polysilicon contract	None
Supplier contract	Supplier A	2011~2019	Polysilicon contract	None
Sales contract	Customer C	2017~2027	Wafer contract	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

(1) IFRSs (Consolidated)

Unit: NTD $1000

Item \ Year		Five-Year Financial Summary 2013	2014	2015	2016	2017	As of 2018/3/31
Current Assets		8,592,626	10,083,409	12,004,772	22,212,281	35,110,873	43,624,140
Funds & Long-Term Investments		9,796,025	8,972,049	9,360,910	31,035,540	28,202,304	28,646,755
Intangible Assets		637,019	676,453	701,566	4,436,073	3,939,134	3,809,378
Other Assets		2,048,371	1,652,852	1,748,512	2,876,343	2,980,026	2,976,313
Total Assets		21,074,041	21,384,763	23,815,760	60,560,237	70,232,337	79,056,586
Current Liabilities	Before Distribution	4,976,288	5,785,495	4,883,614	24,890,930	22,251,273	22,035,329
	After Distribution	6,722,538	7,776,220	6,729,864	25,984,055	Note3	Note3
Non-current Liabilities		2,963,009	2,398,454	2,207,549	19,850,805	13,926,658	19,900,795
Total Liabilities	Before Distribution	7,939,297	8,183,949	7,091,163	44,741,735	36,177,931	41,936,124
	After Distribution	9,685,547	10,174,674	8,937,413	45,834,860	Note3	Note3
Equity attributable to owners of parent							
Capital Stock		3,175,000	3,175,000	3,692,500	3,692,500	4,372,500	4,372,500
Capital Surplus		9,305,111	9,311,229	11,767,321	11,741,399	24,722,805	24,722,805
Retained Earnings	Before Distribution	2,126,718	2,424,398	2,780,724	1,933,282	6,857,529	9,624,012
	After Distribution	380,468	757,148	961,577	1,164,290	Note3	Note3
Other Equity		(1,472,085)	(1,711,887)	(1,515,948)	(1,592,477)	(1,956,906)	(1,657,381)
Treasury Stock		-	-	-	-	-	-
Non-controlling Equity		-	-	-	43,798	8,478	8,526
Total Shareholders' Equity	Before Distribution	13,134,744	13,200,814	16,724,597	15,818,502	34,054,406	37,120,462
	After Distribution	11,388,494	11,210,089	14,878,347	14,725,377	Note3	Note3

Note 1: The Company and its subsidiaries adopt IFRSs which are recognized by Financial Supervisory Commission since 2014, and adopt GAAP for 2013 financial data. (please refer below)
Note 2: 2014~2017 Financial information are audited and certified while 2018Q1 is reviewed by Certified Public Accountants
Note 3: 2017 profit distribution is pending for AGM approval

(2) GAAP (Consolidated)

Unit: NTD $1000

Item \ Year		Five-Year Financial Summary 2013	2014	2015	2016	2017
Current Assets		8,613,671	NA			
Fund & Investment		184,009				
Fixed Assets		9,895,127				
Intangible Assets		646,513				
Other Assets		1,321,051				
Total Assets		20,660,371				
Current Liabilities	Before Distribution	4,732,249				
	After Distribution	6,478,499				
Long-term Liabilities		-				
Other Liabilities		2,506,275				
Total Liabilities	Before Distribution	7,238,524				
	After Distribution	8,984,774				
Capital Stock		3,175,000				
Capital Surplus		9,305,111				
Retained Earnings	Before Distribution	2,188,881				
	After Distribution	442,631				
Unrealized Gain Or Loss On Financial Instrument		-				
Cumulative Translation Adjustment		(1,247,145)				
Net Loss Not Recognized As Pension Cost		-				
Total Shareholder's Equity	Before Distribution	13,421,847				
	After Distribution	11,675,597				

Note: Established in 2011.10, our 2013 Financial information are audited and certified by Certified Public Accountants

(3) IFRSs (Consolidated)

Unit: NTD $1,000

Item \ Year		2013	2014	2015	2016	2017
Current Assets		4,314,790	4,398,280	5,429,789	6,810,506	13,460,511
Property, Plant & Equipment		284,611	254,006	300,965	334,997	411,784
Intangible Assets		-	-	-	1,631,850	1,313,919
Other Assets		10,355,052	11,864,430	13,408,001	33,070,416	47,078,130
Total Assets		14,954,453	16,516,716	19,138,755	41,847,769	62,264,344
Current Liabilities	Before Distribution	1,550,568	2,900,164	1,898,253	17,317,308	21,671,662
	After Distribution	3,296,818	4,890,889	3,744,503	18,410,433	Note3
Non-current Liabilities		269,141	415,738	515,905	8,755,757	6,546,754
Total Liabilities	Before Distribution	1,819,709	3,315,902	2,414,158	26,073,065	28,218,416
	After Distribution	3,565,959	5,306,627	4,260,408	27,166,190	Note3
Equity attributable to owners of parent						
Capital Stock		3,175,000	3,175,000	3,692,500	3,692,500	4,372,500
Capital Surplus		9,305,111	9,311,229	11,767,321	11,741,399	24,722,805
Retained Earnings	Before Distribution	2,126,718	2,424,398	2,780,724	1,933,282	6,857,529
	After Distribution	380,468	757,148	961,577	1,164,290	Note3
Other Equity		(1,472,085)	(1,711,887)	(1,515,948)	(1,592,477)	(1,956,906)
Treasury Stock		-	-	-	-	-
Non-controlling Equity		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	13,134,744	13,200,814	16,724,597	15,774,7004	34,045,928
	After Distribution	11,388,494	11,210,089	14,878,347	14,681,579	Note3

Note 1: The Company and its subsidiaries adopt IFRSs which are recognized by Financial Supervisory Commission since 2014, and adopt GAAP for 2013 financial data.
Note 2: 2014~2017 Financial information are audited and certified while 2018Q1 is reviewed by Certified Public Accountants
Note 3: 2017 profit distribution is pending for AGM approval

(4) GAAP (Standalone)

Unit: NTD $1,000

Item \ Year		Five-Year Financial Summary 2013	2014	2015	2016	2017
Current Assets		4,325,274	NA			
Fund & Investment		9,738,734				
Fixed Assets		284,611				
Intangible Assets		-				
Other Assets		649,493				
Total Assets		14,998,112				
Current Liabilities	Before Distribution	1,541,012				
	After Distribution	3,287,262				
Long-term Liabilities		-				
Other Liabilities		35,253				
Total Liabilities	Before Distribution	1,576,265				
	After Distribution	3,322,515				
Capital Stock		3,175,000				
Capital Surplus		9,305,111				
Retained Earnings	Before Distribution	2,188,881				
	After Distribution	442,631				
Unrealized Gain Or Loss On Financial Instrument		-				
Cumulative Translation Adjustment		(1,247,145)				
Net Loss Not Recognized As Pension Cost		-				
Total Shareholder's Equity	Before Distribution	13,421,847				
	After Distribution	11,675,597				

Note: Established in 2011.10, our 2013 financial information are audited and certified by Certified Public Accountants

6.1.2 Condensed Statement of Income

(1) IFRSs (Consolidated)

Unit: NTD $1,000

Item \ Year	Five-Year Financial Summary					As of 2018/3/31
	2013	2014	2015	2016	2017	
Revenue	15,569,575	15,921,691	15,310,462	18,426,950	46,212,601	13,909,958
Gross Profit	3,663,126	3,728,021	4,073,170	4,130,383	11,807,766	5,028,833
Operating Income	2,193,703	2,336,191	2,684,922	1,378,347	7,413,542	3,923,334
Non-Operating Income & Expenses	10,379	343,171	122,804	(33,908)	(538,843)	(173,520)
Net Income (Loss) Before Tax	2,204,082	2,679,362	2,807,726	1,344,439	6,874,699	3,749,814
Income Before Income Tax From Continuing Operations	1,948,435	2,095,432	2,044,193	939,171	5,278,207	2,779,228
Loss From Discontinuing Operation	-	-	-	-	-	-
Net Income (Loss)	1,948,435	2,095,432	2,044,193	939,171	5,278,207	2,779,228
Other Comprehensive Income (After Tax)	(899,620)	(291,304)	175,322	(44,044)	18,274	299,082
Total Comprehensive Income	1,048,815	1,804,128	2,219,515	895,127	5,296,481	3,078,310
Net Income Attributable To Gwc	1,948,435	2,095,432	2,044,193	939,485	5,274,723	2,779,361
Net Income Attributable To Non-Controlling Interests	-	-	-	(314)	3,484	(133)
Comprehensive Income Attributable To Gwc	1,048,815	1,804,128	2,219,515	895,176	5,328,810	3,078,262
Comprehensive Income Attributable To Non-Controlling Interests	-	-	-	(49)	(32,329)	48
Earnings Per Share	6.14	6.6	5.8	2.54	12.68	6.36

Note 1: The Company and its subsidiaries adopt IFRSs which are recognized by Financial Supervisory Commission since 2014, and adopt GAAP for 2013 financial data.

Note 2: 2014~2017 Financial information are audited and certified while 2018Q1 is reviewed by Certified Public Accountants

(2) GAAP (Consolidated)

Unit: NTD $1000

Item \ Year	Five-Year Financial Summary				
	2013	2014	2015	2016	2017
Revenue	15,569,575	NA			
Gross Profit	3,669,189				
Operating Income	2,221,195				
Non-Operating Income & Expenses	115,383				
Net Income (Loss) Before Tax	105,004				
Income Before Income Tax from Continuing Operations	2,231,574				
Income from Continuing Operations	1,975,927				
Loss from Discontinuing Operation	-				
Extraordinary Income (Loss)	-				
Cumulative Effect of Changes in Accounting Principle	-				
Net Income	1,975,927				
Earnings Per Share	6.22				

Note: Established in 2011.10, our 2013 Financial information are audited and certified by Certified Public Accountants

(3) IFRSs (Standalone)

Unit: NTD $1000

Item \ Year	Five-Year Financial Summary				
	2013	2014	2015	2016	2017
Revenue	6,866,066	6,831,717	6,898,559	6,749,320	9,280,321
Gross Profit	910,544	731,558	954,035	1,360,109	2,172,052
Operating Income	479,435	350,073	599,972	667,833	1,495,352
Non-Operating Income & Expenses	1,629,935	2,049,559	1,655,616	333,297	4,531,292
Net Income (Loss) Before Tax	2,109,370	2,399,632	2,255,588	1,001,130	6,026,644
Income Before Income Tax from Continuing Operations	1,948,435	2,095,432	2,044,193	939,485	5,274,723
Loss from Discontinuing Operation	-	-	-	-	-
Net Income (Loss)	1,948,435	2,095,432	2,044,193	939,485	5,274,723
Other comprehensive income (After Tax)	(899,620)	(291,304)	175,322	(44,309)	54,087
Total comprehensive income	1,048,815	1,804,128	2,219,515	895,176	5,328,810
Net Income Attributable To GWC	1,948,435	2,095,432	2,044,193	939,485	5,274,723
Net Income Attributable To Non-controlling interests	-	-	-	-	-
Comprehensive Income Attributable To GWC	1,048,815	1,804,128	2,219,515	895,176	5,328,810
Comprehensive Income Attributable To Non-controlling interests	-	-	-	-	-
Earnings Per Share	6.14	6.6	5.8	2.54	12.68

Note 1: The Company and its subsidiaries adopt IFRSs which are recognized by Financial Supervisory Commission since 2014, and adopt GAAP for 2013 financial data.

Note 2: 2014~2017 Financial information are audited and certified while 2018Q1 is reviewed by Certified Public Accountants

(4) GAAP (Standalone)

Unit: NTD $1000

Item \ Year	Five-Year Financial Summary				
	2013	2014	2015	2016	2017
Revenue	6,866,066	NA			
Gross Profit	910,544				
Operating Income	500,864				
Non-Operating Income & Expenses	1,753,940				
Net Income (Loss) Before Tax	117,942				
Income Before Income Tax from Continuing Operations	2,136,862				
Income from Continuing Operations	1,975,927				
Loss from Discontinuing Operation	-				
Extraordinary Income (Loss)	-				
Cumulative Effect of Changes in Accounting Principle	-				
Net Income	1,975,927				
Earnings Per Share	6.22				

Note: Established in 2011.10, our 2013 Financial information are audited and certified by Certified Public Accountants

6.1.3 Auditors' Names and Opinions for Last Five Years

1. Auditors' Names and Opinions for Last Five Years

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

Year	Accounting Firm	CPA	Audit Opinion
2013	KPMG	Tseng, Mei-Yu Chen, Chien-Chen	Unqualified opinion
2014	KPMG	Tseng, Mei-Yu Huang, Yong-Hua	Unqualified opinion
2015	KPMG	Tseng, Mei-Yu Huang, Yong-Hua	Unqualified opinion
2016	KPMG	Tseng, Mei-Yu Huang, Yong-Hua	Unqualified opinion
2017	KPMG	Chen, Chien-Chen Cheng, An-Chih	Unqualified opinion

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

Year	Accounting Firm	CPA	Audit Opinion
2013	KPMG	Tseng, Mei-Yu Chen, Chien-Chen	Unqualified opinion
2014	KPMG	Tseng, Mei-Yu Huang, Yong-Hua	Unqualified opinion
2015	KPMG	Tseng, Mei-Yu Huang, Yong-Hua	Unqualified opinion
2016	KPMG	Tseng, Mei-Yu Huang, Yong-Hua	Unqualified opinion
2017	KPMG	Chen, Chien-Chen Cheng, An-Chih	Unqualified opinion

2. Reason for Changing CPA In Last Five Years:
The Company changes CPA in the last five years is due to KPMG's internal reorganization and job rotation, accounting firm remains the same.

6.2 Five-Year Financial Analysis

6.2.1 IFRS (Consolidated)

Item	Year	2013	2014	2015	2016	2017	As of 2018/3/31
		Financial Analysis In The Past Five Years					
Financial Structure (%)	Ratio Of Liabilities To Assets	NA	38.27	29.78	73.88	51.51	53.05
	Ratio Of Long-Term Capital To Property, Plant & Equipment		173.87	202.25	114.93	170.13	199.05
Solvency (%)	Current Ratio		174.29	245.82	89.24	157.79	197.97
	Quick Ratio		119.09	172.15	58.30	122.53	162.33
	Times Interest Earned Ratio		95.51	251.04	14.33	18.26	102.78
Operating Ability	Accounts Receivable Turnover (Turns)		4.7	3.7	3.02	5.92	6.90
	Average Collection Period		78	98	121	62	53
	Inventory Turnover (Turns)		3.75	3.5	2.54	4.42	4.61
	Accounts Payable Turnover (Turns)		7.67	7.34	4.39	7.32	7.76
	Average Days In Sales		97	104	144	83	79
	Property, Plant & Equipment Turnover (Turns)		1.70	1.67	0.91	1.56	1.96
	Total Assets Turnover (Turns)		0.75	0.68	0.44	0.70	0.75
Profitability	Return On Total Assets (%)		9.97	9.08	2.39	8.53	15.04
	Return On Shareholders' Equity (%)		15.91	13.66	5.78	21.18	31.24
	Pre-tax Income to Paid-in Capital Ratio (%)		84.39	76.04	36.41	157.22	343.04
	Profit Ratio (%)		13.16	13.35	5.10	11.42	19.98
	Earnings Per Share ($)		6.6	5.8	2.54	12.68	6.36
Cash Flow	Cash Flow Ratio (%)		57.76	48.32	10.76	73.14	48.64
	Cash Flow Adequacy Ratio (%)		152.65	116.8	106.26	171.48	215.40
	Cash Reinvestment Ratio (%)		3.25	0.69	1.22	18.15	11.38
Leverage	Operating Leverage		1.6	1.47	2.16	1.68	1.30
	Financial Leverage		1.01	1	1.08	1.05	1.01

Analyses of financial ratio change in the last two years.
1. Ratio Of Liabilities To Assets: Loan repayment
2. Ratio Of Long-Term Capital To Property, Plant & Equipment: Profit increased and loan repayment
3. Current Ratio, Quick Ratio: Increasing profit generated more cash
4. Times Interest Earned Ratio: Profit increased
5 Operating Ability: 2017 revenue increased and turnover ratio escalates accordinglys.
6. Profitability: 2017 Profit increased
7 Cash Flow Ratio & Cash Reinvestment Ratio: Profit increased, operation generated more cash inflow.
8. Operating Leverage: 2017 profit increased

Note 1: The Company and its subsidiaries adopt IFRSs which are recognized by Financial Supervisory Commission since 2014, 2014~2017 financial information are audited and certified while 2018Q1 is reviewed by Certified Public Accountants

Note 2: Glossary:

1. Financial Structure
(1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
(2) Ratio Of Long-Term Capital To Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Property, Plant & Equipment

2. Solvency
(1) Current Ratio = Current Assets / Current Liabilities.
(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.

(3) Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.

3. Operating Ability

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

4. Profitability

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

5. Cash Flow

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

6. Leverage

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

6.2.2 GAAP (Consolidated)

Item			2013	2014	2015	2016	2017
Financial Structure (%)	Ratio Of Liabilities To Assets		35.04	NA			
	Ratio Of Long-Term Capital To Fixed Assets		160.97				
Solvency (%)	Current Ratio		182.02				
	Quick Ratio		104.65				
	Times Interest Earned Ratio		60.35				
Operating Ability	Accounts Receivable Turnover (Turns)		4.68				
	Average Collection Period		77.99				
	Inventory Turnover (Turns)		3.54				
	Accounts Payable Turnover (Turns)		6.42				
	Average Days In Sales		103				
	Fixed Assets Turnover (Turns)		1.41				
	Total Assets Turnover (Turns)		0.70				
Profitability	Return On Total Assets (%)		9.09				
	Return On Shareholders' Equity (%)		14.86				
	Ratio To Paid-in Capital (%)	Operation Income	69.96				
		Income Before Tax	70.29				
	Profit Ratio (%)		12.69				
	Earnings Per Share ($)		6.22				
Cash Flow	Cash Flow Ratio (%)		63.03				
	Cash Flow Adequacy Ratio (%)		183.19				
	Cash Reinvestment Ratio (%)		4.14				
Leverage	Operating Leverage		1.82				
	Financial Leverage		1.02				
Analyses of financial ratio change in the last two years: The Company has adopted IFRSs since 2014, therefore not applicable.							

Note 1: Established in 2011.10, our 2013 Financial information are audited and certified by Certified Public Accountants

Note 2: Glossary:

1.Financial Structure

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

(2)Ratio Of Long-Term Capital To Fixed Assets = (Net Shareholder's Equity + Long-Term Liabilities)/ Net Fixed Assets

2.Solvency

(1)Current Ratio = Current Assets / Current Liabilities.

(2)Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.

(3)Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.

3.Operating Ability

(1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).

(2) Average Collection Period = 365 / Accounts Receivable Turnover.

(3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.

(4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost Of Goods Sold / Average Accounts Payable.

(5) Average Days In Sales = 365 / Inventory Turnover.

(6) Property, Plant & Equipment Turnover = Net Sales / Average Net Property, Plant & Equipment.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4.Profitability

(1) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.

(3) Profit Ratio (%) = Net Income / Net Sales.

(4) Earnings Per Share ($)= (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.

5.Cash Flow

(1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)

(3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)

6.Leverage

(1) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.

(2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

6.2.3 IFRS (Standalone)

Item	Year	Financial Analysis In The Past Five Years				
		2013	2014	2015	2016	2017
Financial Structure (%)	Ratio Of Liabilities To Assets	NA	20.08	12.61	62.30	45.32
	Ratio Of Long-Term Capital To Property, Plant & Equipment		5360.72	5728.61	7322.59	9857.76
Solvency (%)	Current Ratio		151.66	286.04	39.33	62.11
	Quick Ratio		124.32	233.93	30.49	53.69
	Times Interest Earned Ratio		372.06	2316.8	27.17	22.03
Operating Ability	Accounts Receivable Turnover (Turns)		6.25	6.17	2.69	3.46
	Average Collection Period		58	59	136	105
	Inventory Turnover (Turns)		9.13	7.59	4.54	4.45
	Accounts Payable Turnover (Turns)		4.26	3.82	1.65	1.01
	Average Days In Sales		40	48	80	82
	Property, Plant & Equipment Turnover (Turns)		25.37	24.86	21.23	24.85
	Total Assets Turnover (Turns)		0.43	0.39	0.22	0.17
Profitability	Return On Total Assets (%)		13.35	11.47	3.20	10.61
	Return On Shareholders' Equity (%)		15.91	13.66	5.78	21.17
	Pre-tax Income to Paid-in Capital Ratio (%)		75.58	61.09	27.11	137.83
	Profit Ratio (%)		30.67	29.63	13.92	56.83
	Earnings Per Share ($)		6.6	5.8	2.54	12.68
Cash Flow	Cash Flow Ratio (%)		17.42	18.49	5.47	21.38
	Cash Flow Adequacy Ratio (%)		127.79	45.457	90.97	78.63
	Cash Reinvestment Ratio (%)		-8.63	-7.60	-3.80	8.82
Leverage	Operating Leverage		1.3	2	1.15	1.27
	Financial Leverage		1.02	1.00	1.06	1.23

Analyses of financial ratio change in the last two years.
1. Ratio Of Liabilities To Assets: Acquisition of overseas subsidiary increased long-term investment
2. Ratio Of Long-Term Capital To Property, Plant & Equipment: Increasing profit resulted in higher shareholder equity
3. Solvency: Subsidiary capital deduction
4. Operating Ability: 2017 profit increased
5. Profitability: 2017 profit increased
6. Cash Flow Ratio & Cash Reinvestment Ratio: 2017 profit increased, operation generated more cash inflow.

Note 1: The Company and its subsidiaries adopt IFRSs which are recognized by Financial Supervisory Commission since 2014, 2014~2017 financial information are audited and certified while 2018Q1 is reviewed by Certified Public Accountants

Note 2: Glossary:
1. Financial Structure
(1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
(2) Ratio Of Long-Term Capital To Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Property, Plant & Equipment

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

3. Operating Ability

(1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).

(2) Average Collection Period = 365 / Accounts Receivable Turnover.

(3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.

(4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost Of Goods Sold / Average Accounts Payable.

(5) Average Days In Sales = 365 / Inventory Turnover.

(6) Property, Plant & Equipment Turnover = Net Sales / Average Net Property, Plant & Equipment.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.

(3) Profit Ratio (%) = Net Income / Net Sales.

(4) Earnings Per Share ($)= (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.

5. Cash Flow

(1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)

(3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.

(2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

6.2.4 GAAP (Standalone)

Item			Financial Analysis In The Past Five Years (Year)				
			2013	2014	2015	2016	2017
Financial Structure (%)	Ratio Of Liabilities To Assets		10.51				
	Ratio Of Long-Term Capital To Fixed Assets		4,728.24				
Solvency (%)	Current Ratio		280.68				
	Quick Ratio		231.80				
	Times Interest Earned Ratio		145.96				
Operating Ability	Accounts Receivable Turnover (Turns)		5.09				
	Average Collection Period		71.71				
	Inventory Turnover (Turns)		10.71				
	Accounts Payable Turnover (Turns)		6.37				
	Average Days In Sales		34.08				
	Fixed Assets Turnover (Turns)		20.99				
	Total Assets Turnover (Turns)		0.45	NA			
Profitability	Return On Total Assets (%)		13.17				
	Return On Shareholders' Equity (%)		14.86				
	Ratio To Paid-in Capital (%)	Operation Income	15.78				
		Income Before Tax	67.30				
	Profit Ratio (%)		28.78				
	Earnings Per Share ($)		6.22				
Cash Flow	Cash Flow Ratio (%)		60.17				
	Cash Flow Adequacy Ratio (%)		121.48				
	Cash Reinvestment Ratio (%)		0.80				
Leverage	Operating Leverage		1.21				
	Financial Leverage		1.03				
Analyses of financial ratio change in the last two years: The Company has adopted IFRSs since 2014, therefore not applicable.							

Note 1: Established in 2011.10, our 2013 financial information are audited and certified by Certified Public Accountants
Note 2: Glossary:

Note 2: Glossary:

1. Financial Structure
(1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
(2) Ratio Of Long-Term Capital To Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Property, Plant & Equipment

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

3. Operating Ability
(1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).
(2) Average Collection Period = 365 / Accounts Receivable Turnover.
(3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
(4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost Of Goods Sold / Average Accounts Payable.
(5) Average Days In Sales = 365 / Inventory Turnover.

(6) Property, Plant & Equipment Turnover = Net Sales / Average Net Property, Plant & Equipment.
(7) Total Assets Turnover = Net Sales / Average Total Assets.

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

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

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

6.3 Audit Committee's Report in the Most Recent Year:

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2017 Business Report, Consolidated and Standalone Financial Statements and Earnings Distribution Proposal. GlobalWafers Co., Ltd. Consolidated and Standalone Financial Statements have been audited and certified by Chen, Chen-Chien, CPA, and Cheng, An-Chih, CPA, of KPMG and audit review reports relating to the Financial Statements have been issued. The aforementioned reports have been reviewed and considered to be complied with relevant rules by the undersigned, the audit committee of GlobalWafers Co., Ltd. according to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

GlobalWafers Co., Ltd.

Audit Committee Convener:

Chi-Hsiung Cheng

March 20, 2018

6.4 Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report

Please refer to Attachment 1

6.5 Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report

Please refer to Attachment 2

6.6 Specify impact to the Company if any financial difficulty happens to the Company and its subsidiaries in the most recent year and as of the printing day of this annual report: NA

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

7.1 Analysis of Financial Status

Unit: NTD $1,000

Item \ Year	2017	2016	Difference	
			Amount	%
Current Assets	35,110,873	22,212,281	12,898,592	58.07%
Property, Plant & Equipment	28,202,304	31,035,540	(2,833,236)	(9.13%)
Intangible Assets	3,939,134	4,436,073	(496,939)	(11.20%)
Other Assets	2,980,026	2,876,343	103,683	3.60%
Total Assets	70,232,337	60,560,237	9,672,100	15.97%
Current Liabilities	22,251,273	24,890,930	(2,639,657)	(10.60%)
Non- current Liabilities	13,926,658	19,850,805	(5,924,147)	(29.84%)
Total Liabilities	36,177,931	44,741,735	(8,563,804)	(19.14%)
Capital	4,372,500	3,692,500	680,000	18.42%
Capital Surplus	24,772,805	11,741,399	13,031,406	110.99%
Retained Earnings	6,857,529	1,933,282	4,924,247	254.71%
Total Equity	34,054,406	15,818,502	18,235,904	115.28%

Note 1：Explain any major changes totaling 20% or more or in the last two years:
(1) Current Assets & Capital Surplus: 2017 GDR issuance
(2) Non- current Liabilities: 2017 repayment of long-term loan
(3) Retained Earnings: 2017 profit increased
Note 2：Countermeasure for material impact: NA

7.2 Analysis of Operating Results

7.2.1. Comparison Analysis of Business Results

Unit: NTD $1000

Item / Year	2017	2016	Increase (Decrease)	（%）
Total Net Revenues	46,212,601	18,426,950	27,785,651	150.79%
Gross Profit	11,807,766	4,130,383	7,677,383	185.88%
Operation Profit	7,413,542	1,378,347	6,035,195	437.86%
Non-Operating Income and Expense	(538,843)	(33,908)	(504,935)	1489.13%
Profit before Tax	6,874,699	1,344,439	5,530,260	411.34%
Income Tax Expense	1,596,492	405,268	1,191,224	293.93%
Net Profit	5,278,207	939,171	4,339,036	462.01%
Other Comprehensive Income	18,274	(44,044)	62,318	(141.49%)
Total Comprehensive Income	5,296,481	895,127	4,401,354	491.7%

Note 1：Explain any major changes totaling 20% or more or in the last two years:

1. Revenue/Gross Profit/Net income: Because of acquisition of overseas subsidiary in 2016.12, 2017 COGs grew hugely and gross profit and operation profit increased accordingly.
2. Non-Operating Income and Expense: Interest expense
3. Income Tax Expense: 2017 profit increased and income tax imposed increased accordingly.
4. Other Comprehensive Income: Change in remeasurements of defined benefit plans in actuaries’ report.

Note 2：Financial & operational influence and countermeasure from future sales:

The company will expand capacity to cope with robust global semiconductor market, the influence is positive.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis for Last Year (2017)

1. Analysis

Initial cash balance (1)	Annual operating net cash flow (2)	Annual net cash outflow (3)	Amount of cash surplus (shortfall) (1)+(2)+(3)	Remedial measures for Cash shortfall	
				Investment plan	Financial plan
5,627,979	16,276,374	3,109,991	18,794,362	NA	NA

Analyses:
1. Operation: operational cash is inflow due to profitable 2017
2. Investment: Investment is outflow due to purchasing fixed assets.
3. Financing: Financing is outflow due to dividend distribution

7.3.2 Remedy measures for expected capital shortfalls and liquidity analysis: The Company is not suffering from insufficient cash, no need for remedy measures.

7.3.3 Liquidity Analysis for Next Year (2018)

Initial cash balance (1)	Annual operating net cash flow (2)	Annual net cash outflow (3)	Amount of cash surplus (shortfall) (1)+(2)+(3)	Remedial measures for Cash shortfall	
				Investment plan	Financial plan
18,794,362	27,059,946	19,766,788	26,087,520	NA	NA

Analyses:
1. Operation: 2018 revenue is expected to grow and profitable, generating cash inflow
2. Investment: Investment is outflow due to purchasing R&D/Manufacturing equipments to cope with growing revenue
3. Financing: Financing is outflow due to dividend distribution and loan repayment.

7.4 Major Capital Expenditure Items influence on Financial Business: NA

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

1.Reinvestment policy

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

2.Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

Unit: NTD $1000

Reinvested Company	2017 Profits (Losses) Recognized	Major Reasons For Profits Or Losses	Improvement Plan
GlobalSemiconductor Inc.	131,351	Normal operation	None
GlobalWafers Inc.	382,690	Normal operation	None
GWafers Inc. (Note 1)	1,815,730	Normal operation	None
Kunshan Sino Silicon Technology Co., Ltd.	120,249	Normal operation	None
GlobiTech Incorporated	382,689	Normal operation & profit	None
GlobalWafers Japan Co., Ltd.	1,737,325	Normal operation & profit	None
Topsil GlobalWafers A/S	(41,542)	Normal operation	None
GWafers Singapore Pte. Ltd.	2,232,125	Normal operation	None
Topsil Semiconductor sp z o.o.	(7,116)	Normal operation	None
SunEdison Semiconductor Limited (Note2)	3,731,256	Normal operation & profit	None
SunEdison Semiconductor BV (Note3)	3,417,343	Normal operation	None
MEMC Japan Ltd.	275,457	Normal operation & profit	None
MEMC Electronic Materials, SpA	836,999	Normal operation & profit	None
MEMC Electronic Materials France SarL	638	Normal operation	None
MEMC Electronic Materials GmbH	515	Normal operation	None
MEMC Holding B.V.	474,492	Normal operation	None
MEMC Korea Company	1,183,867	Normal operation & profit	None
SunEdison Semiconductor, LLC (Note4)	(944,278)	Normal operation	None
MEMC Electronic Materials SDN BHD	79,278	Normal operation	None
SunEdison Semiconductor Holding BV (Note5)	422,307	Normal operation	None
Taisil Electronic Materials Corp.	1,281,286	Normal operation & profit	None
MEMC Ipoh Sdn Bhd	23,223	Normal operation	None
SunEdison Semiconductor Technology (Shanghai) Ltd	39	Normal operation	None
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	3,822	Normal operation	None
Hong-wang Investment Company	5,959	Normal operation	None

Note 1: Merged with GlobalWafers Japan Co., Ltd. in 2018.1.

Note 2: Renamed GlobalWafers Singapore Pte. Ltd. in 2018.3.

Note3: Renamed GlobalWafers B.V. in 2018.3.

Note4: Renamed MEMC LLC in 2018.3.

Note5: Liqudation completed in 2017.10.

3.Investment Plan in Next Year: None

7.6 Analysis of Risk Management

7.6.1 Effect of Interest Rate, Exchange Rate Changes and Inflation on Company Profit / Losses and Countermeasures:

(1)**Interest Rate**

The Company and its subsidiaries enjoy better credit terms and conditions with lower loan costs owing to healthy financial structure and good credit record of itself and subsidiaries. We have short-term and long-term loans based on actual funding needs and evaluate loans on the consideration of cost and payment term. We also possess some short-term credit lines, we carefully monitor foreign exchange when drawdown.

(2)**Exchange Rate**

The Company and its subsidiaries take natural hedge as foreign currency principle in supply and sales, lowering the position exposed in volatile market. Finance department closely monitors exchange rate and carefully operates free convertible exchange. No obvious risk on operation.

(3)**Inflation**

No obvious inflation to profit and loss of the Company in last year, the Company and its subsidiaries carefully monitor commodity fluctuation and take action when necessary.

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

(1) The company and its subsidiaries do not engage in high risk, high leveraged transactions or derivative financial products.

(2) The Company and its subsidiaries follow internal regulations, such as “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee” and “Policies and Procedures for Financial Derivatives Transactions” and governmental regulations when engaging in such activities, and perform periodic audit and public announcements. Relevant departments also conduct internal audit and monitor, no risk caused to operation.

7.6.3 Future Research & Development Projects and Corresponding Budget

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

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

As for the R&D expenses, the budget is composed and planed in accordance with the development schedule of new product and new technology. R&D expense in our company was 3.94% and 3.13% of total operating revenues in 2016 and 2017 respectively, which might be tuned up to keep our competitive superiority in the industry depending on the operating situation and the market fluctuation.

Category	Estimated R&D Expenses (kNTD)	Descriptions for future R&D projects
Process improvement	300,000	A. Low power consumption HZ design B. Low pollution wire sawing technology development C. Advanced process for monocrystalline growth/Wafering yield improvement
Quality improvement	250,000	A. Crystal defect control and measurement technology B. Ultra flat wafering technology development C. Low surface- defect density polishing technology D. Actomic-grade polishing technology development E. SOI production yield improvement F. Establishment of new wafer chamfer measuring system G. Development of Photoluminescence and FT-IR mesuremenst method for silicon monocrystalline with low carbon concentration
Equipment improvement	250,000	A. Automated and digitized manufacturing system development B. Development of the puller with high productivity and high crytal quality C. Low power consumption process/equipment development D. 300mm New Puller design and development E. Wafering process feed-forward prediction system development F. Development of silicon surface inspection method for tiny LPD
New Product development	320,000	A. Semi insulated and larger Diameter SiC wafer development B. SOI substrate development for Next generation RF device C. Hetoro-epitaxy technology development D. Development of ECAS wafer with low carbon, low defect, and proximately IG structure for next generation 3D memory and CMOS image sensor E. Development of Pulse Photoconductivity method (PPCM) for CMOS image sensor with higher resolution

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

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

7.6.5 Impact of Technological Change and Industry Changes upon the Financial Standing of the Company and the Countermeasures:

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

7.6.6 Impact of Changes in Company Image on Crisis Management and Countermeasures:

The Company and its subsidiaries dedicate in our core business, following applicable laws, strengthening internal management and performance. Our goal is to maintain superior company, image to deepen customers' trust. No impact of changes in Company image on Crisis Management as of the printing date of the annual report. However, we understand the damage corporate crisis could cause, so the Company and its subsidiaries restlessly to realize all requirements of corporate governance to minimize potential threats and impact from crisis.

7.6.7 Expected Benefits and Possible Risks Associated With any Merger and Acquisitions:

The Company acquired semiconductor business of Topsil Semiconductor Materials A/S in Denmark and SunEdison Semiconductor Ltd. in US in July and December respectively in 2016. The Company focuses on adjusting operational structure. Through restructure and elevating managerial efficiency, we have demonstrated great synergy. With the up-cycle of semiconductor industry and wafer price hike, the Company has scaled up, vaulting itself into the third largest wafer maker in the world. The Company will endeavor to bring up its technology and cost-control superiorities, aiming to be the long-term partners of customers by providing total solution.

The Company has followed "Acquisitions or Disposal of Asset Procedure" to execute merger and acquisition with cautious evaluation to protect rights and welfare of the Company and its shareholders.

7.6.8 Expected Benefits and Possible Risks Associated with any Plant Expansion: None

7.6.9 Risks Associated with any Consolidation of Sales or Purchasing Operations: None

7.6.10 Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None

7.6.11 Impact of Change in Management and its Potential Risks: None

7.6.12 Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuits that may have severe impact to shareholders' rights or stock price: None
(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuit, ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None

7.6.13 Other major risks and countermeasures: None

7.7 Other Major Events: None

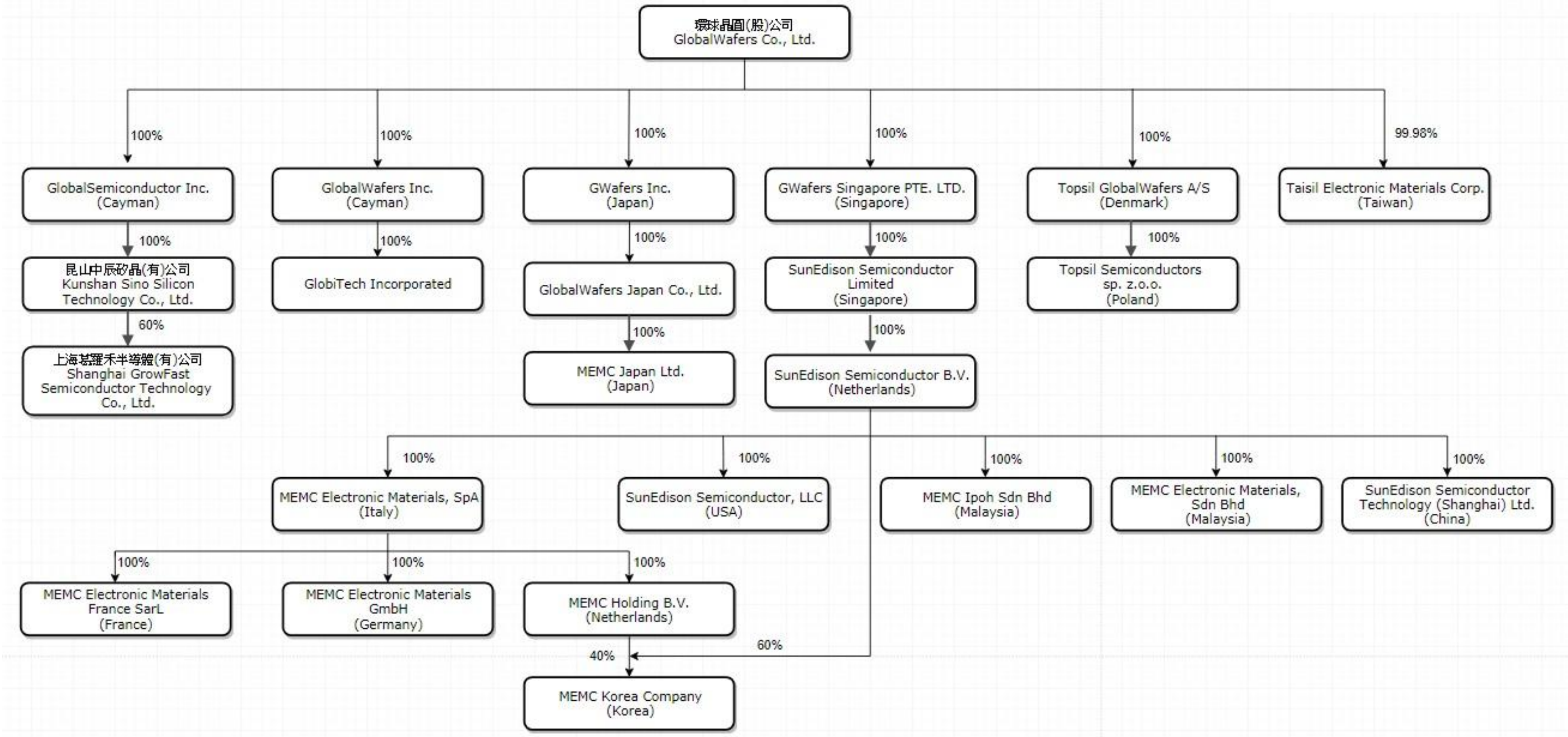
VIII. Special Disclosure

8.1 Affiliated Businesses

8.1.1 Affiliated Business Consolidated Business Report

8.1.1.1 Affiliated Company Chart

2017.12.31



8.1.1.2 Relationship with Affiliated Companies and Share Crossholdings

Unit: US $1000

Name of affiliated company	Establishment	Address	Paid-in Capital	Major Business Items
GlobalWafers Inc.	2011/05/11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338,Grand Cayman KY1-1003	USD 1	Investment and triangle trade center of China subsidiary
GlobalSemiconductor Inc.	2011/05/11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338,Grand Cayman KY1-1003	USD 26,555,000	Invest various business
Gwafers Inc. (Note1)	2011/10/25	5-10-6, Nishiogikita, Suginami-ku, Tokyo, Japan	JPY 8,000,000	Invest various business
Kunshan Sino Silicon Technology Co., Ltd.	1999/08/17	No. 303 Hanpu Rd, Chengbei, Kunshan, Jiangsu, China	USD 26,555,000	Manufacturing and selling of silicon wafer and ingot
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	2016/05/20	Room 2013B , Building C, No. 155, No.1 West Fute Road, China (Shanghai) Pilot Free Trade Zone	RMB 2,000,000	Sales and Marketing
GlobiTech Incorporated	1998/12/15	200 FM 1417 West/Sherman, TX 75092, U S A	USD 1	Epi wafer production and processing
GlobalWafers Japan Co.,Ltd.	1991/06/18	6-861-5 Seiro-machi Higashiko, Kitakanbara-gun, Niigata 957-0197 Japan	JPY 6,967,000,000	Manufacturing and selling of semiconductor wafer
GWafers Singapore Pte. Ltd.	2016/02/02	9 Battery Road,15-01 MYP Centre, Singapore, 049910	USD 364,000,000	Invest various business
Topsil GlobalWafers A/S	2016/07/01	Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark	DKK 1,000,000	Manufacturing and selling of semiconductor wafer
Topsil Semiconductor sp z o.o.	2008/10/01	133 Wolczynska St., 01-919 Warsaw, Poland	PL 5,000	Manufacturing and selling of semiconductor wafer
SunEdison Semiconductor Limited (Note2)	2013/12/20	9 Battery Road,15-01 MYP Centre, Singapore, 049910	SGD 1	Investment, Marking and trading
SunEdison Semiconductor B.V. (Note3)	2013/11/26	A tower, 7 floor, Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands	USD 100	Invest various business
MEMC Japan Ltd.	1979/12/11	11-2 Kiyohara Industrial Park, Utsunomiya City, Tochigi 3213296 Japan	JPY 100,000,000	Manufacturing and selling of semiconductor wafer
MEMC Electronic Materials, SpA	1960/01/29	Viale Gherzi, 31 28100 Novara, Italy	EUR 31,200,000	Manufacturing and selling of semiconductor wafer
SunEdison Semiconductor, LLC (Note4)	2013/08/28	501 Pearl Drive St. Peters, MO 63376, USA	USD 10	R&D, manufacturing and selling of semiconductor wafer
MEMC Electronic Materials, Sdn Bhd	1972/06/15	Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	MYR 1,036,203	R&D, manufacturing and selling of semiconductor wafer
SunEdison Semiconductor Technology (Shanghai) Ltd	2015/04/25	Room 03B, Floor 16, Jiaqi Building, 666 Gubei Road, Changning District, Shanghai, China	RMB 1,500,000	Trading
MEMC Electronic Materials France SarL	1998/07/27	5-7 BLD EDGAR QUINET 92700 COLOMBES, France	EUR 16,000	Trading

Name of affiliated company	Establishment	Address	Paid-in Capital	Major Business Items
MEMC Electronic Materials GmbH	1998/02/10	c/o Rene Schaeffler-Steinsdorfstr, 13, D-80538 Muenchen, Germany	EUR 200	Trading
MEMC Holding B.V.	2000/04/20	A tower, 7 floor, Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands	EUR 20,000	Invest various business
Taisil Electronic Materials Corp.	1994/09/26	No. 2, Creation Road 1, HsinChu Science Park, Hsin chu, Taiwan	NTD100,000,000	Manufacturing and selling of semiconductor wafer
MEMC Ipoh Sdn. Bhd.	2007/10/10	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, Kuala Lumpur	MYR699,374,130	R&D, manufacturing and selling of semiconductor wafer
MEMC Korea Company	1990/12/18	854, Manghyang-ro, Sunggeo-eup, Cheonan-si, Chungchongnam-do, Korea	KRW 86,000,000	Manufacturing and selling of semiconductor wafer

Note 1: Merged with GlobalWafers Japan Co., Ltd. in 2018.1.
Note 2: Renamed GlobalWafers Singapore Pte. Ltd. in 2018.3.
Note3: Renamed GlobalWafers B.V. in 2018.3.
Note4: Renamed MEMC LLC in 2018.3.

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

8.1.1.4 Business Scope and the Affiliated Companies

Please refer to above information of affiliated company

8.1.1.5 List of Directors, Supervisors and Presidents of Affiliated Companies

2017/12/31; Unit: USD $1000

Name of affiliated company	Title	Name or representative	Shares held	
			Shares or capital contribution	Shares or capital contribution
GlobalWafers Inc.	Director	Hsiu-Lan Hsu	90,000	100%
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	25,000	100%
GWafers Inc. (Note1)	Director	Hsiu-Lan Hsu	-	100%
	Director	Einoshin Endo		
Kunshan Sino Silicon Technology Co., Ltd.	Chairperson	GlobalWafers Co., Ltd Representative：Tang-Liang Yao	-	100%
	Vice Chairperson	GlobalWafers Co., Ltd Representative：Hsiu-Lan Hsu		
	Director/President	GlobalWafers Co., Ltd Representative：Ching-Chang Chin		
	Director	GlobalWafers Co., Ltd Representative：Sheng-Hsiung Hong		
	Director	GlobalWafers Co., Ltd Representative：Ming-Hui Chien		
	Supervisor	GlobalWafers Co., Ltd Representative：Wei-Wen Chen		

Name of affiliated company	Title	Name or representative	Shares held: Shares or capital contribution	Shares held: Shares or capital contribution
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	Chairperson	Ching-Chang Chin	-	60%
	Director	Hsiu-Lan Hsu		
	Director	Hsien-Han He		
	President	Sheng-Hsiung Hong		
	Supervisor	Wei-Wen Chen		
	Supervisor	Takanori Suzuki		
GlobiTech Incorporated	Chairperson/CEO	GlobalWafers Co., Ltd Representative：Hsiu-Lan Hsu	1	100%
	Director	GlobalWafers Co., Ltd Representative：Ming Kuang Lu		
	Director	GlobalWafers Co., Ltd Representative：Tang-Liang Yao		
	Director/President	GlobalWafers Co., Ltd Representative：Mark Lynn England		
	Director	GlobalWafers Co., Ltd Representative：Curtis Hall		
GlobalWafers Japan Co., Ltd.	Director	GlobalWafers Co., Ltd Representative：Hsiu-Lan Hsu	128	100%
	Director	GlobalWafers Co., Ltd Representative：Ming Kuang Lu		
	Director	GlobalWafers Co., Ltd Representative：Tang-Liang Yao		
	Director/President	GlobalWafers Co., Ltd Representative：Takashi Araki		
	Director	GlobalWafers Co., Ltd Representative：Toru Masaoka		
	Director	GlobalWafers Co., Ltd Representative：Chung-Wei Lee		
GWafers Singapore Pte. Ltd.	Chairperson	Hsiu-Lan Hsu	364,000	100%
	Director	Tang-Liang Yao		
	Director	Ming Kuang Lu		
	Director	Chen Ye Huang		
Topsil GlobalWafers A/S	Director	Hsiu-Lan Hsu	1,000	100%
	Director	Wei-Wen Chen		
	Director	Hans Peder Mikkelsen		
Topsil Semiconductor sp z o.o.	Director	Hans Peder Mikkelsen	1	100%
SunEdison Semiconductor Limited (Note2)	Director	Hsiu-Lan Hsu	121,771	100%
	Director	Mark Lynn England		
	Director	Chen Ye Huang		
SunEdison Semiconductor B.V. (Note3)	Director	Hsiu-Lan Hsu	0.1	100%
	Director	John Peter van Leeuwen		
MEMC Japan Ltd.	Director/Chairperson	Hsiu-Lan Hsu	-	100%
	Director/President	Takashi Araki		
	Director	Chung-Wei Lee		

Name of affiliated company	Title	Name or representative	Shares held	
			Shares or capital contribution	Shares or capital contribution
	Director	Toru Kobayashi		
	Director	Katsuaki Kotari		
	Supervisor	Masashi Sugahara		
MEMC Electronic Materials, SpA	Chairperson	Mauro Pedrotti	65,000	100%
	Director	Ming-Hui Chien		
	Director	Jyh-Shyng Lu		
	Director	Prof. Gianluigi Tosato		
	Supervisor	Richard Murphy		
	Supervisor	PierMario Barzaghi		
	Supervisor	Eleonora Guerriero		
SunEdison Semiconductor, LLC (Note4)	President	Mark England	1	100%
	Vice President	Rick Boston		
MEMC Electronic Materials, Sdn Bhd	Director	Ching-Chang Chin	1,036	100%
	Director	Tony Wang		
	Director	Joanne Leung		
SunEdison Semiconductor Technology (Shanghai) Ltd	Director/President	Sheng-Hsiung Hong	-	100%
MEMC Electronic Materials France SarL	Director	Marco Maffè	0.5	100%
MEMC Electronic Materials GmbH	Director	Marco Sciamanna	0.002	100%
MEMC Holding B.V.	Director	Ming-Hui Chien	0.2	100%
	Director	John Peter van Leeuwen		
Taisil Electronic Materials Corp.	Chairperson	Hsiu-Lan Hsu	9,998	99.98%
	Director	Yin-Sheng Hsueh		
	Director	Mark England		
	Supervisor	Ming-Hui Chien		
MEMC Ipoh Sdn. Bhd.	Director	Ching-Chang Chin	699,374	100%
	Director	Tony Wang		
	Director	Joanne Leung		
MEMC Korea Company	Chairperson	Charlie Cho	17,200	100%
	Director	Hsiu-Lan Hsu		
	Director	Mark England		
	Supervisor	Jyh-Shyng Lu		

Note 1: Merged with GlobalWafers Japan Co., Ltd. in 2018.1.

Note 2: Renamed GlobalWafers Singapore Pte. Ltd. in 2018.3.

Note3: Renamed GlobalWafers B.V. in 2018.3.

Note4: Renamed MEMC LLC in 2018.3.

8.1.1.6 Operation Highlights of Affiliated Companies

Financial status and operation of affiliated companies

2017/12/31 Unit: NTD $1000

Name Of Affiliated Company	Capital	Assets	Liabilities	Net Worth	Operating Income	Operating Profit	Income (After Tax)	EPS (After Tax)
GlobalWafers Inc. (Note1)	1	3,640,560	-	3,640,560	0	0	382,690	-
GlobalSemiconductor Inc.	756,809	1,063,839	3,091	1,060,748	32,459	11,074	131,351	-
Gwafers Inc.	2,713	10,844,460	320	10,844,140	0	(8)	1,815,730	-
Kunshan Sino Silicon Technology Co., Ltd.	769,177	1,471,132	452,573	1,018,559	2,315,560	160,864	120,249	-
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	9,756	93,977	79,167	14,810	101,395	7,065	6,370	-
GlobiTech Incorporated	1	4,525,386	884,826	3,640,560	5,132,832	469,040	382,689	-
GlobalWafers Japan Co., Ltd.	2,750,510	14,825,313	4,065,222	10,760,091	11,161,438	2,272,621	1,737,325	-
GWafers Singapore Pte. Ltd.	11,966,930	22,015,936	7,919,150	14,096,786	0	(2,956)	2,232,125	-
Topsil GlobalWafers A/S	4,832	1,989,001	227,927	1,761,074	965,561	(51,560)	(41,542)	-
Topsil Semiconductor sp z o.o.	41	200,623	254,127	(53,504)	322,717	(41,778)	(7,116)	-
SunEdison Semiconductor Limited (Note2)	-	26,338,775	10,772,948	15,565,827	18,167,872	914,795	3,731,256	-
SunEdison Semiconductor B.V. (Note3)	3	19,103,588	1,884	19,101,704	0	(39,188)	3,417,343	-
MEMC Japan Ltd.	28,020	2,959,712	1,409,032	1,550,680	4,776,757	445,224	275,457	-
MEMC Electronic Materials, SpA	1,061,244	12,042,298	2,306,241	9,736,057	8,096,935	302,522	836,999	-
SunEdison Semiconductor, LLC (Note4)	-	4,935,064	1,163,616	3,771,448	2,803,858	(1,339,074)	(944,278)	-
SunEdison Semiconductor Holdings B.V. (Note5)	-	-	-	-	-	(19,624)	422,307	-
MEMC Electronic Materials, Sdn Bhd	7,452	1,077,237	285,265	791,972	1,911,880	103,564	79,278	-
SunEdison Semiconductor Technology (Shanghai) Ltd	7,527	10,742	1,360	9,382	0	(0.26)	39	-
MEMC Electronic Materials France SarL	544	4,264	4,873	(609)	0	1,136	638	-
MEMC Electronic Materials GmbH	7	6,331	1,129	5,202	0	790	515	-
MEMC Holding B.V.	680	2,772,659	27	2,772,632	0	1,149	474,492	-
Taisil Electronic Materials Corp.	100,000	17,308,643	2,484,721	14,823,922	9,490,589	1,321,132	1,308,487	-
MEMC Ipoh Sdn Bhd	5,029,535	282,258	34,975	247,283	134	168,488	23,223	-
MEMC Korea Company	2,343	10,565,366	3,640,234	6,925,132	5,814,557	1,092,013	1,183,867	-

Note 1: Merged with GlobalWafers Japan Co., Ltd. in 2018.1.
Note 2: Renamed GlobalWafers Singapore Pte. Ltd. in 2018.3.
Note3: Renamed GlobalWafers B.V. in 2018.3.
Note4: Renamed MEMC LLC in 2018.3.
Note5: Liqudation completed in 2017.10.

8.1.2 Consolidated Financial Statements of Affiliated Enterprises: Please refer to Attachment 1

8.1.3 Affiliation Reports: Please refer to Attachment 3

8.2 Private Placement Securities in the Most Recent Years: NA

8.3 The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years: NA

8.4 Other Necessary Supplement:

The promise execution status after the Company became listed

Promise As Being Listed Company	Promise Execution Status
The Company promises to add below in “Acquisition or Disposal of Assets Procedure” The Company shall not give up capital increase in future years to GlobalSemiconductor Inc.(GSI)、GlobalWafers Inc.(GWI) and GWafers Inc.(GWafers). GSI shall not give up capital increase in future years to Kunshan Sino Silicon Technology Co., Ltd. (SST) GWI shall not give up capital increase in future years to GlobiTech Incorporated GWafers shall not give up capital increase in future years to GlobalWafers Japan Co., Ltd. If the aforesaid companies have to give up capital increase or dispose of above mentioned subsidiaries due to consideration of strategic alliance or other factors in the future, it shall acquire OTC’s consent as well as submit to the Board of Directors for special resolution approval. Also, if the Procedure is amended, the Company shall make material announcement in MOPS and submit to TPEx for recordation. The procedure should be disclosed in material announcements in MOPS and submit to TPEx for recordation if modification is made.	“Acquisition or Disposal of Assets Procedure” was amended and approved by BoD meeting date 2015.11.9 and shareholder meeting dated 2016.6.22 respectively. GlobalWafers Japan Co., Ltd. and GWafers Inc. have merged on 2018/1/1 so as to increase management efficiency. The Company revises Article 28 in “Acquisition or Disposal of Assets Procedure,” which shall be disclosed in material announcements in MOPS and submit to TPEx upon approval in 2018 shareholder meeting.

8.5 Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders’ Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: NA

Attachment 1 2017 Consolidated Financial Statements

Representation Letter

The entities that are required to be included in the combined financial statements of GlobalWafers Co., Ltd. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GlobalWafers Co., Ltd. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: GlobalWafers Co., Ltd.

Chairman:Doris Hsu

Date: March 20, 2018

Independent Auditors' Report

To the Board of Directors of GlobalWafers Co., Ltd.:

Opinion

We have audited the consolidated financial statements of GlobalWafers Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our 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. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows.

1.Revenue recognition

Please refer to note 4(15) "Revenue recognition" for accounting policy and note 6(21) "Revenue" of the consolidated financial statements.

Description of key audit matter:

The Group's revenues are derived from the sales of semiconductor materials and components. Revenue recognition is also dependent on whether the specified sales terms in each individual contract are met. In consideration of the high volume of sales transactions generated from world-wide operations, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of revenue recognition policies and assessing whether revenue recognition policies are appropriate based on sales terms and revenue recognition criteria; understanding the design and process of implementation of internal controls and testing operating effectiveness; testing selected sales samples and agreeing to customer orders, delivery notes, cash receipts and related documentation supporting sales recognition; testing sales cut-off, on a sample basis, for transactions incurred within a certain period before or after the balance sheet date by reviewing related sales terms, inspecting delivery documents, and other related supporting document to evaluate whether the revenue was recorded in proper period.

2.Inventory valuation

Please refer to note 4(8) “Inventories”, note 5(1) “Inventory valuation” and note 6(5) “Inventories” of the consolidated financial statements.

Description of key audit matter:

The Group is engaged mainly in the manufacturing and sales of semiconductor ingots, wafers, and related products that can be used in a wide variety of applications. However, the Group may still suffer from the risk of change in technology, as well as the risk of obsolescence and slow-moving inventories. Inventory is one of the Group’s most important assets. Therefore, we have considered inventory valuation as one of the key areas of our audit emphasis.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of inventory valuation policies and assessing whether those policies are applied consistently to inventory valuation; testing the accuracy of inventory aging report; analyzing the change of inventory items aged over two years; and selecting samples for testing and inspecting the source of inventory net realizable value information used in valuation purposely to assess for reasonableness.

3.Impairment of goodwill

Please refer to the note 4(12) “Intangible assets” for accounting policy, note 5(2) “Impairment of goodwill” for fair value determination of identifiable assets and liabilities, and note 6(9) for further details.

Description of key audit matter:

The Group is in a highly capitalized industry with goodwill arising from business combination. Moreover, the Group operates in an industry in which the operations are easily influenced by various external factors, such as supply and demand of the market. Therefore, the assessment of impairment of goodwill is one of the key areas in our audit. The aforementioned mentioned assessment procedures, including identification of cash-generating units, valuation models, selection of key assumptions and calculations of recoverable cash inflows, depend on the management’s subjective judgments, which contained uncertainly in accounting estimations. Consequently, this is one of the key areas in our audit. Therefore, we have considered the evaluation of goodwill impairment as one of the key areas of our audit emphasis.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included : assessing whether there is any indication that a cash-generating unit may be impaired ; assessing whether the assumptions used for evaluating the recoverable amount are reasonable ; verifying the accuracy of the forecast ; inspecting the balance of recoverable amount to ensure it is the same as the final computation ; assessing the assumption used for recoverable cash amount and forecast on cash flows, then performing the sensitivity analysis for the important assumption ; assessing whether the policy of impairment of goodwill and other relevant information have been appropriately disclosed.

Other Matter

GlobalWafers Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 are responsible for overseeing the Group's financial reporting process.

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

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

1.Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2.Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4.Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5.Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6.Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd. and its subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 18,794,362	27	5,627,979	9
1110	Financial assets measured at fair value through profit or loss (note 6(2))	21,546	-	2,442	-
1170	Accounts receivable, net (notes 6(4) and 8)	7,796,017	11	7,565,402	13
1180	Accounts receivable from related parties, net (note 7)	73,415	-	76,835	-
130X	Inventories (note 6(5))	7,346,671	10	7,306,767	12
1470	Other current assets (note 6(10))	905,230	1	1,105,679	2
1476	Other current financial assets (note 8)	173,632	-	527,177	1
		35,110,873	49	22,212,281	37
	Non-current assets:				
1544	Non-current financial assets measured at cost (note 6(3))	49,896	-	-	-
1550	Investments accounted for using equity method, net (note 6(7))	318,622	-	-	-
1600	Property, plant and equipment (notes 6(8), 7 and 8)	28,202,304	40	31,035,540	51
1805	Intangible assets (notes 6(6) and (9))	3,939,134	6	4,436,073	7
1840	Deferred tax assets (note 6(17))	1,837,127	3	1,847,184	3
1900	Other non-current assets (notes 6(10) and (15))	391,307	1	639,752	1
1980	Other non-current financial assets (note 8)	383,074	1	389,407	1
		35,121,464	51	38,347,956	63
	Total assets	$ 70,232,337	100	60,560,237	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(11))	$ 10,124,326	15	12,491,187	21
2120	Financial liabilities measured at fair value through profit or loss (note 6(2))	5,152	-	23,631	-
2170	Notes and accounts payable	4,208,854	6	4,892,581	8
2180	Accounts payable to related parties (note 7)	60,638	-	233,059	-
2201	Payroll and bonus payable	1,681,221	2	1,026,971	2
2300	Other current liabilities (notes 6(13) and (14))	3,498,117	5	5,667,243	8
2311	Sales revenue received in advanced-current	2,059,632	3	65,279	-
2322	Current portion of long-term loans payable (note 6(12))	613,333	1	490,979	1
		22,251,273	32	24,890,930	40
	Non-Current liabilities:				
2540	Long-term loans payable (note 6(12))	3,663,000	5	14,366,833	24
2570	Deferred tax liabilities (note 6(17))	2,066,271	3	1,622,629	3
2600	Other non-current liabilities (notes 6(13) and (14))	636,344	1	370,473	1
2670	Sales revenue received in advance	4,676,980	7	-	-
2640	Net defined benefit liabilities (note 6(16))	2,884,063	4	3,490,870	6
		13,926,658	20	19,850,805	34
	Total liabilities	36,177,931	52	44,741,735	74
	Equity				
	Equity attributable to GlobalWafers Co., Ltd. (notes 6(6), (18) and (19))				
3110	Common stock	4,372,500	6	3,692,500	6
3200	Capital surplus	24,772,805	35	11,741,399	19
	Retained earnings:				
3310	Legal reserve	813,639	1	719,690	1
3320	Special reserve	350,635	-	239,802	-
3350	Unappropriated retained earnings	5,693,255	9	973,790	2
		6,857,529	10	1,933,282	3
3400	Other equity interest	(1,956,906)	(3)	(1,592,477)	(2)
	Total equity attributable to GlobalWafers Co., Ltd.	34,045,928	48	15,774,704	26
36XX	Non-controlling interests	8,478	-	43,798	-
	Total equity	34,054,406	48	15,818,502	26
	Total liabilities and equity	$ 70,232,337	100	60,560,237	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd. and its subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue** (notes 6 (21) and 7)	$ 46,212,601	100	18,426,950	100
5000	**Cost of sales** (notes 6(5), (16) and 7)	34,404,835	74	14,296,567	78
	Gross profit	11,807,766	26	4,130,383	22
	Operating expenses:(notes 6(4), (16) and 7)				
6100	Selling and marketing	1,067,714	3	401,468	2
6200	General and administrative	1,881,450	4	1,624,362	9
6300	Research and development	1,445,060	3	726,206	4
	Total operating expenses	4,394,224	10	2,752,036	15
		7,413,542	16	1,378,347	7
	Non-operating income and expenses:				
7010	Interest revenue (note 7)	92,150	-	13,924	-
7020	Other gains and losses, net (notes 6(23) and 7)	(232,808)	(1)	53,037	-
7050	Interest expense	(398,185)	(1)	(100,869)	(1)
		(538,843)	(2)	(33,908)	(1)
	Profit before income tax	6,874,699	14	1,344,439	6
7950	**Income tax expenses** (note 6(17))	1,596,492	3	405,268	1
	Net income	5,278,207	11	939,171	5
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans (note 6(16))	506,863	1	38,819	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(17))	(88,347)	-	(6,599)	-
		418,516	1	32,220	-
8360	**Other components of other comprehensive income that will not be reclassified to profit or loss**				
8361	Exchange differences on translation	(610,623)	(1)	(231,788)	(1)
8362	Unrealised gains on valuation of available-for-sale financial assets	-	-	175,871	1
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(7))	112,663	-	-	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(17))	97,718	-	(20,347)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(400,242)	(1)	(76,264)	-
8300	**Other comprehensive income, net**	18,274	-	(44,044)	-
	Total comprehensive income	**$ 5,296,481**	**11**	**895,127**	**5**
	Net income, attributable to:				
8610	Shareholders of GlobalWafers Co., Ltd.	$ 5,274,723	11	939,485	5
8620	Non-controlling interests	3,484	-	(314)	-
		$ 5,278,207	**11**	**939,171**	**5**
	Total comprehensive income attributable to:				
8710	Shareholders of GlobalWafers Co., Ltd.	$ 5,328,810	11	895,176	5
8720	Non-controlling interests	(32,329)	-	(49)	-
		$ 5,296,481	**11**	**895,127**	**5**
	Basic earnings per share (note 6(20))				
9710	Basic earnings per share	**$**	**12.68**		**2.54**
9810	Diluted earnings per share	**$**	**12.66**		**2.54**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd. and its subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappro-priated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 3,692,500	11,767,321	517,331	239,802	2,023,591	2,780,724	(1,399,873)	(116,075)	(1,515,948)	16,724,597	-	16,724,597
Profit (loss)	-	-	-	-	939,485	939,485	-	-	-	939,485	(314)	939,171
Other comprehensive income	-	-	-	-	32,220	32,220	(192,604)	116,075	(76,529)	(44,309)	265	(44,044)
Total comprehensive income	-	-	-	-	971,705	971,705	(192,604)	116,075	(76,529)	895,176	(49)	895,127
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	202,359	-	(202,359)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,819,147)	(1,819,147)	-	-	-	(1,819,147)	-	(1,819,147)
Cash dividends distributed from capital surplus	-	(27,103)	-	-	-	-	-	-	-	(27,103)	-	(27,103)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	43,847	43,847
Compensation cost arising from employee stock option	-	1,181	-	-	-	-	-	-	-	1,181	-	1,181
Balance at December 31, 2016	3,692,500	11,741,399	719,690	239,802	973,790	1,933,282	(1,592,477)	-	(1,592,477)	15,774,704	43,798	15,818,502
Profit	-	-	-	-	5,274,723	5,274,723	-	-	-	5,274,723	3,484	5,278,207
Other comprehensive income	-	-	-	-	418,516	418,516	(477,092)	112,663	(364,429)	54,087	(35,813)	18,274
Total comprehensive income	-	-	-	-	5,693,239	5,693,239	(477,092)	112,663	(364,429)	5,328,810	(32,329)	5,296,481
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	93,949	-	(93,949)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	110,833	(110,833)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(768,992)	(768,992)	-	-	-	(768,992)	-	(768,992)
Cash dividends distributed from capital surplus	-	(324,133)	-	-	-	-	-	-	-	(324,133)	-	(324,133)
Capital increase	680,000	13,355,424	-	-	-	-	-	-	-	14,035,424	-	14,035,424
Difference between acquisition price and carrying amount arising from acquisition of subsidiaries	-	115	-	-	-	-	-	-	-	115	(2,991)	(2,876)
Balance at December 31, 2017	**$ 4,372,500**	**24,772,805**	**813,639**	**350,635**	**5,693,255**	**6,857,529**	**(2,069,569)**	**112,663**	**(1,956,906)**	**34,045,928**	**8,478**	**34,054,406**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd. and its subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 6,874,699	1,344,439
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	4,690,903	1,579,832
Amortization expense	349,133	13,951
Provision for reversal of allowance for doubtful accounts	23,645	10,318
Interest revenue	(92,150)	(13,924)
Interest expense	398,185	100,869
Net gains of financial assets(liabilities) measured at fair value through profit or loss	(37,583)	(39,237)
Compensation cost of employee stock options	-	1,181
Share of profit of associates and joint ventures accounted for using equity method	(5,959)	-
Loss (gain) on disposal of property, plant and equipment	(3,498)	13,368
Remeasurement gains on disposal of available-for-sale financial assets	-	(81,131)
Provision for (reversal of) inventory valuation	(165,861)	12,448
Total adjustments to reconcile profit	5,156,815	1,597,675
Changes in operating assets and liabilities:		
Note and accounts receivable (including related parties)	(250,840)	136,107
Inventories	125,957	55,720
Prepayments for purchase of materials	163,133	267,099
Other operating assets	543,632	138,449
Other financial assets	9,937	95,113
Total changes in operating assets	591,819	692,488
Notes and accounts payable (including related parties)	(856,148)	174,439
Provisions	(460,680)	(358,680)
Sales revenue received in advance	6,671,333	59,931
Net defined benefit liability	(99,944)	(4,226)
Other operating liabilities	(455,702)	232,133
Total changes in operating liabilities	4,798,859	103,597
Total changes in operating assets and liabilities	5,390,678	796,085
Total adjustments	10,547,493	2,393,760
Cash inflow generated from operations	17,422,192	3,738,199
Interest received	88,426	13,295
Interest paid	(400,360)	(89,318)
Income taxes paid	(833,884)	(984,413)
Net cash flows from operating activities	16,276,374	2,677,763
Cash flows from (used in) investing activities:		
Acquisition of financial assets measured at cost	(49,896)	-
Acquisition of investments accounted for using equity method	(200,000)	-
Acquisition of subsidiaries, net of cash acquired	-	(16,968,015)
Acquisition of property, plant and equipment	(2,948,413)	(1,476,644)
Proceeds from disposal of property, plant and equipment	196,152	21,689
Acquisition of intangible assets	(2,530)	-
Decrease (increase) in restricted deposit	353,665	(308,593)
Net cash flows from (used in) investing activities	(2,651,022)	(18,731,563)

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd. and its subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(2,366,861)	11,495,397
Proceeds from long-term debt	2,273,000	14,857,812
Repayments of long-term debt	(12,854,479)	(6,326,348)
Decrease in guarantee deposits received	(745,817)	-
Cash dividends paid	(1,093,125)	(1,846,250)
Proceeds from capital increase	14,035,424	-
Increase(decrease) in non-controlling interests	(2,876)	3,876
Net cash flows from (used in) financing activities	(754,734)	18,184,487
Effect of exchange rate changes on cash and cash equivalents	295,765	(164,636)
Net increase in cash and cash equivalents	13,166,383	1,966,051
Cash and cash equivalents at beginning of period	5,627,979	3,661,928
Cash and cash equivalents at end of period	$ 18,794,362	5,627,979
The following table summarized the fair value of the assets acquired and liabilities assumed at acquisition date:		
Cash and cash equivalents	$ -	1,656,544
Financial asset measured at fair value through profit or loss	-	7,857
Notes and accounts receivables, net	-	3,250,963
Inventories	-	4,113,279
Other current assets	-	844,522
Property, plant and equipment	-	22,084,055
Intangible assets	-	1,851,198
Other non-current assets	-	1,884,078
Goodwill	-	1,899,032
Short-term borrowings	-	(299,900)
Financial liability measured at fair value through profit or loss	-	(68,283)
Notes and accounts payable	-	(3,567,868)
Other current liabilities	-	(4,534,826)
Current portion of long-term loans payable	-	(4,966,615)
Long-term loans payable	-	(1,359,733)
Other non-current liabilities	-	(3,339,030)
Non-controlling interests	-	(39,971)
The fair value of the subsidiary on the date of acquisition	-	19,415,302
Deduct: fair value of previously held equity shares of the acquiree	-	(790,743)
cash acquired on acquisition	-	(1,656,544)
Net fair value of assets and liabilities acquired (excluding cash acquired)	$ -	16,968,015

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd. and its subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

GlobalWafers Co., Ltd. (the "Company") was a semiconductor unit of Sino-American Silicon Products Inc. ("SAS") and the Company, along with its assets and liabilities, was spun off from SAS on October 1, 2011. The Company was incorporated in October 18, 2011, and authorized by the Hsinchu Science Park Bureau (HSPB). Its registered office is located at No. 8, Industrial East Road 2, Science-Based Industrial Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2017, the consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Group engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers, and is also engaged in the technology and management consulting service for related products.

The Group acquired ownership of 100% outstanding shares of SunEdison Semiconductor Limited on December 2, 2016. SunEdison is a semiconductor wafer fabrication and supplier, and has been leading silicon wafer designs since its inception. SunEdison's R&D strongholds spread over United States, Europe and Asia, and also dedicated to develop the next generation High-performance semiconductor wafers. The Group expand its sales network and upgrade its research and development capability through this acquisition.

The Company's common shares have been listed on Taipei Exchange ("TPEx") since September 25, 2015, and were delisted from the Emerging Market at the same date.

2. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 20, 2018.

3. New standards, amendments and interpretations adopted:

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(A) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

(i) Classification and measurement - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investment classified as financial assets measured at cost of $49,896 thousand is held for long-term strategic purposes. At initial application of IFRS9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group assessed the application of IFRS 9's classification and measurement requirements will not have material impact on other comprehensive income.

(ii) Impairment - Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

(Continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group's assessment indicated that the application of IFRS 9's impairment requirements on January 1, 2018, won't have material impact on its consolidated financial statements.

(iii) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

- The determination of the business model within which a financial asset is held.

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as measured at FVOCI.

(Continued)

(B) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

(i) Sales of goods

Revenue is currently recognized depending on the individual terms of the sales agreement. The related risks and rewards of ownership have to be transferred prior to the recognition of revenue. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group performed a preliminary assessment and considered that the timing of the related risks and rewards of ownership transferred is similar to the timing when control is transferred and the Group does not expect that there will be a significant impact on its consolidated financial statements.

(ii) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018.

The Group assessed the adoption of IFRS 15 would not have any material impact on its consolidated financial statements.

(C) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(D) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group assessed the application of the amendments would not have any material impact on its consolidated financial statements.

(Continued)

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for note 3, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value;

(b) The net defined benefit liability is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars (NT$), which is the Company's functional currency. All financial information presented in NT$ has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and the entities controlled by the Company (its subsidiaries). The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.

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

B. List of subsidiaries in the consolidated financial statements

			Percentage of Ownership at	
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2017**	**December 31, 2016**
the Company	GlobalSemiconductor Inc. (GSI)	Investment activities	100%	100%
the Company	GlobalWafers Inc. (GWI)	Investment activities	100%	100%
the Company	GWafers Japan (GWafers)	Investment activities	100%	100%
the Company	GWafers Singapore Pte. Ltd. (GWafers Singapore)	Investment activities	100%	100%
the Company	Topsil GlobalWafers A/S (Topsil A/S)	Manufacturing and trading of silicon wafers	100%	100%

(Continued)

			Percentage of Ownership at	
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2017**	**December 31, 2016**
the Company	Taisil Electronic Materials Corp.	Manufacturing and trading of silicon wafers	99.98% (Note)	-
GSI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trading of ingots and wafers	100%	100%
GWI	GlobiTech Incorporated (GTI)	Manufacturing of epitaxial wafers and silicon wafers	100%	100%
GWafers	GlobalWafers Japan Co., Ltd. (GWJ)	Manufacturing and trading of silicon wafers	100%	100%
GWI	MEMC Japan Ltd. (MEMC Japan)	Manufacturing and trading of silicon wafers	100% (Note)	-
SST	Shanghai GrowFast Semiconductor Technology Co., Ltd.	Sale and marketing	60%	60%
Topsil A/S	Topsil Semiconductor sp z o.o. (Topsil PL)	Manufacturing and trading of silicon wafers	100%	100%
Gwafers Singapore	SunEdison Semiconductor Limited (SSL)	Investment, marketing and trading activities	100%	100%
SSL	SunEdison Semiconductor B.V. (SSBV)	Investment activities	100%	100%
SSL	SunEdison Semiconductor Technology Pte. Ltd. (SSTPL)	Investment activities	100%	100%
SSBV	MEMC Japan Ltd. (MEMC Japan)	Manufacturing and trading of silicon wafers	- (Note)	100%
SSBV	MEMC Electronic Materials, SpA(MEMC SpA)	Manufacturing and trading of silicon wafers	100%	100%
MEMC SpA	MEMC Electronic Materials France SarL(MEMC SarL)	Trading	100%	100%

(Continued)

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at December 31, 2017	Percentage of Ownership at December 31, 2016
MEMC SpA	MEMC Electronic Materials GmbH (MEMC GmbH)	Trading	100%	100%
MEMC SpA	MEMC Holding B.V. (MEMC BV)	Investment activities	100%	100%
SSBV、MEMC BV	MEMC Korea Company (MEMC Korea)	Manufacturing and trading of silicon wafers	100%	100%
SSBV	SunEdison Semiconductor LLC(SunEdison LLC)	Research and development, manufacturing and trading of silicon wafers	100%	100%
SSBV	MEMC Electronic Materials, Sdn Bhd(MEMC Sdn Bhd)	Research and development, manufacturing and trading of silicon wafers	100%	100%
SSBV	SunEdison Semiconductor Technology (Shanghai) Ltd. (SunEdison Shanghai)	Trading	100%	100%
SSBV	SunEdison Semiconductor Holdings B.V.(SSHBV)	Investment activities	100%	100%
SSBV, SSHBV	Taisil Electronic Materials Corp. (Taisil)	Manufacturing and trading of silicon wafers	- (Note)	99.96%
SSHBV	MEMC Ipoh Sdn Bhd (MEMC Ipoh)	Manufacturing and trading of silicon wafers	100%	100%

(Note) With the Group's organizational restructuring, ownership of Taisil was transferred from SSBV and SSHBV to the Company in October 2017; and ownership of MEMC Japan was transferred from SSBV to GWJ in October 2017.

In February 2016, the Group set up a new 100% owned subsidiary, GWafers Singapore, purposely to enhance the Group’s overall operational efficiency.

In June 2016, SST set up a new 60% owned subsidiary, Shanghai GorwFast Semiconductor Technology Co., Ltd., with Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. for the purpose of expanding the market in China. The said subsidiary was included in its consolidated financial statements starting from the investment date.

(Continued)

On July 1, 2016, the Group acquired the silicon business from Topsil Semiconductor Materials A/S, a Danish listed company for the purpose of expanding businesses in Europe. Entities of Topsil A/S and Topsil PL (collectively "Topsil") were thus included in the Group's consolidated financial statements.

Based on a resolution approved by the board of directors on August 18, 2016, the Group acquired all outstanding equity shares of SunEdison Semiconductor Limited (SSL) in cash through the Group's 100% owned subsidiary, GWafers Singapore. Those equity shares had a trading price of US$12 per share. Commencing from December 2, 2016, SunEdison Semiconductor Limited and its subsidiaries (SunEdison) were officially consolidated to the Group. The acquisition of those shares is intended primarily to increase the Group's global market share, diversify customer portfolio, and strengthen silicon research and development technique and production capacity.

In order to achieve flattening of the organization and enhance management efficiency, the Group passed an organizational restructuring plan under the resolution of the board of directors on September 28, 2017, including the reorganization of shareholding structure among the subsidiaries and restructuring of certain subsidiaries through an increase or decrease in capitals. As the reorganization occurs within the group, there is no impact on the consolidated profit or loss of the Group.

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

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the last date of reporting period (hereinafter referred as “the reporting date”) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss except for the differences of available-for-sale financial assets, which are recognized in other comprehensive income.

(Continued)

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at the average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency differences are considered parts of investments in foreign operations and are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash and cash in bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(Continued)

(7) Financial instruments

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

A. Financial assets

The Group classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, financial assets at cost and receivables.

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

Financial assets are classified as held for trading if it they are acquired principally for the purpose of selling or repurchasing in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

(b) Financial assets at cost

Investment in equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured, are carried at their cost, less, any impairment loss, and are included in financial assets at cost.

(c) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes and accounts receivable. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest on short-term accounts receivable is not calculated because it does not have significant influence. A regular purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is included in non-operating income and expenses.

(d) Impairment of financial assets

Except for financial assets measured at fair value through profit and loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

(Continued)

Objective evidence that financial assets are impaired includes the severe financial difficulties, default or delinquency by debtor (such as interest and payment are delay or unpaid), indications that a debtor or issuer will enter bankruptcy, possibility of restructuring increase and economic conditions that correlate with defaults of issuers and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of accounts receivables are recognized in operating expenses. Impairment loss and recoveries of financial assets excluding accounts receivable are recognized in non-operating income and expenses.

(e) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses from available-for-sale financial assets" is recognized in profit or loss, and recognized in non-operating income and expenses.

(Continued)

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, under non-operating income and expenses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

(b) Financial liabilities at fair value through profit or loss

A financial liability is a liability held for trading or measured at fair value through profit or loss.

(c) Other financial liabilities

Financial liabilities not classified as held for trading or designated as measured at fair value through profit or loss, comprising long-term and short-term borrowings and accounts payable, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

Interest expense not capitalized as capitalized cost is recognized in profit or loss, under non-operating income and expenses.

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, under non-operating income and expenses.

(Continued)

(e) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average-cost method and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group’s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

(Continued)

When the Group's share of losses exceeds its interests in an associate, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has a present legal or constructive obligation or has made payments on behalf of the investee.

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid in capital. If the additional paid in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are recognized and measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless its useful life and depreciation method are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss, under non-operating income and expenses.

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful life of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings: 2 to 40 years

(b) Machinery and equipment: 1 to 15 years

(c) Other equipment and leased assets: 1 to 12 years

(d) Buildings constitute mainly buildings, mechanical and electrical power equipment; and related engineering, wastewater treatment and sewage system, etc. Each such part is depreciated based on its useful life of 25 to 40 years, 25 years, and 4 to 15 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in an accounting estimate.

(11) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's consolidated statement of financial position.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Expenditures for obtaining land use rights are recognized as acquisition cost. Based on the shorter of the contract period or the estimated useful life, the cost of land use rights is amortized over 50 years and 99 years, respectively.

(12) Intangible assets

A. Goodwill

(a) Initial recognition

Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

(b) Subsequent measurement

Goodwill is measured at its cost, less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms parts of the carrying amount of such investment.

B. Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they are recognized in profit or loss as incurred:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) The intention to complete the intangible asset and use or sell it.

(c) The ability to use or sell the intangible asset.

(d) How the intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

C. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost accumulated amortization and any accumulated impairment losses.

D. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

E. Amortization

The amortizable amount is the cost of an asset less its residual value.

Except for goodwill, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives from the date that they are available for use.

(a) Patents and trademarks: 4 to 6 years

(b) Development costs: 10 years

The residual value, amortization period, and amortization method of intangible assets reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a changes in accounting estimates.

(13) Impairment of non-financial assets

The Group measures whether impairment has occurred in non-financial assets (except for inventories and deferred income tax assets) on every reporting date, and when there is an indication of impairment exist, the Group estimates its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, then the Group will have to determine the recoverable amount of the cash-generating unit (“CGU”) to which the asset has been allocated to.

(Continued)

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset reduced to its recoverable amount; and that reduction is accounted as an impairment loss, which shall be recognized immediately in profit or loss.

Recoverability of goodwill is required to be tested annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of CGUs, that are expected to benefit from the synergies of the combination. If the carrying amount of the CGUs exceeds the recoverable amount of the unit, impairment loss is recognized. The impairment loss is allocated to reduce the carrying amount of the goodwill of such cash-generating unit first and then to the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

At the end of each reporting period, an assessment is made whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset, other than goodwill, is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

A. Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land and the related expense are recognized when the land is contaminated. A provision for site restoration of lease land and the related expense are recognized over the term of the lease.

B. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(Continued)

(15) Revenue recognition

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards of ownership varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier. Generally for such products, the customer has no right of return. For domestic shipments, risks and rewards of ownership normally transferred when goods are delivered and accepted by customers at the client's designated location.

B. Services

The Group provides services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

C. Government grants

Income from government grants for research and development is recognized as revenue under non-operating income and expenses, based on actual costs incurred as a percentage of the expected total costs. Income from government grants for equipment spending is recognized as the deduction of the equipment’s carrying amount, which is also allocated on a straight-line basis over the useful life of the equipment as a reduction of depreciation expense.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan asset is deducted. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefit of plan is improved, the pension cost incurred from the portion of the increased benefit relating to the past services by the employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Group recognized them under retained earnings.

Gains or losses on the curtailment or settlement of the defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(17) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related services are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related services at the vesting date.

(Continued)

(18) Income tax

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

A. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also be reevaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(Continued)

(19) Business combination

Goodwill is measured as the aggregation of the consideration transferred at the acquisition date and the amount of any non-controlling interest in acquiree less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the residual balance is negative, the Group re assesses whether it has correctly identified all of the assets acquired and liabilities assumed and recognize a gain on the bargain purchase thereafter.

Acquisition-related cost are expensed as incurred, except that the costs are related to the issuance of debt or equity securities.

The acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group’s financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect any new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(20) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus and employee compensation.

(Continued)

(21) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in the accounting estimates during the period and the impact of those changes in the following period.

There is no critical judgment made in applying accounting policies.

The accounting policies that involved the estimation and assumption uncertainty that may cause adjustments in the subsequent period are as below:

(1) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to the note 6(5) for further information on inventory valuation.

(2) Impairment of goodwill

The assessment of the impairment of goodwill relies on the judgment of the Group, which includes identifying cash-generating units and allocating goodwill to the cash-generating units. For determining the recoverable amounts of the relevant cash-generating units. Please refer to the note 6(9) for further information on impairment of goodwill.

The Group strives to use the observable market inputs in determining the fair value of assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(Continued)

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(24) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

		December 31, 2017	December 31, 2016
Cash on hand	$	12,228	778
Demand deposits		9,136,854	5,236,389
Time deposits		9,645,280	390,812
	$	18,794,362	5,627,979

Refer to note 6(24) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(2) Financial assets and liabilities measured at fair value through profit or loss

		December 31, 2017	December 31, 2016
Financial asset measured at fair value through profit or loss:			
Forward exchange contracts	$	21,546	2,442
Financial liabilities measured at fair value through profit or loss			
Forward exchange contracts	$	5,152	23,631

The Group uses derivative instruments to hedge certain currency risk, arising from the Group's operating activities. The Group held the following derivative instruments not qualified for hedge accounting and accounted them as held-for-trading financial assets and liabilities as of December 31, 2016 and 2017:

	December 31, 2017			
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD	20,700	USD to EUR	January 23,2018~ February 22,2018
Forward exchange contracts sold	KRW	74,506,300	KRW to USD	January 24, 2018

(Continued)

	December 31, 2017			
		Contract amount (in thousands)	Currency	Maturity date
Forward exchange contracts sold	NTD	267,000	NTD to JPY	January 26, 2018
Forward exchange contracts sold	NTD	264,900	NTD to JPY	March 22, 2018
Forward exchange contracts sold	NTD	263,000	NTD to JPY	March 28, 2018
Forward exchange contracts purchased	JPY	50,000	JPY to EUR	February 18, 2018

	December 31, 2016			
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD	6,096	USD to JPY	January 10, 2017~ February 20,2017
Forward exchange contracts sold	USD	14,600	USD to EUR	January 24, 2017~ February 23, 2017
Forward exchange contracts sold	USD	5,746	USD to KRW	January 25, 2017
Forward exchange contracts purchased	NTD	25,559	NTD to USD	January 19, 2017
Forward exchange contracts purchased	JPY	775	JPY to EUR	January 18, 2017
Forward exchange contracts purchased	JPY	1,539	JPY to KRW	January 25, 2017

(3) Non-current financial assets at cost

	December 31, 2017	December 31, 2016
Equity investment in domestic entities	$ 49,896	-

The management of the Group believes that the fair value of the financial assets cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

The financial assets at cost of the Group were not pledged as collaterals in December 31st 2017.

(4) Notes and accounts receivable, net

	December 31, 2017	December 31, 2016
Notes receivable	$ 145,568	108,416
Accounts receivable	7,701,962	7,486,768
Less:Allowance for doubtful accounts	(36,149)	(12,504)
Allowance for sales discounts and returns	(15,364)	(17,278)
	$ 7,796,017	7,565,402

The movements in the allowance for doubtful accounts were as follows:

	2017	2016
Balance at January 1	$ 12,504	2,186
Impairment loss recognized	23,645	10,318
Balance at December 31	$ 36,149	12,504

Aging analysis of notes and accounts receivable (including related parties), which were overdue but not impaired, as of the reporting date was as follows:

	December 31, 2017	December 31, 2016
Overdue 1~30 days	$ 261,484	108,031
Overdue 31~60 days	2,483	54,847
Overdue 61~90 days	69	2,700
Overdue 91~120 days	-	225
Overdue 121~150 days	5	2,222
Overdue 151~180 days	-	491
Overdue 181~365 days	-	500
	$ 264,041	169,016

The Group has accounts payable amounting as of $0 and $83,108 (US$2,577 thousand) to credit overdue receivables included in the above table as of December 31, 2017 and December 31, 2016. For the remaining overdue receivables, the Group has concluded that they are not impaired based on its assessment of credit risks. The Group has not obtained collaterals for those overdue receivables.

The Group factored its accounts receivable to manage credit risks as of each reporting date as follows:

(Continued)

The Group entered into an agreement with banks to factor certain of its accounts receivable without recourse. According to the agreement, within the factoring line, the Group does not have to ensure the ability of debtors to pay when transferring the rights and obligations.

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

(Unit: Foreign currency/JPY in thousands)

December 31, 2017

Purchaser		Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Mitsubishi UFJ, etc.	$	4,269,636	-	4,269,636	1.175%~ 1.475%	None

December 31, 2016

Purchaser		Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Mitsubishi UFJ, etc.	$	1,066,019	1,066,019	1,066,099	1.175%~ 1.475%	None

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

The Group entered into a trade receivable factoring agreement with a financial institution. According to the agreement, the Group provides guarantees for all the receivables that cannot be collected within certain period (including delayed payments and breach of contract) and retain almost all the risks and rewards of the receivables. Therefore, the receivable does not meet the criteria of derecognition of financial assets. On report day, trade receivables which were not derecognized were as follows:

(Unit: Foreign currency/JPY in thousands)

December 31, 2016

Purchaser		Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
DAISHI BANK	$	634,156	4,000,000	634,156	0.3573%~ 0.3737%	None

The Group's notes and accounts receivable were not pledged as collaterals in December 31, 2017.

The Group's accounts receivable were pledged as collaterals for short-term borrowings as of December 31, 2016. Please refer to note 8 for further information.

(Continued)

(5) Inventories

	December 31, 2017	December 31, 2016
Finished goods	$ 1,609,215	2,176,124
Work in progress	2,012,805	2,365,503
Raw materials	3,724,651	2,765,140
	$ 7,346,671	7,306,767

Components of operating cost were as follows:

	2017	2016
Cost of sales	$ 34,536,383	14,238,436
Provision for (reversal of) inventory valuation	(165,861)	12,448
Unamortized fixed manufacturing expense	34,313	45,683
	$ 34,404,835	**14,296,567**

As of December 31, 2017 and 2016, the Group's inventories were not pledged as collaterals.

(6) Business combination

On July 1, 2016, the Group obtained control of Topsil for silicon business by acquiring 100% of its shares. Topsil has been an industry leader in developing and manufacturing of Float Zone silicon and has been the world's leading supplier of ultra-pure silicon. Through the acquisition of the Topsil, the Group is able to expand its business scale, penetrate its market in Europe, and integrate Topsil's worldwide distribution channels to strengthen the Group's competiveness.

Acquisition-related costs, arising from legal fees and due diligence service fees, amounted to $130. These costs were included in general and administrative expenses in the statement of comprehensive income.

The Group acquired 100% of the equity shares of Topsil for DKK 407,600 thousand (NT$1,964,069) in cash. At acquisition date, the fair values of the assets acquired and liabilities assumed from the acquisition of Topsil were as follows:

Cash and cash equivalents	$	5,943
Accounts and notes receivables, net		153,566
Inventories		669,483
Other current assets		57,622
Property, plant and equipment		960,851
Intangible assets		161,357
Other non-current assets		77,438
Notes and accounts payable		(206,570)
Other current liabilities		(203,272)
Other non-current liabilities		(94,321)
	$	**1,582,097**

Goodwill arising from the business acquisition was determined as follows.

Consideration transferred	$ 1,964,069
Less: fair value of the identifiable net assets	(1,582,097)
Goodwill	**$ 381,972**

On December 2, 2016, the Group obtained control of SSL by acquiring 100% of its shares.

SSL is a global leader in the manufacture and sale of silicon wafers in the semiconductor industry. Since it was established, SSL has been a leader in the design and development of silicon wafer technologies. With research and development centers and manufacturing facilities located in the U.S., Europe, and Asia, SunEdison has been devoted to develop the next generation of semiconductor devices with high performance. Through the acquisition of SSL, the Group is able to increase its global market share, customers, silicon technologies, production capacity and operating scales.

The Group incurred business acquisition-related costs of $304,579 for due diligence service fees and professional consultation expenses. These costs were included under the general and administrative expenses of the statement of comprehensive income.

The Group acquired 100% of the equity shares of SunEdison for US$546,975 thousand (NT$ 17,451,233) in cash. The consideration transferred to obtain control of SSL included the following:

Items	Amount
Cash(US$484,272)	$ 15,450,709
Settlement of share-based payment (note)	1,209,781
Fair value of previously held equity shares of the acquiree	790,743
Consideration transferred	**$ 17,451,233**

Note: On the acquisition date, the Group settled the unvested restricted shares and unexercised employee stock options in cash.

The Group recognized a realized gain of $81,131 under other gains and losses in the statement of comprehensive income from the remeasurement of previously held equity interest in SSL, which was treated as available-for-sale financial assets – non-current, at fair value on the acquisition date.

At acquisition date, the fair values of the assets acquired and liabilities assumed from the acquisition of SunEdison were as follows:

Cash and cash equivalents	$ 1,650,601
Financial asset at fair value through profit or loss	7,857
Accounts and notes receivables, net	3,097,397
Inventories	3,443,796
Other current assets	786,900
Property, plant and equipment	21,123,204
Intangible assets	1,689,841
Other non-current assets	1,806,640
Short-term borrowings	(299,900)
Financial liability at fair value through profit or loss	(68,283)
Notes and accounts payable	(3,361,298)
Other current liabilities	(4,331,554)
Current portion of long-term loans payable	(4,966,615)
Long term loans payable	(1,359,733)
Other non-current liabilities	(3,244,709)
Non-controlling interests	(39,971)
	$ 15,934,173

(Continued)

Goodwill arising from the business acquisition was determined as follows.

Consideration transferred	$ 17,451,233
Less: fair value of the identifiable net assets	(15,934,173)
Goodwill	**$ 1,517,060**

Goodwill acquired in business combinations can be derived from the synergies of benefits of profitability from a wild-range of product lines, market shares, and integrated business operations. No tax impact is expected from the recognition of goodwill.

From the business acquisition dates through December 31, 2016, Topsil and SSL contributed to the Group a revenue and a net loss before tax of $2,932,436 and $890,889, respectively.

If the business acquisition occurred on January 1, 2016, the management estimated that the Group's revenue would be $41,352,782 and net loss before tax would be $4,827,596 for the year of 2016, by assuming the difference between the fair value and the carrying amount on acquisition date would be the same.

(7) Investments accounted for using equity method

Investments accounted for using the equity method at the end of the financial reporting period are as follows:

	December 31, 2017	December 31, 2016
Associates	**$ 318,622**	**-**

A. Associates

The associates of the Group accounted for using the equity method are individually insignificant and their summarized financial information is as follows. The information represents the amounts included in the summarized financial statements of the Group:

	December 31, 2017	December 31, 2016
The book value of the individually insignificant associates	**$ 318,622**	**-**

	2017	2016
Attributable to the Group:		
Net income	$ 5,959	-
Other comprehensive income	112,663	-
Total	**$ 118,622**	**-**

(Continued)

B. Collateral

The Group's investments accounted for using equity method were not pledged as collateral as of December 31, 2017 and 2016.

(8) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance at January 1, 2017	$ 3,037,139	15,679,602	45,925,854	2,205,464	1,127,579	67,975,638
Additions	-	1,067	117,632	114,971	2,846,185	3,079,855
Reclassification	-	44,684	1,465,457	482,677	(2,126,982)	(134,164)
Disposals	-	(33,311)	(1,137,105)	(112,281)	(90,209)	(1,372,906)
Effect of changes in exchange rates	(195,147)	(867,133)	(780,896)	76,811	79,704	(1,686,661)
Balance at December 31, 2017	**$ 2,841,992**	**14,824,909**	**45,590,942**	**2,767,642**	**1,836,277**	**67,861,762**
Balance at January 1, 2016	$ 723,249	10,362,016	31,982,316	1,724,024	517,996	45,309,601
From acquisition of subsidiary	2,283,872	5,018,381	12,567,026	311,464	1,903,312	22,084,055
Additions	-	24,020	384,403	173,681	642,791	1,224,895
Reclassification	-	237,933	1,559,513	101,167	(1,898,613)	-
Disposals	-	(10,305)	(737,564)	(29,914)	(11,828)	(789,611)
Effect of changes in exchange rates	30,018	47,557	170,160	(74,958)	(26,079)	146,698
Balance at December 31, 2016	**$ 3,037,139**	**15,679,602**	**45,925,854**	**2,205,464**	**1,127,579**	**67,975,638**
Depreciation :						
Balance at January 1, 2017	$ -	6,370,372	29,142,487	1,427,239	-	36,940,098
Depreciation for the year	-	644,948	3,668,044	377,911	-	4,690,903
Disposals	-	(15,199)	(996,159)	(41,397)	-	(1,052,755)
Effect of changes in exchange rates	-	(300,210)	(512,113)	(106,465)	-	(918,788)
Balance at December 31, 2017	**$ -**	**6,699,911**	**31,302,259**	**1,657,288**	**-**	**39,659,458**
Balance at January 1, 2016	$ -	6,030,859	28,602,654	1,315,178	-	35,948,691
Depreciation for the year	-	328,589	1,078,650	172,593	-	1,579,832
Disposals	-	(6,822)	(718,638)	(29,094)	-	(754,554)
Effect of changes in exchange rates	-	17,746	179,821	(31,438)	-	166,129
Balance at December 31, 2016	**$ -**	**6,370,372**	**29,142,487**	**1,427,239**	**-**	**36,940,098**

		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Carrying amounts:							
Balance at December 31, 2017	$	2,841,992	8,124,998	14,288,683	1,110,354	1,836,277	28,202,304
Balance at January 1, 2016	$	723,249	4,331,157	3,379,662	408,846	517,996	9,360,910
Balance at December 31, 2016	$	3,037,139	9,309,230	16,783,367	778,225	1,127,579	31,035,540

B. Collateral

Property, plant and equipment was pledged as collaterals for short-term borrowings and credit lines. (Please refer to note 8.)

(9) Intangible assets

		Goodwill	Patents and trademarks	Development costs	Total
Cost:					
Balance as of January 1, 2017	$	2,585,621	1,708,113	153,291	4,447,025
Additions		-	-	2,530	2,530
Effect of changes in exchange rates		(156,595)	(5,888)	8,651	(153,832)
Balance as of December 31, 2017	$	2,429,026	1,702,225	164,472	4,295,723
Balance as of January 1, 2016	$	701,566	-	-	701,566
From acquisition of subsidiary		1,899,032	1,689,841	161,357	3,750,230
Effect of changes in exchange rates		(14,977)	18,272	(8,066)	(4,771)
Balance as of December 31, 2016	$	2,585,621	1,708,113	153,291	4,447,025
Amortization and impairment loss:					
Balance as of January 1, 2017	$	-	2,286	8,666	10,952
Amortization for the period		-	331,893	11,411	343,304
Effect of changes in exchange rates		-	(485)	2,818	2,333
Balance as of December 31, 2017	$	-	333,694	22,895	356,589
Balance as of January 1, 2016	$	-	-	-	-
Amortization for the period		-	2,287	8,838	11,125
Effect of changes in exchange rates		-	(1)	(172)	(173)
Balance as of December 31, 2016	$	-	2,286	8,666	10,952

(Continued)

		Good will	Patents and trademarks	Development costs	Total
Carrying amounts:					
Balance as of December 31, 2017	$	2,429,026	1,368,531	141,577	3,939,134
Balance as of January 1, 2016	$	701,566	-	-	701,566
Balance as of December 31, 2016	$	2,585,621	1,705,827	144,625	4,436,073

As of December 31, 2017 and 2016, the amortization expense of intangibles recognized under operating expenses in the statement of comprehensive income amounted to $343,304, and $11,125 respectively.

For the purpose of impairment testing, goodwill was allocated to the semiconductor business. The Group's goodwill has been tested for impairment at least once at the end of each annual reporting period and the recoverable amount is determined based on discounted cash flow forecast.

Based on the result of the Group's assessment, there is no indication of goodwill impairment.

The Group's intangible assets were not pledged as collaterals as of December 31, 2017 and 2016.

(10) Other assets-current and non-current

		December 31, 2017	December 31, 2016
Prepayment for materials	$	497,811	660,944
Tax refundable and overpaid tax		318,963	685,038
Assets held for sale		160,767	-
Prepayment for insurance policy		76,605	122,742
Others		242,391	276,707
	$	1,296,537	1,745,431

(11) Short-term borrowings

		December 31, 2017	December 31, 2016
Unsecured borrowings	$	10,124,326	12,178,614
Secured borrowings		-	312,573
	$	10,124,326	12,491,187
Unused credit lines	$	11,089,443	5,750,918
Range of annual interest rates at year end		0.83%~2.84%	0.33%~2.25%

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

(12) Long-term borrowings

The details were as follows:

	December 31, 2017			
	Currency	Rate	Maturity	Amount
Unsecured bank loans	NTD	1.1028%~1.254%	May 2019~ November 2021	$ 3,076,333
Secured bank loans	NTD	1.325%	November 2021	1,200,000
Less: current portion				(613,333)
Total				$ 3,663,000

	December 31, 2016			
	Currency	Rate	Maturity	Amount
Unsecured bank loans	NTD	1.154%~2.67%	November 2017~ December 2021	$ 13,657,812
Secured bank loans	NTD	1.20%~1.65%	November 2021	1,200,000
Less: current portion				(490,979)
Total				$ 14,366,833

The Group entered into the loan agreements with Mega International Commercial Bank and four other banks on November 29 and December 2, 2016 and was able to obtain a syndicated financing loan of US$400,000 thousand.

According to the loan agreements:

A. Six months after the initial drawdown date, the Group shall maintain specific current ratio, interest coverage ratio, and leverage ratio based on its annual consolidated financial statements audited by independent auditors and semi-annual consolidated financial statements reviewed by independent auditors.

B. The loan shall be used only for purposes of financing the acquisition of SunEdison and the repayment of SSL's previous secured bank loans.

C. The Group shall maintain, directly or indirectly, ownership of not less than 51% of the equity capital and effective management control over SSL and its subsidiaries.

D. The Group shall not pay any cash dividend, or make interest payment, loan or other cash distribution to any shareholder or another debtor if the terms abovementioned have been breached.

According to the loan agreements, if the Group's drawdown amounts are less than 80% of the credit lines one month after the agreement sign-off date, the Group shall pay 0.1% of the amount less than 80% of the financing amount as one-time commitment fee to Mega International Commercial Bank. As of December 31, 2017, and December 31, 2016, the commitment fee the Group needed to pay amounted to US$0 and US$80 thousand, which was recognized under other current liabilities.

The Group had repaid bank loans in early 2017. The Group did not borrow from the loans as at December 31, 2017, so it is not subject to the loan covenants. Please refer to note 8 for details of pledged assets.

(13) Finance lease liabilities

The Group acquired portion of its property, plant and equipment through finance lease. Related finance lease liabilities were recognized as other current liabilities and non-current liabilities as follows:

		December 31, 2017			December 31, 2016		
		Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	$	12,666	(1,735)	10,931	81,570	(2,925)	78,645
Between one and five years		31,455	(2,737)	28,718	3,682	(47)	3,635
	$	**44,121**	**(4,472)**	**39,649**	**85,252**	**(2,972)**	**82,280**

(14) Provisions

		Site restoration	Onerous contracts	Total
Balance at January 1, 2017	$	142,962	484,639	627,601
Provisions used during the year		(77,701)	(388,380)	(466,081)
Provisions made (reversed) during the year		5,401	-	5,401
Effect of changes in exchange rates		(7,767)	(9,883)	(17,650)
Balance at January 1, 2017	**$**	**62,895**	**86,376**	**149,271**
Current	$	9,984	60,879	70,863
Non-current		52,911	25,497	78,408
Total	**$**	**62,895**	**86,376**	**149,271**
Balance at January 1, 2016	$	29,094	877,310	906,404
From acquisition of subsidiary		38,411	-	38,411
Provisions made (reversed) during the year		74,827	(433,507)	(358,680)
Effect of changes in exchange rates		630	40,836	41,466
Balance at January 1, 2016	**$**	**142,962**	**484,639**	**627,601**

(Continued)

	Site restoration	Onerous contracts	Total
Current	$ 9,690	408,703	418,393
Non-current	133,272	75,936	209,208
Total	$ 142,962	484,639	627,601

A. Site restoration

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

B. Onerous contracts

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

(15) Operating Lease

A. Lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 154,787	337,585
Between one and five years	390,276	707,013
More than five years	509,934	111,856
	$ 1,054,997	1,156,454

For the years 2017 and 2016, rental costs from operating leases of $286,518 and $167,550, respectively, were recognized as expenses in profit or loss in respect of the operating leases.

The Group entered into operating lease agreements with Covalent Materials Corporation for the rental of land, buildings, and other equipment in Oguni, Taino and Tokuyama. All the lease agreements covered the period from November 30, 2011 to March 31, 2035. The aggregate future rental payment is $30,155 each year.

The Group entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located in the Hsinchu Science Park. The land lease agreement has a lease term covering a period from October 1, 2000 to December 31, 2034. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rental is approximate $31,355.

B. Long-term rental prepayment

The Group entered into operating lease agreements for land use right. The lease terms are 50 years and 99 years, respectively, and the rental amounts were fully paid in advance. In 2017 and 2016, rental expenses recognized in profit and loss were $448 and $263, respectively. One of the subsidiaries' land use right is classified as held-for-sale asset under other current assets along with held-for-sale property, plant and equipment in the fourth quarter of 2017. As of December 31, 2017 and 2016, the unamortized amounts of prepayment were $7,918 and $44,555, respectively.

(16) Employee benefits

A. Defined benefit plans

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

		December 31, 2017	December 31, 2016
Total present value of obligations	$	(8,129,147)	(8,805,750)
Fair value of plan assets		5,245,084	5,314,880
Recognized liabilities for defined benefit obligations	**$**	**(2,884,063)**	**(3,490,870)**

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

(a) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group were as follows:

		2017	2016
Defined benefit obligation at January 1	$	8,805,750	1,113,403
The effects of business combinations		-	7,520,330
Current service costs and interest cost		471,712	146,281
Re-measurements for defined benefit obligations			
— Actuarial gains and losses arising from experience adjustments		14,675	3,296
— Actuarial gains and losses resulting from changes in demographic assumptions		32,972	2,726
— Actuarial gains and losses resulting from changes in financial assumptions		(181,635)	1,182
Employer raises		5,621	-
Benefits paid		(501,737)	(37,100)
Effect of changes in exchange rates		(518,211)	55,632
Defined benefit obligation at December 31	**$**	**8,129,147**	**8,805,750**

(b) Movements in present value of defined benefit plan assets

The movements in present value of the defined benefit plan assets of the Group were as follows:

		2017	2016
Fair value of plan assets at January 1	$	5,314,880	19,388
The effects of business combinations		-	5,088,643
Interest income		139,945	14,686
Re-measurements for defined benefit obligations			
— Return on plan asset (excluding interest income)		372,872	46,023
Contributions made		253,919	100,765
Benefits paid		(470,441)	(2,044)
Effects of changes in exchange rates		(366,091)	47,419
Fair value of plan assets at December 31	**$**	**5,245,084**	**5,314,880**

(Continued)

Composition of plan assets:

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum returns of assets shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The labor pension reserve account balance with the Bank of Taiwan amounted to $191,098 as of December 31, 2017. For more information of the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

Under the employee defined benefit plans of a subsidiary in Korea, plan assets comprised of time deposits bearing annual interest rates ranging from 1.74% to 2.20%.

In Italy, the Group's subsidiary contributes an amount to the National Social Security Pension Fund (INPS) for the employee defined benefit plan.

Under the employee defined benefit plans of the entities located in the United States, plan assets are comprised of trust funds with different grades of risks and returns. Plan asset portfolio consists of a variety of financial instruments including cash, equity securities, and income funds.

(c) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31,	
	2017	**2016**
Current service costs	$ 456,747	123,879
Net interest of net liabilities for defined benefit obligation	(124,980)	7,716
	$ 331,767	**131,595**
Operating cost	$ 274,028	103,659
Selling expenses	37,983	6,635
Administration expenses	11,147	13,026
Research and development expenses	8,609	8,275
	$ 331,767	**131,595**

(d) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Group’s re-measurement of the net defined benefit liability recognized in other comprehensive income was as follows:

		2017	2016
Accumulated amount at January 1	$	(97,521)	(135,922)
Recognized during the period		506,863	38,819
Effect of changes in exchange rates		(11,715)	(418)
Accumulated amount at December 31	$	397,627	(97,521)

(e) Actuarial assumptions

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

	December 31, 2017	December 31, 2016
Discount rate	0.25%~3.73%	0.20%~3.75%
Future salary increase rate	1.37%~6.56%	0%~4.91%

The estimated amount of contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $494,046.

The weighted-average duration of the defined benefit obligation is 9.2 years to 19.4 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2017 and 2016, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences to defined benefit obligations	
		Increased 0.25%	Decreased 0.25%
December 31, 2017			
Discount rate	$	(202,194)	213,667
Future salary increase rate	$	80,629	(74,470)
December 31, 2016			
Discount rate	$	(226,832)	234,340
Future salary increase rate	$	82,985	(111,700)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, assuming other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in previous periods. There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

B. Defined contribution plans

The Company contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company's contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The total periodic pension costs of other subsidiaries were recognized as current expenses in accordance with the local regulations of their respective jurisdiction where they are domiciled.

The Company's pension costs incurred from contributions to the defined contribution plan were $51,859 and $48,053 for the years 2017 and 2016, respectively. Such contributions were made to the Bureau of the Labor Insurance.

The Group's foreign subsidiaries recognized pension costs of $76,029 and $28,617 for the years 2017 and 2016, respectively.

(17) Income tax

A. Tax expense

The components of tax expenses in 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	**2016**
Current tax expense	$ 1,055,618	509,902
Deferred tax expense	540,874	(104,634)
	$ 1,596,492	**405,268**

The components of income tax recognized in other comprehensive income in 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	$ 88,347	6,599
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	(97,718)	(39,449)
Unrealized gains (losses) on available for sale financial assets	-	59,796
	$ (9,371)	26,946

The income tax calculated on income before income tax at domestic tax rate was reconciled with income tax expense for the years 2017 and 2016 as follows:

	For the years ended December 31,	
	2017	2016
Income before income tax	$ 6,874,699	1,344,439
Income tax at the Company's domestic tax rate	1,168,699	228,555
Effect of tax rates in foreign jurisdiction	893,053	99,277
Adjustments for permanent differences	(32,874)	(122,332)
Investment deduction	(76,811)	(20,956)
10% surtax on undistributed earnings	-	207
Change in provision in prior periods and unrecognized temporary differences	(355,575)	220,517
	$ 1,596,492	405,268

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets:

	December 31, 2017	December 31, 2016
Deductible temporary differences	$ 2,264,871	706,036

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Continued)

(b) Unrecognized deferred tax liabilities:

	December 31, 2017	December 31, 2016
Aggregate amount of temporary differences related to investments in subsidiaries	$ (128,340)	(56,003)

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2017 and 2016. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences were not recognized as deferred tax liabilities.

(c) Recognized deferred tax assets and liabilities

	December 31, 2016	Recognized in profit or loss	Recognized in other compre-hensive income	Effect of changes in exchange rates	December 31, 2017
Assets:					
Inventories	$ 124,590	19,065	-	(7,360)	136,295
Net liabilities for defined benefit obligation	293,086	35,092	3,260	869	332,307
Loss carryforwards	487,277	(191,717)	-	25,824	321,384
Exchange differences on translation of foreign financial statements	254,762	-	97,718	-	352,480
Unrealized exchange losses	180,421	(86,757)	-	(8,919)	84,745
Investment in equity method	140,639	(118,621)	9,874	-	31,892
Depreciation lives differences of property, plant and equipment	93,339	131,903	-	(1,441)	223,801
Others	273,070	68,677	-	12,476	354,223
	$ 1,847,184	(142,358)	110,852	21,449	1,837,127
Liabilities:					
Investment in equity method	$ (526,016)	(445,553)	(101,481)	-	(1,073,050)
Depreciation lives differences of property, plant and equipment	(476,819)	(82,794)	-	12,076	(547,537)
Fair value adjustment for the net assets acquired in business combinations	(491,461)	17,274	-	37,562	(436,625)
Others	(128,333)	112,557	-	6,717	(9,059)
	$ (1,622,629)	(398,516)	(101,481)	56,355	(2,066,271)

(Continued)

	January 1, 2016	Acquisition of Subsidiary	Recognized in profit or loss	Recognized in other compre-hensive income	Effect of changes in exchange rates	December 31, 2016
Assets:						
Inventories	$ 4,994	126,251	(8,024)	-	1,369	124,590
Net liabilities for defined benefit obligation	38,319	227,193	23,491	1,628	2,455	293,086
Loss carryforwards	-	398,077	84,923	-	4,277	487,277
Exchange differences on translation of foreign financial statements	215,313	-	-	39,449	-	254,762
Unrealized losses on available for sale financial assets	59,796	-	-	(59,796)	-	-
Unrealized exchange losses	-	124,142	54,941	-	1,338	180,421
Investment in equity method	-	-	150,514	(9,875)	-	140,639
Depreciation lives differences of property, plant and equipment	-	101,212	(8,971)	-	1,098	93,339
Others	69,663	205,866	948	-	(3,407)	273,070
	$ 388,085	**1,182,741**	**297,822**	**(28,594)**	**7,130**	**1,847,184**
Liabilities:						
Investment in equity method	$ (446,866)	-	(80,798)	1,648	-	(526,016)
Depreciation lives differences of property, plant and equipment	(285,611)	(109,748)	(87,223)	-	5,763	(476,819)
Fair value adjustment for the net assets acquired in business combination	-	(488,837)	2,663	-	(5,287)	(491,461)
Others	(2,388)	(97,065)	(27,830)	-	(1,050)	(128,333)
	$ (734,865)	**(695,650)**	**(193,188)**	**1,648**	**(574)**	**(1,622,629)**

(Continued)

C. Examination and approval

As of December 31, 2017, income tax returns of the Company for years through 2015 were examined and approved by the tax authority.

D. Information related to the ICA was as follows:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and after	(Note)	973,790
Balance of imputation credit account	(Note)	65,032

	2017 (estimated)	2016 (actual)
Creditable ratio for earnings distribution to ROC residents	(Note)	12.42%

The unappropriated retained earnings and creditable ratio shown above were prepared in accordance with ruling letter No. 10204562810 issued by the Ministry of Finance, R.O.C., on October 17, 2013.

Note: According to the amendments to the "Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(18) Capital and other equity

A. Common stock

As of December 31, 2017 and 2016, the authorized shares of common stock of the Company amounted to $6,000,000 and $4,000,000, divided into 600,000 thousand shares and 400,000 thousand shares with a par value of $10 per share, of which $200,000 was reserved for employee stock options, convertible preferred stock, and convertible corporate bonds. The issued and outstanding shares of common stock amounted to $4,372,500 and $3,692,500, as of December 31, 2017 and 2016, respectively.

The Company increased capital in GDRs of $680,000, and issued 68,000 shares of common stock on the Luxembourg on April 26, 2017. The price issued per share was US$6.9. The total issuance amount is US$469,200. The cash increase was approved by the Financial Supervisory Commission and the record date of capital increase was on April 26, 2017. All shares issued were paid and registered. The total amount issued was US$469,200, which was equivalent to $14,141,688 on the day’s closing exchange rate. The total premium amounting to $13,355,424 was recognized on capital surplus after deducting the related issuance cost of $106,264.

B. Capital surplus

The components of capital surplus were as follows:

		December 31, 2017	December 31, 2016
Additional paid-in capital	$	24,711,963	11,680,672
Employee share options		60,727	60,727
Actual acquisition of subsidiary company equity price and book value difference		115	-
	$	24,772,805	11,741,399

According to the R.O.C. Company Act revised on January 1, 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus arising from premium on issuance of capital stock and the fair value of donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Based on resolutions approved by the stockholders during their annual stockholders' meetings June 22, 2016 and on June 19, 2017, cash dividends of $27,103 ($0.0734 per share) and $324,133 ($0.7413 per share), respectively, were distributed out of capital surplus. Relevant information is available on the Market Observation Post System website.

C. Retained earnings

According to the Company's articles of incorporation, after-tax earnings shall be distributed in the following order:

(a) Offset the cumulative deficits;

(b) 10% of the earning should be set aside for legal reserve, until the accumulated legal reserve equals the Company's issued capital;

(c) Special reserve in accordance with relevant laws or regulations or as requested by the authorities;

(d) After deducting items (a), (b), and (c) above from the earnings, the remaining undistributed earnings of current and previous years, if any, will be proposed for distribution by the board of directors and resolved in the stockholders' meeting.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, the distribution of dividends to shareholders should not be less than 50% of the distributable earnings, which is calculated using the net income of the current year, minus, legal reserve and special reserve. Distribution of cash dividends should not be less than 50% of the total dividends.

(Continued)

D. Legal reserve

According to the amended R.O.C. Company Act announced in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

E. Special reserve

In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings based on the aforementioned requirement. Under such regulation, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of the above mentioned special reserve and the net debit balance of other components of the stockholders' equity. The only distributable special reserve is the portion that exceeds the net debt balance of the other components of the shareholders' equity. The carrying amount of special reserve were $350,635 and $239,802 as of December 31, 2017 and 2016, respectively.

F. Earnings distribution

The distributions of dividends per share, employee bonuses, and directors' and supervisors' remuneration for the years 2016 and 2015 which were approved by the stockholders during their meetings on June 19, 2017 and June 22, 2016, respectively, were as follows:

	2016	2015
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were $1.7587 and $4.9266, respectively)	$ 768,992	1,819,147

The above mentioned earnings distribution is consistent with the resolution approved by the board of directors. The board of directors plan the 2017 annual surplus distribution on March 20, 2018. The distribution of cash dividends per share of $10 , the above situation will be resolved by board of directors. The information is available on the Market Observation Post System website.

(Continued)

G. Other equity

	Exchange differences on translation of foreign financial statements	Available-for-sale financial assets	Total
January 1, 2017	(1,592,477)	-	(1,592,477)
Foreign exchange differences (net of tax)	(477,092)	-	(477,092)
Unrealized losses from available-for-sale investment	-	112,663	112,663
December 31, 2017	$ (2,069,569)	112,663	(1,956,906)
January 1, 2016	$ (1,399,873)	(116,075)	(1,515,948)
Foreign exchange differences (net of tax)	(192,604)	-	(192,604)
Unrealized losses from available-for-sale investment	-	116,075	116,075
December 31, 2016	$ (1,592,477)	-	(1,592,477)

(19) Share-based payment

In June 2010, the board of directors of Sino-American Silicon Product Inc. ("SAS") resolved to issue stock options under the 2010 First Employee Stock Option Plan (the "Plan"), with 10,000,000 granted units. Each unit entitles a participant to subscribe for 1 share of SAS common stock. The contractual life is 6 years. The Plan was approved by the SFB (renamed to FSC) on November 12, 2010, and officially implemented on August 10, 2011. Starting from the grant date, according to the vesting schedule, 40%, 60%, 80% and 100% of the options should be vested on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

As of December 31, 2017, the key terms and conditions of SAS outstanding employee stock option plan were as follows:

Item	Authorization date	Grant date	Vesting period	Grant units in thousands	Exercise price per share ($)	Fair value per share on grant date ($)	Adjusted exercise price per share ($)
2010 First Employee Stock Option Plan	November 12, 2010	August 10, 2011	Service periods between two and four years	3,475	60.50	60.50	48.60

For options granted, the Company recognized compensation costs of $0 and $1,181, respectively, in 2017 and 2016. The fair value of the options granted on August 10, 2011 was estimated at the date of grant by using the Black-Scholes option pricing model with the following weighted-average assumptions:

Expected dividend yield	3.6%
Expected volatility	48.065%
Risk-free interest rate	1.2905%
Remaining contractual life	6 years

As of December 31, 2017 and 2016, certain details of the Company's outstanding employee stock option plan were as follows:

	2017		2016	
Employee stock options	**Options (thousands)**	**Weighted-average exercise price (dollars)**	**Options (thousands)**	**Weighted-average exercise price (dollars)**
Outstanding at beginning of year	2,884	$ 50.20	2,881	52.40
Granted	33	48.60	70	50.20
Exercised	2,647	48.60	-	-
Forfeited	270	48.60	67	50.20
Outstanding at end of year	-	-	2,884	50.20
Options exercisable at end of year	-	-	2,884	50.20
Weighted-average fair value per employee stock options (dollars)	$ 23.36		23.36	

(20) Earnings per Share ("EPS")

A. Basic earnings per share

	2017	2016
Net income attributable to the shareholders of the Company	$ 5,274,723	939,485
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	415,826	369,250
Basic earnings per share (dollar)	$ 12.68	2.54

(Continued)

B. Diluted earnings per share

		2017	2016
Net income attributable to the shareholders of the Company	$	5,274,723	939,485
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)		415,826	369,250
Effect on employee remuneration (in thousands of shares)		775	556
		416,601	369,806
Diluted earnings per share (dollar)	$	12.66	2.54

(21) Revenue

		2017	2016
Sale of goods	$	46,209,069	18,421,835
Rendering services		3,532	5,115
	$	46,212,601	18,426,950

(22) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, and then, employee remuneration at rates ranging from 3% to 15% shall be distributed and directors' remuneration at the maximum rate of 3% shall also be allocated. Employees who are entitled to receive the above mentioned employee remuneration, in the form of shares of stock or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The Directors' remuneration will be paid in cash. A resolution for employee remuneration has to be approved first in the board of directors' meeting, wherein at least half of the votes are needed or two thirds of the members are present during the meeting.

The remunerations to employees and directors amounted to $41,400 and $3,500, respectively, for the year ended December 31, 2016, and amounted to $291,640 and $15,000, respectively, for the year ended December 31, 2017. These amounts were calculated based on the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage prescribed under the Company's Article of incorporation. These remunerations were charged to profit or loss under operating costs or expenses in 2016 and 2017. The numbers of shares were calculated using the closing price of common stock on the day before the date of board of directors' resolution when the Company distributes shares of stock as remuneration to employee. If there are any subsequent adjustments to the actual compensation amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and treated as adjustment in profit or loss in the subsequent year.

(Continued)

(23) Other gains and losses

		2017	2016
Foreign exchange gains (losses)	$	(308,423)	138,659
Early repayment charges for bank loans		-	(189,746)
Remeasurement gains on disposal of available-for-sale financial assets		-	81,131
Government grants		19,597	5,673
Others		56,018	17,320
	$	**(232,808)**	**53,037**

(24) Financial instruments

A. Credit risk

(a) Credit risk exposure

The Group's maximum exposure to credit risk is equal to the carrying amount of financial assets.

(b) Concentration of credit risk

The main customers of the Group are from the silicon wafer and related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the silicon wafer industry. As of December 31, 2016 and 2017, 48% and 42%, respectively, of the Group's accounts receivable (including related parties) were from the top 10 customers. Although there is a potential for concentration of credit risk, the Group routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

B. Liquidity risk

The following table represents the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years
December 31, 2017							
Non-derivative financial liabilities							
Short-term borrowings	$	10,124,326	(10,170,078)	(10,167,102)	(2,976)	-	-
Notes and accounts payable (including related parties)		4,269,492	(4,269,492)	(4,269,492)	-	-	-
Finance lease		39,649	(44,107)	(7,118)	(5,548)	(9,203)	(22,252)
Long-term		4,276,333	(4,550,592)	(321,113)	(353,470)	(1,272,754)	(2,603,255)

(Continued)

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years
Forward exchange contracts						
Outflows	-	(3,479,287)	(3,479,287)	-	-	-
Inflows	(16,394)	3,498,202	3,498,202	-	-	-
	$ 18,693,406	(19,015,354)	(14,745,910)	(361,994)	(1,281,957)	(2,625,507)
December 31, 2016						
Non-derivative financial liabilities						
Short-term borrowings	$ 12,491,187	(12,629,928)	(5,166,228)	(7,463,700)	-	-
Notes and accounts payable (including related parties)	5,125,640	(5,125,640)	(5,125,640)	-	-	-
Finance lease	82,280	(85,252)	(40,297)	(41,273)	(3,682)	-
Long-term borrowings	14,857,812	(17,122,582)	-	(647,519)	(1,803,759)	(14,671,304)
Forward exchange contracts						
Outflows	23,631	(1,568,165)	(1,568,165)	-	-	-
Inflows	-	1,528,727	1,528,727	-	-	-
	$ 32,580,550	(35,002,840)	(10,371,603)	(8,152,492)	(1,807,441)	(14,671,304)

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

The Group’s significant exposure to foreign currency risk was as follows:

	December 31, 2017		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary Items			
USD	$ 515,043	29.76	15,327,680
JPY	341,722	0.2642	90,283
SGD	65,749	21.71	1,427,411
EUR	4,519	35.57	160,741

(Continued)

	December 31, 2017		
	Foreign currency	Exchange rate	NTD
Non-Monetary Items			
USD	20,700	29.76	Note
KRW	74,506,300	0.0281	Note
Financial liabilities			
Monetary Items			
USD	15,107	29.76	449,584
JPY	922,719	0.2642	243,782
Non-Monetary Items			
JPY	50,000	0.2642	Note

	December 31, 2016		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary Items			
USD	$ 163,857	32.25	5,284,388
JPY	696,203	0.2756	191,874
CNY	5,842	4.617	26,973
EUR	13,923	33.90	471,990
Non-Monetary Items			
USD	6,000	32.25	Note
Financial liabilities			
Monetary Items			
USD	7,874	32.25	253,937
JPY	91,314	0.2756	25,166
Non-Monetary Items			
USD	20,442	32.25	Note
JPY	2,314	0.2756	Note

Note: The fair value of forward exchange contracts was measured at December 31, 2017. For related information, please refer to note 6(2).

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the negative fluctuations in the foreign currency exchange rates particularly on cash and cash equivalents, accounts receivable, short-term borrowings and accounts payable that are denominated in foreign currency. A depreciation or appreciation of 1% of the NTD against the USD, JPY and CNY at December 31, 2017 and 2016 would have increased or decreased the net income before tax by $163,127 and $56,961, respectively. The analysis is performed on the same basis for the years of 2017 and 2016.

(c) Exchange gains and losses of functional currency

Since the Group has different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed in aggregate amount. For the years ended December 31, 2017 and 2016, the foreign exchange losses (gains) (including realized and unrealized) were ($424,948) and $76,766, respectively.

D. Interest rate analysis

The following sensitivity analysis is based on the risk exposure to interest rates. For debts with floating interest, the analysis assumes that the liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.25%, the Group's net income before tax may decrease or increase by $13,129 and $55,280, for the years ended December 31, 2016 and 2017, respectively, assuming all other variable factors remain constant. The change is mainly due to the Group's deposits and borrowings with variable rates.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The Group's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 21,546	-	21,546	-	21,546
Financial assets at cost-non current	$ 49,896	-	-	-	-

(Continued)

	December 31, 2017				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 18,794,362	-	-	-	-
Notes and accounts receivable (including related parties)	7,869,432	-	-	-	-
Other financial assets - current and non-current	556,706	-	-	-	-
	$ 27,220,500	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 5,152**	**-**	**5,152**	**-**	**5,152**
Financial liabilities at amortized cost					
Short-term borrowings	$ 10,124,326	-	-	-	-
Notes and accounts payable (including related parties)	4,269,492	-	-	-	-
Finance lease liabilities current and non-current	39,649	-	39,649	-	39,649
Long term loans payable (including current portion of long-term loans payable)	4,276,333	-	-	-	-
	$ 18,709,800	**-**	**39,649**	**-**	**39,649**

	December 31, 2016				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**$ 2,442**	**-**	**2,442**	**-**	**2,442**
Loans and receivables					
Cash and cash equivalents	5,627,979	-	-	-	-
Notes and accounts receivable (including related parties)	7,642,237	-	-	-	-
Other financial assets - current and non-current	916,584	-	-	-	-
	$ 14,186,800	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 23,631**	**-**	**23,631**	**-**	**23,631**

(Continued)

	December 31, 2016				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term borrowings	$ 12,491,187	-	-	-	-
Notes and accounts payable (including related parties)	5,125,640	-	-	-	-
Finance lease liabilities current and non-current	82,280	-	82,280	-	82,280
Long term loans payable (including current portion of long-term loans payable)	14,857,812	-	-	-	-
	$ 32,556,919	**-**	**82,280**	**-**	**82,280**

(b) Valuation techniques for financial instruments not measured at fair value

The Group measures the financial instruments not measured at fair value through the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation techniques for financial instruments that are measured at fair value

Forward exchange contracts are usually measured at current forward rate.

There was no transfer between the different levels of the fair value hierarchy for the years ended December 31, 2017 and 2016.

(25) Financial Risk Management

A. Overview

The Group is exposed to the following risks for holding financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies, and procedures to measure and manage the risks. For further information please refer to the relevant notes.

B. Structure of risk management

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring company's risk management policies. Internal auditors assist the board of directors to monitor and review the risk management control and internal procedures regularly and report them to the board of directors.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

C. Credit risk

The Group's potential credit risk is derived primarily from cash and accounts receivable. The Group maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Group. As a result, the Group believes that there is no concentration of credit risk for cash.

For the year ended December 31, 2017, the Company only provided endorsements for its 100%-owned subsidiaries.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group has sufficient capital and working capital to fulfill contract obligations.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

(a) Currency risk
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), but also include the Chinese Yen (CNY), US Dollar (USD), Euro (EUR) and Japanese Yen (JPY). These transactions are denominated in NTD, USD, EUR and JPY.

Interest is denominated in the currency used in borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily NTD, but also include USD and JPY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(b) Interest rate risk
The Group holds variable-rate assets and liabilities, which cause the exposure to interest rate risk in cash flows.

(26) Capital Management
The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings and non-controlling interests of the Group. The board of directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

		December 31, 2017	December 31, 2016
Total liabilities	$	36,177,931	44,741,735
Less: cash and cash equivalents		(18,794,362)	(5,627,979)
Net debt	**$**	**17,383,569**	**39,113,756**
Total equity	**$**	**34,054,406**	**15,818,502**
Debt-to-equity ratio		**51.05%**	**247.27%**

Due to an increase in borrowings for working capital and acquisitions of subsidiaries, the debt-to-equity ratio increased.

7. Related-party transactions:

Sino-American Silicon Product Inc. ("SAS") is both the parent company and the ultimate controlling party of the Group. As of December 31, 2017, it owns 50.84 percent of all shares outstanding of the Company and has issued consolidated financial statements available for public use.

(1) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Sino-American Silicon Product Inc. ("SAS")	The parent company
Sino American Material Corp.	The subsidiary of the parent company
Sunshine PV Corp	Same chairman with the parent company
Crystalwise Technology Inc.	Share of Profit or Loss of Associates of the parent company
Sunrise PV World Co. (SPW)	The subsidiary of the parent company

(2) Key management personnel compensation

Key management personnel compensation comprised of:

	For the years ended December 31,		
		2017	2016
Short-term employee benefits	$	182,213	121,314
Post-employment benefits		540	432
Share-based payments		-	344
	$	182,753	122,090

The Group provided a car costing $1,500 for use by key management in 2017 and 2016.

For information on share based payment, please refer to note 6(19).

(3) Transactions with related parties

A. Sales

The significant sales with related parties were as follows:

	For the years ended December 31,		
		2017	2016
Parent company	$	105,684	17,515
Other related parties		267,973	245,560
	$	373,657	263,075

The sales price for sales to the related parties was determined by market value and adjusted according to the sales area and sales volume.

(Continued)

The credit terms for third parties were 0 to 210 days after month-end in 2017 and 2016, while those for related parties were 30 to 90 days after month-end, and 60 days after month-end to 60 days after the following month-end in 2017 and 2016, respectively.

B. Purchases and process outsourcing

Purchases and process outsourcing from related parties were as follows:

	For the years ended December 31,	
	2017	**2016**
Parent company	$ 181,952	391,033

The prices of purchases and process outsourcing were determined by market rates.

The payment terms to third parties were 0 to 150 days after month-end in 2017 and 2016, while those to related parties were 30 days after month-end and 15~60 days in 2017, and 2016, respectively.

The Group buys and sells goods on behalf of its related parties. For the financial statements, the related sales and purchases were disclosed at net amounts as follows:

C. Receivables from related parties

The receivables from related parties were as follows:

Items	**Categories**	**December 31, 2017**	**December 31, 2016**
Receivable from related parties	Parent company	$ 783	1,742
Receivable from related parties	Other related parties	$ 71,578	74,306
		$ 72,361	76,048

D. Payables to related parties

The payables to related parties were as follows:

Items	**Categories**	**December 31, 2017**	**December 31, 2016**
Payable to related parties	Other related parties	$ 47,911	220,905

E. Administrative expenses

The Group pays monthly administrative expenses to SAS. These administrative expenses were $14,461 and $21,235 in 2017 and 2016, respectively. The unpaid administrative expenses recognized as accounts payable to related parties were $3,620 and $5,356 as of December 31, 2017 and 2016, respectively.

(Continued)

F. Technical service fees

Technical service fees of related parties were as follows:

	For the years ended December 31,	
	2017	2016
Parent company	$ 7,300	7,099
Other related parties	2	-
	$ 7,302	7,099

As of December 31, 2017 and 2016, unpaid technical service fees were $1,432 and $2,226, respectively.

G. Endorsements and guarantees

The maximum amounts endorsed by related parties for the Group's bank financing were as follows:

	For the years ended December 31,	
	2017	2016
Parent company	$ -	165,181

H. Payment on behalf of others

The receivables from related parties and payables to related parties generated from material purchases, insurance and utilities payments and manpower support of related parties as of December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Parent company	$ 129	320
Parent company	(2,425)	(1,421)
Other related parties	-	396
Other related parties	-	(38)
	$ (2,296)	(743)

I. Transactions of property, plant and equipment

Acquisition of property, plant and equipment

The property, plant and equipment purchased from related parties were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Parent company	$ 2,318	-
Other related parties	17,445	768
	$ 19,763	**768**

As of December 31, 2017 and 2016, the payables from the above transactions had been fully paid.

J. Others

(a) The Group entered into plant lease contracts with SAS. The payment term is 15 days after month-end. Details of rental payments and payables to related parties under the lease contracts were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Parent company	**$ 22,244**	**15,090**

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Parent company	**$ 3,750**	**3,113**

SAS lease plants from the Group and the credit term is 45 days after the following month-end. Details of rental income and receivables from related parties under the lease contract were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Parent company	**$ 816**	**816**

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Parent company	**$ 71**	**71**

(Continued)

(b) The Group provides other services for related parties, including service income, machine usage, human resources, etc. Details of related other income and receivables from related parties were as follows:

		For the years ended December 31,	
		2017	**2016**
Parent company	$	1,140	-
Other related parties		1,350	-
	$	**2,490**	**-**

Items	**Categories**		**December 31, 2017**	**December 31, 2016**
Receivable from related parties	Parent company	$	204	-
Receivable from related parties	Other related parties		650	-
		$	**854**	**-**

(c) The Group pays the parent company's legal work appointment fee, and the related labor expenses and payable to the related parties were as follows:

		For the years ended December 31,	
		2017	**2016**
Parent company	**$**	**1,500**	**-**

Items	**Categories**		**December 31, 2017**	**December 31, 2016**
Payable to related parties	Parent company	**$**	**1,500**	**-**

8. Pledged assets:

The carrying amounts of assets pledged as collaterals were as follows:

Pledged assets	Purpose of pledge	December 31, 2017	December 31, 2016
Notes and accounts receivable, net	Short-term borrowings	$ -	174,773
Time deposits (recognized in other financial assets - current)	Guarantees of acceptances bill	24,495	17,779
Property, plant and equipment	Short-term loans payable	3,005,191	2,923,956
Time deposits (recognized in other financial assets - current)	Short-term loans payable	-	264,622
Time deposits (recognized in other financial assets - current)	Guarantee for gas consumption from CPC Corporation	6,700	6,700
Time deposits (recognized in other financial assets - non-current))	Guarantee for the land lease contract with the Hsinchu Science Industrial Park Bureau	35,687	35,668
Time deposits (recognized in other financial assets - non-current)	Impound account of borrowings	78,600	78,600
Refundable deposits (recognized in other financial assets - non-current)	Deposits of material purchase	158,715	165,563
Time deposits(recognized in other financial assets-non-current)	Guarantee payment for import VAT	5,000	5,000
Time deposits(recognized in other financial assets-non-current)	Guarantee for research R&D program of government	10,300	-
		$ 3,324,688	3,672,661

(Continued)

9. Significant commitments and contingencies:

Aside from those disclosed in note 6(15) and note 11, other commitments and contingences of the Group were as follows:

(1) Significant unrecognized contractual commitments

A. The purchase amounts for future delivery from suppliers under the existing agreements were as follows:

(Unit: currency in thousands)

	December 31, 2017	December 31, 2016
USD	$ 43,060	88,967
EUR	$ 21,046	40,087
JPY	$ 2,075,963	8,215,699

B. The Group's outstanding standby letters of credit were as follows:

(Unit: currency in thousands)

	December 31, 2017	December 31, 2016
NTD	$ -	91,914
USD	$ 3,353	8,005
EUR	$ -	6,202
JPY	$ -	3,800
MYR	$ -	4,975

C. As of December 31, 2017 and 2016, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $1,675,992 and $11,456, respectively.

D. The Group had a long-term sales contract with some customers and received the advance payment. The customer is required to order minimum quantity according to the contract.

(2) Contingent liabilities : None

10. Significant disaster:None

11. Subsequent Events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing fiscal year of 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $324,199 thousands and $364,636 thousands, respectively.

In order to expand the Group's capacity and to meet the operational requirements, on November 7, 2006, the Board of Directors resolved to purchase a plant, affiliated factory facilities and part of equipment from the parent company, SAS, for a total amount of $618,500. The title and asset ownership were transferred upon the completion of registration process on January 29, 2018.

12. Other:

The employee benefits, depreciation, and amortization expenses, categorized by function were as follows:

By functior / By item	For the years ended December 31,					
	2017			2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	6,386,627	2,122,706	8,509,333	2,240,995	653,482	2,894,477
Labor and health insurance	982,560	302,618	1,285,178	452,107	133,398	585,505
Pension	359,310	100,345	459,655	166,269	41,996	208,265
Others	482,882	117,285	600,167	292,677	77,444	370,121
Depreciation	4,460,604	230,299	4,690,903	1,411,930	167,902	1,579,832
Amortization	330,796	18,337	349,133	711	13,240	13,951

13. Segment information:

(1) General information and segment information

The Group has one reportable segment, which is mainly engaged in the research, development, design, manufacturing and sales of semiconductor products. The operating segment information is the same as the information presented in the consolidated financial statements. For revenue (from external customers) and income of segment, please refer to the consolidated statements of comprehensive income, and for assets, please refer to the consolidated statements of financial position.

(Continued)

(2) Information by product

Revenue from external customers:

	For the years ended December 31,	
	2017	2016
Semiconductor ingot	$ 496,690	167,912
Semiconductor wafers	45,540,327	17,850,126
Others	175,584	408,912
	$ 46,212,601	18,426,950

(3) Geographical information

Segment revenue is presented by the geographical location of customers and non-current assets are presented by the geographical location of the assets as follows:

B. Revenue from external customers:

	For the years ended December 31,	
Area	2017	2016
Taiwan	$ 9,789,976	4,233,637
Japan	6,828,847	5,794,323
United States	6,319,293	2,474,094
China	3,850,360	1,788,033
Korea	7,022,898	674,000
Germany	2,293,123	222,604
Other countries	10,108,104	3,240,259
	$ 46,212,601	18,426,950

B. Non-current assets:

Area		December 31, 2017	December 31, 2016
Taiwan	$	6,667,572	7,531,276
United States		6,613,880	7,718,649
Korea		6,278,920	5,836,394
Japan		5,998,380	7,128,492
Italy		3,560,684	3,574,052
Others		3,148,696	3,995,861
	$	**32,268,132**	**35,784,724**

(4)Major customers information

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

		For the years ended December 31,	
		2017	2016
Customer S group	$	6,503,622	584,320
Customer H group		1,272,058	1,962,297
	$	**7,775,680**	**2,546,617**

Attachment 2 2017 Standalone Financial Statements

Independent Auditors' Report

To the Board of Directors of GlobalWafers Co., Ltd.:

Opinion

We have audited the parent company only financial statements of GlobalWafers Co., Ltd. ("the Company"), which comprise the parent company only statement of financial position as of December 31, 2017 and 2016, the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows.

1. Revenue recognition

   Please refer to note 4(14) "Revenue recognition" for accounting policy and note 6(18) "Revenue" of the parent company only financial statements.

   Description of key audit matter:

   The Company's revenues are derived from the sales of semiconductor materials and components. Revenue recognition is also dependent on whether the specified sales terms in each individual contract are met. In consideration of the high volume of sales transactions generated from world-wide operations, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of revenue recognition policies and assessing whether revenue recognition policies are appropriate based on sales terms and revenue recognition criteria; understanding the design and process of implementation of internal controls and testing operating effectiveness; testing selected sales samples and agreeing to customer orders, delivery notes, cash receipts and related documentation supporting sales recognition; testing sales cut-off, on a sample basis, for transactions incurred within a certain period before or after the balance sheet date by reviewing related sales terms, inspecting delivery documents, and other related supporting document to evaluate whether the revenue was recorded in proper period.

2. Inventory valuation

Please refer to note 4(7) “Inventories”, note 5(1) “Inventory valuation” and note 6(5) “Inventories” of the parent company only financial statements.

Description of key audit matter:

The Company is engaged mainly in the manufacturing and sales of semiconductor ingots, wafers, and related products that can be used in a wide variety of applications. However, the Company may still suffer from the risk of change in technology, as well as the risk of obsolescence and slow-moving inventories. Inventory is one of the Company’s most important assets. Therefore, we have considered inventory valuation as one of the key areas of our audit emphasis.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of inventory valuation policies and assessing whether those policies are applied consistently to inventory valuation; testing the accuracy of inventory aging report; analyzing the change of inventory items aged over two years; and selecting samples for testing and inspecting the source of inventory net realizable value information used in valuation purposely to assess for reasonableness.

3. Evaluation of investments accounted for using equity method

Please refer to the note 4(9) “Investments in subsidiaries” for accounting policy, and note 6(7) for further details.

Description of key audit matter:

The investments accounted for using equity method of the Company were mainly investment in subsidiaries. Subsidiaries were mainly from business combination. Moreover, the Company operates in an industry in which the operations are easily influenced by various external factors, such as supply and demand of the market, so the revenue recognition, inventory valuation and the assessment of impairment of goodwill are important. Therefore, investments accounted for using equity method is one of the key areas in our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, please refer key audit matter 1 and 2 for revenue recognition and inventory valuation of investments accounted for using equity method. For the assessment of impairment of goodwill, we have performed certain key audit procedures that included : assessing whether there is any indication that a cash-generating unit may be impaired ; assessing whether the assumptions used for evaluating the recoverable amount are reasonable ; verifying the accuracy of the forecast ; inspecting the balance of recoverable amount to ensure it is the same as the final computation ; assessing the assumption used for recoverable cash amount and forecast on cash flows, then performing the sensitivity analysis for the important assumption.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Parent Company Only Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 1,101,936	2	2,501,000	6
1110	Financial assets measured at fair value through profit or loss (note 6(2))	95	-	2,442	-
1170	Accounts receivable, net (notes 6(4))	1,551,253	2	1,122,313	3
1180	Accounts receivable from related parties, net (note 7)	1,027,467	2	1,618,545	4
1200	Other receivable (notes 6(7))	7,916,160	13	-	-
130X	Inventories (note 6(5))	1,714,565	3	1,410,305	3
1470	Other current assets	149,035	-	155,901	-
		13,460,511	22	6,810,506	16
	Non-current assets:				
1544	Non-current financial assets measured at cost (note 6(3))	49,896	-	-	-
1550	Investments accounted for using equity method, net (note 6(7))	46,412,175	74	32,361,431	78
1600	Property, plant and equipment (notes 6(8), 7 and 8)	411,784	1	334,997	1
1805	Intangible assets (notes 6(6) and (9))	1,313,919	2	1,631,850	4
1900	Other non-current assets (notes 6(14))	520,456	1	623,826	1
1980	Other non-current financial assets (note 8)	95,603	-	85,159	-
		48,803,833	78	35,037,263	84
	Total assets	**$ 62,264,344**	**100**	**41,847,769**	**100**

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(10))	$ 10,121,350	16	11,745,000	28
2120	Financial liabilities measured at fair value through profit or loss (note 6(2))	4.917	-	-	-
2170	Notes and accounts payable	166,721	-	192,895	1
2180	Accounts payable to related parties (note 7)	8,820,258	14	4,777,195	11
2201	Payroll and bonus payable (note 6(19))	467,619	1	114,917	-
2300	Other current liabilities	276,634	-	187,582	-
2311	Sales revenue received in advanced-current	1,200,830	2	2,240	-
2322	Current portion of long-term loans payable (note 6(11))	613,333	1	297,479	1
		21,671,662	34	17,317,308	41
	Non-Current liabilities:				
2540	Long-term loans payable (note 6(11))	3,663,000	6	8,156,327	20
2670	Sales revenue received in advance	1,747,464	3	-	-
2600	Other non-current liabilities (notes 6(13) and (14))	1,136,290	2	599,430	1
		6,546,754	11	8,755,757	21
	Total liabilities	28,218,416	45	26,073,065	62
	Equity				
3110	Common stock	4,372,500	7	3,692,500	9
3200	Capital surplus	24,772,805	40	11,741,399	28
	Retained earnings:				
3310	Legal reserve	813,639	1	719,690	2
3320	Special reserve	350,635	1	239,802	1
3350	Unappropriated retained earnings	5,693,255	9	973,790	2
		6,857,529	11	1,933,282	5
3400	Other equity interest	(1,956,906)	(3)	(1,592,477)	(4)
	Total equity	34,045,928	55	15,774,704	38
	Total liabilities and equity	**$ 62,264,344**	**100**	**41,847,769**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (notes 6 (18) and 7)	$ 9,280,321	100	6,749,320	100
5000	**Cost of sales** (notes 6(5), (8), (12), (13) and 7)	7,108,269	77	5,389,211	80
	Gross profit	2,172,052	23	1,360,109	20
	Operating expenses:(notes 6(4) , (8), (12), (13) and 7)				
6100	Selling and marketing	117,190	1	95,883	1
6200	General and administrative	167,267	2	367,409	6
6300	Research and development	392,243	4	228,984	3
	Total operating expenses	676,700	7	692,276	10
		1,495,352	16	667,833	10
	Non-operating income and expenses:				
7010	Interest revenue (note 7)	26,920	-	13,718	-
7020	Other gains and losses, net (notes 6(20) and 7)	(39,710)	-	203,477	3
7050	Interest expense (note 7)	(286,465)	(3)	(38,253)	-
7050	Share of profit of subsidiaries accounted for using equity method (notes 6 (7))	4,830,547	52	154,355	2
	Total non-operating income and expenses	4,531,292	49	333,297	5
	Profit before income tax	6,026,644	65	1,001,130	15
7950	**Income tax expenses** (note 6(14))	751,921	8	61,645	1
	Net income	5,274,723	57	939,485	14
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans (note 6(13))	(19,173)	-	(9,577)	-
8330	Equity-accounted investees – share of other comprehensive income	526,036	5	48,396	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(14))	(88,347)	(1)	(6,599)	-
		418,516	4	32,220	-
8360	**Other components of other comprehensive income that will not be reclassified to profit or loss**				
8361	Exchange differences on translation	(574,810)	(6)	(232,053)	(4)
8362	Unrealised gains on valuation of available-for-sale financial assets	-	-	116,075	2
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(7))	112,663	1	-	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(14))	97,718	1	39,449	1
	Components of other comprehensive income that will be reclassified to profit or loss	(364,429)	(4)	(76,529)	(1)
8300	**Other comprehensive income, net**	54,087	-	(44,309)	(1)
	Total comprehensive income	**$ 5,328,810**	**57**	**895,176**	**13**
	Total comprehensive income attributable to:				
	Basic earnings per share (note 6(17))				
9710	Basic earnings per share	**$**	**12.68**		**2.54**
9810	Diluted earnings per share	**$**	**12.66**		**2.54**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Parent Company Only Statements Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest			
	Ordinary shares	**Capital surplus**	**Legal reserve**	**Special reserve**	**Unappro-priated retained earnings**	**Total retained earnings**	**Exchange differences on translation of foreign financial statements**	**Unrealized gains (losses) on available-for-sale financial assets**	**Total other equity interest**	**Total equity**
Balance at January 1, 2016	$ 3,692,500	11,767,321	517,331	239,802	2,023,591	2,780,724	(1,399,873)	(116,075)	(1,515,948)	16,724,597
Profit (loss)	-	-	-	-	939,485	939,485	-	-	-	939,485
Other comprehensive income	-	-	-	-	32,220	32,220	(192,604)	116,075	(76,529)	(44,309)
Total comprehensive income	-	-	-	-	971,705	971,705	(192,604)	116,075	(76,529)	895,176
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	202,359	-	(202,359)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,819,147)	(1,819,147)	-	-	-	(1,819,147)
Cash dividends distributed from capital surplus	-	(27,103)	-	-	-	-	-	-	-	(27,103)
Compensation cost arising from employee stock option	-	1,181	-	-	-	-	-	-	-	1,181
Balance at December 31, 2016	3,692,500	11,741,399	719,690	239,802	973,790	1,933,282	(1,592,477)	-	(1,592,477)	15,774,704
Profit	-	-	-	-	5,274,723	5,274,723	-	-	-	5,274,723
Other comprehensive income	-	-	-	-	418,516	418,516	(477,092)	112,663	(364,429)	54,087
Total comprehensive income	-	-	-	-	5,693,239	5,693,239	(477,092)	112,663	(364,429)	5,328,810
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	93,949	-	(93,949)	-	-	-	-	-
Special reserve appropriated	-	-	-	110,833	(110,833)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(768,992)	(768,992)	-	-	-	(768,992)
Cash dividends distributed from capital surplus	-	(324,133)	-	-	-	-	-	-	-	(324,133)
Capital increase	680,000	13,355,424	-	-	-	-	-	-	-	14,035,424
Difference between acquisition price and carrying amount arising from acquisition of subsidiaries	-	115	-	-	-	-	-	-	-	115
Balance at December 31, 2017	**$ 4,372,500**	**24,772,805**	**813,639**	**350,635**	**5,693,255**	**6,857,529**	**(2,069,569)**	**112,663**	**(1,956,906)**	**34,045,928**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) operating activities:			
Profit before tax	$	6,026,644	1,001,130
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		93,875	98,885
Amortization expense		317,931	-
Provision for reversal of allowance for doubtful accounts		383	5,683
Interest revenue		(26,920)	(13,718)
Interest expense		286,465	38,253
Net gains of financial assets(liabilities) measured at fair value through profit or loss		7,264	(2,442)
Compensation cost of employee stock options		-	1,181
Share of profit of subsidiaries accounted for using equity method and unrealized gross profit		(4,820,925)	(117,846)
Provision for (reversal of) inventory valuation		(10,263)	9,915
Total adjustments to reconcile profit		(4,152,190)	19,911
Changes in operating assets and liabilities:			
Note and accounts receivable (including related parties)		(502,190)	172,819
Inventories		(293,997)	(527,602)
Prepayments for purchase of materials		113,307	76,868
Other operating assets		(3,522)	2,056
Total changes in operating assets		(686,402)	(275,859)
Notes and accounts payable (including related parties)		513,994	413,017
Sales revenue received in advance		2,946,054	(3,108)
Net defined benefit liability		(6,127)	(34,944)
Other operating liabilities		418,254	10,900
Total changes in operating liabilities		3,872,175	385,865
Total changes in operating assets and liabilities		3,185,773	110,066
Total adjustments		(966,417)	129,917
Cash inflow generated from operations		5,060,227	1,131,047
Interest received		28,010	13,027
Interest paid		(276,939)	(23,703)
Income taxes paid		(177,202)	(173,941)
Net cash flows from operating activities		4,634,096	946,430
Cash flows from (used in) investing activities:			
Acquisition of financial assets measured at cost		(49,896)	-
Return of capital of investments accounted for using equity method		3,962,586	-
Acquisition of property, plant and equipment		(177,544)	(113,066)
Increase in restricted deposit		(125)	(1,088)
Decrease (increase) in accounts receivable from related parties		662,773	(662,774)
Acquisition of intangible assets		(1,631,850)	-
Decrease (increase) in other financial assets		(10,319)	(78,600)
Acquisition of investments accounted for using equity method		(21,044,561)	(19,468,069)
Net cash flows from (used in) investing activities		(18,288,936)	(20,323,597)

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Parent Company Only Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(1,623,650)	11,745,000
Proceeds from long-term debt	2,273,000	8,453,806
Repayments of long-term debt	(6,450,473)	-
Accounts payable to related parties	5,114,600	1,378,000
Cash dividends paid	(1,093,125)	(1,846,250)
Proceeds from capital increase	14,035,424	-
Net cash flows from (used in) financing activities	12,255,776	19,370,556
Net increase in cash and cash equivalents	(1,399,064)	353,389
Cash and cash equivalents at beginning of period	2,501,000	2,147,611
Cash and cash equivalents at end of period	**$ 1,101,936**	**2,501,000**

See accompanying notes to parent company only financial statements.

GlobalWafers Co., Ltd.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

GlobalWafers Co., Ltd. (the "Company") was a semiconductor unit of Sino-American Silicon Products Inc. ("SAS") and the Company, along with its assets and liabilities, was spun off from SAS on October 1, 2011. The Company was incorporated in October 18, 2011, and authorized by the Hsinchu Science Park Bureau (HSPB). Its registered office is located at No. 8, Industrial East Road 2, Science-Based Industrial Park, Hsinchu, Taiwan (R.O.C.). The Company engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers, and is also engaged in the technology and management consulting service for related products.

The Company acquired ownership of 100% outstanding shares of SunEdison Semiconductor Limited on December 2, 2016. SunEdison is a semiconductor wafer fabrication and supplier, and has been leading silicon wafer designs since its inception. SunEdison's R&D strongholds spread over United States, Europe and Asia, and also dedicated to develop the next generation High-performance semiconductor wafers. The Company expand its sales network and upgrade its research and development capability through this acquisition.

The Company's common shares have been listed on Taipei Exchange ("TPEx") since September 25, 2015, and were delisted from the Emerging Market at the same date.

2. Approval date and procedures of the parent company only financial statements:

These parent company only financial statements were authorized for issuance by the board of directors on March 20, 2018.

3. New standards, amendments and interpretations adopted:

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the parent company only financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(A) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

(i) Classification and measurement - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Company had equity investment classified as financial assets measured at cost of $49,896 thousand are held for long-term strategic purposes. At initial application of IFRS9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Company assessed the application of IFRS 9's classification and measurement requirements will not have material impact on other comprehensive income.

(ii) Impairment - Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

(Continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company's assessment indicated that the application of IFRS 9's impairment requirements on January 1, 2018, won't have material impact on its parent company only financial statements.

(iii) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as measured at FVOCI.

(Continued)

(B) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

(i) Sales of goods

Revenue is currently recognized depending on the individual terms of the sales agreement. The related risks and rewards of ownership have to be transferred prior to the recognition of revenue. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company performed a preliminary assessment and considered that the timing of the related risks and rewards of ownership transferred is similar to the timing when control is transferred and the Company does not expect that there will be a significant impact on its parent company only financial statements.

(ii) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018.

The Company assessed the adoption of IFRS 15 would not have any material impact on its parent company only financial statements.

(C) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the parent company only intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(D) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Company assessed the application of the amendments would not have any material impact on its parent company only financial statements.

(Continued)

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

(Continued)

October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The Company is evaluating the impact on its parent company only financial position and parent company only financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

4. Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for note 3, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value;

(b) The net defined benefit liability is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each individual parent company only entity is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars (NT$), which is the Company's functional currency. All financial information presented in NT$ has been rounded to the nearest thousand.

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the last date of reporting period (hereinafter referred as “the reporting date”) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at the average rate. Foreign currency differences are recognized in other comprehensive income.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash and cash in bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

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

A. Financial assets

The Company classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, financial assets at cost and receivables.

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

Financial assets are classified as held for trading if it they are acquired principally for the purpose of selling or repurchasing in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

(b) Financial assets at cost

Investment in equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured, are carried at their cost, less, any impairment loss, and are included in financial assets at cost.

(c) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes and accounts receivable. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest on short-term accounts receivable is not calculated because it does not have significant influence. A regular purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is included in non-operating income and expenses.

(d) Impairment of financial assets

Except for financial assets measured at fair value through profit and loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes the severe financial difficulties, default or delinquency by debtor (such as interest and payment are delay or unpaid), indications that a debtor or issuer will enter bankruptcy, possibility of restructuring increase and economic conditions that correlate with defaults of issuers and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of accounts receivables are recognized in operating expenses. Impairment loss and recoveries of financial assets excluding accounts receivable are recognized in non-operating income and expenses.

(e) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

(b) Other financial liabilities

Financial liabilities not classified as held for trading or designated as measured at fair value through profit or loss, comprising long-term and short-term borrowings and accounts payable, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

Interest expense not capitalized as capitalized cost is recognized in profit or loss, under non-operating income and expenses.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, under non-operating income and expenses.

(d) Offsetting of financial assets and liabilities

The Company presents its financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average-cost method and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(8) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interests in an associate, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a present legal or constructive obligation or has made payments on behalf of the investee.

The Company shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company’ s proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid in capital. If the additional paid in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company’s ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(9) Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method. Under the equity method, the Company’s share of profit or loss and other comprehensive income of the subsidiary involved in the parent company only financial statements as well as of which attributed to parent company in the consolidated financial statements. The owner’s equity in the parent company is also as well as the equity attributable to owners in the consolidated financial statements.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions between owners.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are recognized and measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless its useful life and depreciation method are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss, under non-operating income and expenses.

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful life of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings: 2 to 40 years

(b) Machinery and equipment: 1 to 10 years

(c) Other equipment and leased assets: 1 to 12 years

(d) Buildings constitute mainly buildings, mechanical and electrical power equipment; and related engineering, wastewater treatment and sewage system, etc. Each such part is depreciated based on its useful life of 25 to 40 years, 25 years, and 4 to 15 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in an accounting estimate.

(11) Lessee

The Company’s leases are operating leases and are not recognized in the Company’s parent company only statement of financial position.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(12) Intangible assets

A. Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they are recognized in profit or loss as incurred:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) The intention to complete the intangible asset and use or sell it.

(c) The ability to use or sell the intangible asset.

(d) How the intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

B. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost accumulated amortization and any accumulated impairment losses.

C. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

D. Amortization

The amortizable amount is the cost of an asset less its residual value.

Except for goodwill, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives from the date that they are available for use.

The residual value, amortization period, and amortization method of intangible assets reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a changes in accounting estimates.

(13) Impairment of non-financial assets

The Company measures whether impairment has occurred in non-financial assets (except for inventories and deferred income tax assets) on every reporting date, and when there is an indication of impairment exist, the Company estimates its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, then the Company will have to determine the recoverable amount of the cash-generating unit (“CGU”) to which the asset has been allocated to.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset reduced to its recoverable amount; and that reduction is accounted as an impairment loss, which shall be recognized immediately in profit or loss.

At the end of each reporting period, an assessment is made whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset, other than goodwill, is reversed if, and only if, there has been a change in the estimates used to determine the asset’ s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(14) Revenue recognition

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards of ownership varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier. Generally for such products, the customer has no right of return. For domestic shipments, risks and rewards of ownership normally transferred when goods are delivered and accepted by customers at the client's designated location.

B. Services

The Company provides services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

C. Government grants

Income from government grants for research and development is recognized as revenue under non-operating income and expenses, based on actual costs incurred as a percentage of the expected total costs.

D. Royalties

Revenue from royalties is recognized on an accrual basis in accordance with the substance of the relevant agreement, provided that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably.

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan asset is deducted. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefit of plan is improved, the pension cost incurred from the portion of the increased benefit relating to the past services by the employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Company recognized them under retained earnings.

Gains or losses on the curtailment or settlement of the defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(16) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related services are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related services at the vesting date.

(17) Income tax

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

A. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also be reevaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(18) Business combination

Goodwill is measured as the aggregation of the consideration transferred at the acquisition date and the amount of any non-controlling interest in acquiree less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the residual balance is negative, the Company re assesses whether it has correctly identified all of the assets acquired and liabilities assumed and recognize a gain on the bargain purchase thereafter.

Acquisition-related cost are expensed as incurred, except that the costs are related to the issuance of debt or equity securities.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Company’s financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect any new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(19) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus and employee compensation.

(20) Operating segment

Operating segment has been disclosure in GlobalWafers Co., Ltd’s consolidated financial statements for the year ended December 31, 2017, therefore no operating segment is disclosed in the parent company only financial statements.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in the accounting estimates during the period and the impact of those changes in the following period.

There is no critical judgment made in applying accounting policies.

The accounting policies that involved the estimation and assumption uncertainty that may cause adjustments in the subsequent period are as below:

(1) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to the note 6(5) for further information on inventory valuation.

The Company strives to use the observable market inputs in determining the fair value of assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(21) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 100	100
Demand deposits	447,116	2,316,565
Time deposits	654,720	184,335
	$ 1,101,936	2,501,000

Refer to note 6(21) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

GlobalWafers Co., Ltd.

Notes to the Parent Company Only Financial Statements

(2) Financial assets and liabilities measured at fair value through profit or loss

	December 31, 2017	December 31, 2016
Financial asset measured at fair value through profit or loss:		
Forward exchange contracts	$ 95	2,442
Financial liabilities measured at fair value through profit or loss		
Forward exchange contracts	$ 4,917	-

The Company uses derivative instruments to hedge certain currency risk, arising from the Company' s operating activities. The Company held the following derivative instruments not qualified for hedge accounting and accounted them as held-for-trading financial assets and liabilities as of December 31, 2016 and 2017:

	December 31, 2017			
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	NTD	267,000	NTD to JPY	January 26, 2018
Forward exchange contracts sold	NTD	264,900	NTD to JPY	March 22, 2018
Forward exchange contracts sold	NTD	263,000	NTD to JPY	March 28, 2018

	December 31, 2016			
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD	6,000	USD to JPY	February 20,2017

(3) Non-current financial assets at cost

	December 31, 2017	December 31, 2016
Equity investment in domestic entities	$ 49,896	-

The management of the Company believes that the fair value of the financial assets cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

The financial assets at cost of the Company were not pledged as collaterals in December 31, 2017.

GlobalWafers Co., Ltd.

Notes to the Parent Company Only Financial Statements

(4) Notes and accounts receivable, net

	December 31, 2017	December 31, 2016
Accounts receivable	$ 1,573,385	1,145,976
Less: Allowance for doubtful accounts	(6,768)	(6,385)
Allowance for sales discounts and returns	(15,364)	(17,278)
	$ 1,551,253	1,122,313

The movements in the allowance for doubtful accounts were as follows:

	2017	2016
Balance at January 1	$ 6,385	702
Impairment loss recognized	383	5,683
Balance at December 31	$ 6,768	6,385

Aging analysis of notes and accounts receivable (including related parties), which were overdue but not impaired, as of the reporting date was as follows:

	December 31, 2017	December 31, 2016
Overdue 1~30 days	$ 69,637	24,452
Overdue 31~60 days	1,554	7,420
Overdue 61~90 days	-	423
Overdue 121~150 days	-	1,254
Overdue 151~180 days	-	390
	$ 71,191	33,939

(5) Inventories

	December 31, 2017	December 31, 2016
Merchandise	$ 250,486	348,351
Finished goods	100,441	128,272
Work in progress	45,709	22,295
Raw materials	1,266,894	863,675
Consumables	51,035	47,712
	$ 1,714,565	1,410,305

Components of operating cost were as follows:

		2017	2016
Cost of sales	$	7,084,219	5,333,613
Provision for (reversal of) inventory valuation		(10,263)	9,915
Unamortized fixed manufacturing expense		34,313	45,683
	$	7,108,269	5,389,211

As of December 31, 2017 and 2016, the Company's inventories were not pledged as collaterals.

(6) Business combination

On July 1, 2016, the Company obtained control of Topsil for silicon business by acquiring 100% of its shares.

On December 2, 2016, the Company obtained control of SSL by acquiring 100% of its shares through the Company's subsidiary GWafers Singapore Pte. Ltd.

The consideration transferred to obtain control of SSL and the fair values of the assets acquired and liabilities assumed from the acquisition of Topsil, please refer to GlobalWafers Co., Ltd. consolidated financial statements as of December 31, 2017.

(7) Investments accounted for using equity method

Investments accounted for using the equity method at the end of the financial reporting period are as follows:

		December 31, 2017	December 31, 2016
Subsidiaries	$	46,093,553	32,361,431
Associates		318,622	-
	$	46,412,175	32,361,431

A. Investments in subsidiaries

(a.) Please refer to GlobalWafers Co., Ltd's Consolidated Financial Statements for the year ended December 31, 2017, for relevant information.

(b.) The subsidiary GWafers Singapore Pte. Ltd. deducted capital with the capital return amounted $11,878,020 in 2017. The amount of capital return not received and recognized under other receivable was $7,916,160, as of December 31, 2017.

(c.) The subsidiary GWafers Singapore Pte. Ltd. increased capital by cash amounted $6,340,950 in 2017. The increase amount was recognized as increase of investments accounted for using equity method.

(d.) With the Company's 2016 organizational restructuring, ownership of Taisil was transferred from SSBV and SSHBV to the Company. The direct investment amount of the Company was $14,503,726 recognized as increase of investments accounted for using equity method. Besides, Taisil did capital reduction in 2017 and the amount of capital return was $726 recognized as decrease of investments accounted for using equity method.

B. Associates

The associates of the Company accounted for using the equity method are individually insignificant and their summarized financial information is as follows. The information represents the amounts included in the summarized financial statements of the Company:

	December 31, 2017	December 31, 2016
The book value of the individually insignificant associates	$ 318,622	-

	2017	2016
Attributable to the Company:		
Net income	$ 5,959	-
Other comprehensive income	112,663	-
Total	$ 118,622	-

C. Collateral

The Company's investments accounted for using equity method were not pledged as collateral as of December 31, 2017 and 2016.

(8) Property, plant and equipment

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

		Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance at January 1, 2017	$	182,470	799,340	131,455	31,114	1,144,379
Additions		171	63,549	12,528	94,414	170,662
Disposals		(10,985)	(27,866)	(2,841)	-	(41,692)
Reclassification		-	6,600	19,518	(26,118)	-
Balance at December 31, 2017	$	171,656	841,623	160,660	99,410	1,273,349
Balance at January 1, 2016	$	179,143	849,898	102,193	4,471	1,135,705
Additions		8,251	45,171	48,381	31,114	132,917

Disposals	(4,924)	(98,248)	(21,071)	-	(124,243)
Reclassification	-	2,519	1,952	(4,471)	-
Balance at December 31, 2016	$ 182,470	799,340	131,455	31,114	1,144,379
Depreciation :					
Balance at January 1, 2017	123,146	646,006	40,230	-	809,382
Depreciation for the year	10,137	53,578	30,160	-	93,875
Disposals	(10,985)	(27,866)	(2,841)	-	(41,692)
Balance at December 31, 2017	$ 122,298	671,718	67,549	-	861,565
Balance at January 1, 2016	117,396	674,324	43,020	-	834,740
Depreciation for the year	10,674	69,930	18,281	-	98,885
Disposals	(4,924)	(98,248)	(21,071)	-	(124,243)
Balance at December 31, 2016	$ 123,146	646,006	40,230	-	809,382
Carrying amounts:					
Balance at December 31, 2017	$ 49,358	169,905	93,111	99,410	411,784
Balance at January 1, 2016	$ 61,747	175,574	59,173	4,471	300,965
Balance at December 31, 2016	$ 59,324	153,334	91,225	31,114	334,997

B. Collateral

Property, plant and equipment was pledged as collaterals for short-term borrowings and credit lines. (Please refer to note 8.)

(9) Intangible assets

	2017	2016
Cost:		
Balance as of January 1, 2017	$ 1,631,850	$ -
Additions	-	1,631,850
Balance as of December 31, 2017	$ 1,631,850	$ 1,631,850
Amortization and impairment loss:		
Balance as of January 1, 2017	$ -	$ -
Amortization for the period	(317,931)	-
Balance as of December 31, 2017	$ (317,931)	$ -
Carrying amounts:		
Balance as of January 1	$ 1,631,850	$ -
Balance as of December 31	$ 1,313,919	$ 1,631,850

The Company's intangible assets were not pledged as collaterals as of December 31, 2017 and 2016.

GlobalWafers Co., Ltd.

Notes to the Parent Company Only Financial Statements

(10) Short-term borrowings

	December 31, 2017	December 31, 2016
Unsecured borrowings	$ 10,121,350	11,745,000
Unused credit lines	$ 4,068,909	2,803,026
Range of annual interest rates at year end	0.83%~1.06%	0.88%~1.60%

(11) Long-term borrowings

The details were as follows:

	December 31, 2017			
	Currency	Rate	Maturity	Amount
Unsecured bank loans	NTD	1.1028%~1.254%	May 2019~ November 2021	$ 3,076,333
Secured bank loans	NTD	1.325%	November 2021	1,200,000
Less: current portion				(613,333)
Total				$ 3,663,000

	December 31, 2016			
	Currency	Rate	Maturity	Amount
Unsecured bank loans	NTD	1.154%~2.0854%	November 2017~ December 2021	$ 7,253,806
Secured bank loans	NTD	1.20%~1.65%	November 2021	1,200,000
Less: current portion				(297,479)
Total				$ 8,156,327

The Company entered into the loan agreements with Mega International Commercial Bank and four other banks on November 29, 2016 and was able to obtain a syndicated financing loan of US$200,000 thousand.

According to the loan agreements:

A. Six months after the initial drawdown date, the Company shall maintain specific current ratio, interest coverage ratio, and leverage ratio based on its annual consolidated financial statements audited by independent auditors and semi-annual consolidated financial statements reviewed by independent auditors.

B. The loan shall be used only for purposes of financing the acquisition of SunEdison.

C. The Company shall maintain, directly or indirectly, ownership of not less than 51% of the equity capital and effective management control over SSL and its subsidiaries.

D. The Company shall not pay any cash dividend, or make interest payment, loan or other cash distribution to any shareholder or another debtor if the terms abovementioned have been breached.

According to the loan agreements, if the Company's drawdown amounts are less than 80% of the credit lines one month after the agreement sign-off date, the Company shall pay 0.1% of the amount less than 80% of the financing amount as one-time commitment fee to Mega International Commercial Bank. As of December 31, 2017, and December 31, 2016, the commitment fee the Company needed to pay amounted to US$0 and US$80 thousand, which was recognized under other current liabilities.

The Company had repaid bank loans in early 2017. The Company did not borrow from the loans as at December 31, 2017, so it is not subject to the loan covenants.

Please refer to note 8 for details of pledged assets.

(12) Operating Lease

A. Lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 4,781	20,471
Between one and five years	5,493	9,702
	$ 10,274	**30,173**

For the years 2017 and 2016, rental costs from operating leases of $25,251 and $24,526, respectively, were recognized as expenses in profit or loss in respect of the operating leases.

(13) Employee benefits

A. Defined benefit plans

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

	December 31, 2017	December 31, 2016
Total present value of obligations	$ (112,422)	(95,273)
Fair value of plan assets	58,092	53,989
Recognized liabilities for defined benefit obligations	**$ (54,330)**	**(41,284)**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $58,092 as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

	2017	2016
Defined benefit obligation at January 1	$ 95,273	86,039
Current service costs and interest cost	2,006	2,111
Re-measurements for defined benefit obligations		
－Actuarial gains and losses arising from experience adjustments	14,580	5,359
－Actuarial gains and losses resulting from changes in demographic assumptions	2,668	2,726
－Actuarial gains and losses resulting from changes in financial assumptions	1,408	1,182
Benefits paid	(3,513)	(2,144)
Defined benefit obligation at December 31	**$ 112,422**	**95,273**

(c) Movements in present value of defined benefit plan assets

The movements in present value of the defined benefit plan assets of the Company were as follows:

	2017	2016
Fair value of plan assets at January 1	$ 53,989	19,388
Interest income	1,032	636
Re-measurements for defined benefit obligations		
－Return on plan asset (excluding interest income)	(517)	(310)

Contributions made	7,101	36,419
Benefits paid	(3,513)	(2,144)
Fair value of plan assets at December 31	$ 58,092	53,989

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31,	
	2017	2016
Current service costs	$ 835	928
Net interest of net liabilities for defined benefit obligation	139	547
	$ 974	1,475
Operating cost	$ 638	1,091
Selling expenses	56	87
Administration expenses	49	2
Research and development expenses	231	295
	$ 974	1,475

(e) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability recognized in other comprehensive income was as follows:

	2017	2016
Accumulated amount at January 1	$ (42,056)	(32,479)
Recognized during the period	(19,173)	(9,577)
Accumulated amount at December 31	$ (61,229)	(42,056)

(f) Actuarial assumptions

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

	December 31, 2017	December 31, 2016
Discount rate	1.125%	1.250%
Future salary increase rate	2.000%	2.000%

The estimated amount of contribution to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $14,449.

The weighted-average duration of the defined benefit obligation is 10.4 years.

(g) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2017 and 2016, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences to defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2017			
Discount rate	$	(2,910)	3,021
Future salary increase rate	$	2,937	(2,844)
December 31, 2016			
Discount rate	$	(2,479)	2,574
Future salary increase rate	$	2,502	(2,423)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, assuming other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in previous periods. There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

B. Defined contribution plans

The Company contributes at the rate of 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company’s contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The Company’s pension costs incurred from contributions to the defined contribution plan were $16,587 and $14,319 for the years 2017 and 2016, respectively. Such contributions were made to the Bureau of the Labor Insurance.

(14) Income tax

A. Tax expense

The components of tax expenses in 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Current tax expense	$ 216,164	105,308
Deferred tax expense	535,757	(43,663)
	$ 751,921	61,645

The components of income tax recognized in other comprehensive income in 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	$ 88,347	6,599
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	(97,718)	(39,449)
	$ (9,371)	(32,850)

The income tax calculated on income before income tax at domestic tax rate was reconciled with income tax expense for the years 2017 and 2016 as follows:

	For the years ended December 31,	
	2017	2016
Income before income tax	$ 6,026,644	1,001,130
Income tax at the Company's domestic tax rate	1,024,529	170,192
Investment deduction	(15,419)	(11,277)
10% surtax on undistributed earnings	-	207
Adjustments for permanent differences	(245,875)	(84,417)
Change in provision in prior periods and unrecognized temporary differences	(17,369)	(13,060)
Others	6,055	-
	$ 751,921	61,645

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B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets:

	December 31, 2017	December 31, 2016
Deductible temporary differences	$ -	11,142

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(b) Unrecognized deferred tax liabilities:

	December 31, 2017	December 31, 2016
Aggregate amount of temporary differences related to investments in subsidiaries	$ (121,060)	(56,003)

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2017 and 2016. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences were not recognized as deferred tax liabilities.

(c) Recognized deferred tax assets and liabilities

	December 31, 2016	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017
Assets:				
Inventories	$ 6,680	(1,745)	-	4,935
Investment in equity method	140,639	(118,621)	9,874	31,892
Exchange differences on translation of foreign financial statements	254,762	-	97,718	352,480
Others	33,710	6,942	3,260	43,912
	$ 435,791	(113,424)	110,852	433,219
Liabilities:				
Investment in equity method	$ (526,016)	(445,553)	(101,481)	(1,073,050)
Others	(32,130)	23,220	-	(8,910)
	$ (558,146)	(422,333)	(101,481)	(1,081,960)

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		January 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2016
Assets:					
Inventories	$	4,994	1,686	-	6,680
Investment in equity method		-	150,514	(9,875)	140,639
Exchange differences on translation of foreign financial statements		215,313	-	39,449	254,762
Others		30,079	2,003	1,628	33,710
	$	250,386	154,203	31,202	435,791
Liabilities:					
Investment in equity method	$	(446,866)	(80,798)	1,648	(526,016)
Others		(2,388)	(29,742)	-	(32,130)
	$	(449,254)	(110,540)	1,648	(558,146)

C. Examination and approval

As of December 31, 2017, income tax returns of the Company for years through 2015 were examined and approved by the tax authority.

D. Information related to the ICA was as follows:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and after	(Note)	973,790
Balance of imputation credit account	(Note)	65,032
	2017 (estimated)	**2016 (actual)**
Creditable ratio for earnings distribution to ROC residents	(Note)	9.72%

The unappropriated retained earnings and creditable ratio shown above were prepared in accordance with ruling letter No. 10204562810 issued by the Ministry of Finance, R.O.C., on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(15) Capital and other equity

A. Common stock

As of December 31, 2017 and 2016, the authorized shares of common stock of the Company amounted to $6,000,000 and $4,000,000, divided into 600,000 thousand shares and 400,000 thousand shares with a par value of $10 per share, of which $200,000 was reserved for employee stock options, convertible preferred stock, and convertible corporate bonds. The issued and outstanding shares of common stock amounted to $4,372,500 and $3,692,500, as of December 31, 2017 and 2016, respectively.

The Company increased capital in GDRs of $680,000, and issued 68,000 shares of common stock on the Luxembourg on April 26, 2017. The price issued per share was US$6.9. The total issuance amount is US$469,200. The cash increase was approved by the Financial Supervisory Commission and the record date of capital increase was on April 26, 2017. All shares issued were paid and registered. The total amount issued was US$469,200, which was equivalent to $14,141,688 on the day's closing exchange rate. The total premium amounting to $13,355,424 was recognized on capital surplus after deducting the related issuance cost of $106,264.

B. Capital surplus

The components of capital surplus were as follows:

	December 31, 2017	December 31, 2016
Additional paid-in capital	$ 24,711,963	11,680,672
Employee share options	60,727	60,727
Actual acquisition of subsidiary company equity price and book value difference	115	-
	$ 24,772,805	11,741,399

According to the R.O.C. Company Act revised on January 1, 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus arising from premium on issuance of capital stock and the fair value of donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Based on resolutions approved by the stockholders during their annual stockholders' meetings June 22, 2016 and on June 19, 2017, cash dividends of $27,103 ($0.0734 per share) and $324,133 ($0.7413 per share), respectively, were distributed out of capital surplus. Relevant information is available on the Market Observation Post System website.

C. Retained earnings

According to the Company's articles of incorporation, after-tax earnings shall be distributed in the following order:

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(a) Offset the cumulative deficits;

(b) 10% of the earning should be set aside for legal reserve, until the accumulated legal reserve equals the Company's issued capital;

(c) Special reserve in accordance with relevant laws or regulations or as requested by the authorities;

(d) After deducting items (a), (b), and (c) above from the earnings, the remaining undistributed earnings of current and previous years, if any, will be proposed for distribution by the board of directors and resolved in the stockholders' meeting.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, the distribution of dividends to shareholders should not be less than 50% of the distributable earnings, which is calculated using the net income of the current year, minus, legal reserve and special reserve. Distribution of cash dividends should not be less than 50% of the total dividends.

D. Legal reserve

According to the amended R.O.C. Company Act announced in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

E. Special reserve

In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings based on the aforementioned requirement. Under such regulation, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of the above mentioned special reserve and the net debit balance of other components of the stockholders' equity. The only distributable special reserve is the portion that exceeds the net debt balance of the other components of the shareholders' equity. The carrying amounts of special reserve were $350,635 and $239,802 as of December 31, 2017 and 2016, respectively.

F. Earnings distribution

The distributions of dividends per share, employee bonuses, and directors' and supervisors' remuneration for the years 2016 and 2015 which were approved by the stockholders during their meetings on June 19, 2017 and June 22, 2016, respectively, were as follows:

	2016	2015
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were $1.7587 and $4.9266, respectively)	$ 768,992	1,819,147

The above mentioned earnings distribution is consistent with the resolution approved by the board of directors. The board of directors plan the 2017 annual surplus distribution on March 20, 2018. The distribution of cash dividends per share of $10, the above situation will be resolved by board of directors. The information is available on the Market Observation Post System website.

G. Other equity

	Exchange differences on translation of foreign financial statements	Available-for-sale financial assets	Total
January 1, 2017	(1,592,477)	-	(1,592,477)
Foreign exchange differences (net of tax)	(477,092)	-	(477,092)
Unrealized losses from available-for-sale investment	-	112,663	112,663
December 31, 2017	$ (2,069,569)	112,663	(1,956,906)
January 1, 2016	$ (1,399,873)	(116,075)	(1,515,948)
Foreign exchange differences (net of tax)	(192,604)	-	(192,604)
Accumulated disposal of investment reclassified to profit or loss	-	116,075	116,075
December 31, 2016	$ (1,592,477)	-	(1,592,477)

(19) Share-based payment

In June 2010, the board of directors of Sino-American Silicon Product Inc. (“SAS”) resolved to issue stock options under the 2010 First Employee Stock Option Plan (the “Plan”), with 10,000,000 granted units. Each unit entitles a participant to subscribe for 1 share of SAS common stock. The contractual life is 6 years. The Plan was approved by the SFB (renamed to FSC) on November 12, 2010, and officially implemented on August 10, 2011. Starting from the grant date, according to the vesting schedule, 40%, 60%, 80% and 100% of the options should be vested on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

As of December 31, 2017, the key terms and conditions of SAS outstanding employee stock option plan were as follows:

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Item	Authorization date	Grant date	Vesting period	Grant units in thousands	Exercise price per share ($)	Fair value per share on grant date ($)	Adjusted exercise price per share ($)
2010 First Employee Stock Option Plan	November 12, 2010	August 10, 2011	Service periods between two and four years	3,475	60.50	60.50	48.60

For options granted, the Company recognized compensation costs of $0 and $1,181, respectively, in 2017 and 2016. The fair value of the options granted on August 10, 2011 was estimated at the date of grant by using the Black-Scholes option pricing model with the following weighted-average assumptions:

Expected dividend yield	3.6%
Expected volatility	48.065%
Risk-free interest rate	1.2905%
Remaining contractual life	6 years

As of December 31, 2017 and 2016, certain details of the Company’s outstanding employee stock option plan were as follows:

	2017		2016	
Employee stock options	Options (thousands)	Weighted-average exercise price (dollars)	Options (thousands)	Weighted-average exercise price (dollars)
Outstanding at beginning of year	2,884	$ 50.20	2,881	52.40
Granted	33	48.60	70	50.20
Exercised	2,647	48.60	-	-
Forfeited	270	48.60	67	50.20
Outstanding at end of year	-	-	2,884	50.20
Options exercisable at end of year	-	-	2,884	50.20
Weighted-average fair value per employee stock options (dollars)	$ 23.36		23.36	

(20) Earnings per Share (“EPS”)

A. Basic earnings per share

		2017	2016
Net income attributable to the shareholders of the Company	$	5,274,723	939,485
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)		415,826	369,250
Basic earnings per share (dollar)	$	12.68	2.54

B. Diluted earnings per share

		2017	2016
Net income attributable to the shareholders of the Company	$	5,274,723	939,485
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)		415,826	369,250
Effect on employee remuneration (in thousands of shares)		775	556
		416,601	369,806
Diluted earnings per share (dollar)	$	12.66	2.54

(21) Revenue

		2017	2016
Sale of goods	$	8,301,362	6,461,314
Rendering services (note 7)		293,186	288,006
Royalties (note 7)		685,773	-
	$	9,280,321	6,749,320

(22) Remuneration to employees and directors

The Company’s articles of incorporation require that earnings shall first be offset against any deficit, and then, employee remuneration at rates ranging from 3% to 15% shall be distributed and directors’ remuneration at the maximum rate of 3% shall also be allocated. Employees who are entitled to receive the above mentioned employee remuneration, in the form of shares of stock or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The Directors’ remuneration will be paid in cash. A resolution for employee remuneration has to be approved first in the board of directors’ meeting, wherein at least half of the votes are needed or two thirds of the members are present during the meeting.

The remunerations to employees and directors amounted to $41,400 and $3,500, respectively, for the year ended December 31, 2016, and amounted to $291,640 and $15,000, respectively, for the year ended December 31, 2017. These amounts were calculated based on the Company’s net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage prescribed under the Company's Article of incorporation. These remunerations were charged to profit or loss under operating costs or expenses in 2016 and 2017. The numbers of shares were calculated using the closing price of common stock on the day before the date of board of directors' resolution when the Company distributes shares of stock as remuneration to employee. If there are any subsequent adjustments to the actual compensation amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and treated as adjustment in profit or loss in the subsequent year. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2016 and 2017.

(23) Other gains and losses

	2017	2016
Foreign exchange gains (losses)	$ (101,158)	175,358
Others	61,448	28,119
	$ (39,710)	203,477

(24) Financial instruments

A. Credit risk

(a) Credit risk exposure

The Company's maximum exposure to credit risk is equal to the carrying amount of financial assets.

(b) Concentration of credit risk

The main customers of the Company are from the silicon wafer and related industries. The Company generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2016 and 2017, 66% and 70%, respectively, of the Company's accounts receivable (including related parties) were from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

B. Liquidity risk

The following table represents the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years
December 31, 2017						
Non-derivative financial liabilities						
Short-term borrowings	$ 10,121,350	(10,167,102)	(10,167,102)	-	-	-
Notes and accounts payable (including related parties)	8,986,979	(8,986,979)	(8,986,979)	-	-	-
Long-term	4,276,333	(4,550,592)	(321,113)	(353,470)	(1,272,754)	(2,603,255)
Forward exchange contracts						
Outflows	4,822	(794,900)	(794,900)	-	-	-
Inflows	-	792,600	792,600	-	-	-
	$ 23,389,484	(23,706,973)	(19,477,494)	(353,470)	(1,272,754)	(2,603,255)
December 31, 2016						
Non-derivative financial liabilities						
Short-term borrowings	$ 11,745,000	(11,878,904)	(4,415,204)	(7,463,700)	-	-
Notes and accounts payable (including related parties)	4,970,090	(4,976,153)	(3,592,090)	(1,384,063)	-	-
Long-term borrowings	8,453,806	(9,970,257)	-	(458,297)	(1,269,533)	(8,242,427)
	$ 25,168,896	(26,825,314)	(8,007,294)	(9,306,060)	(1,269,533)	(8,242,427)

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2017		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary Items			
USD	$ 373,408	29.76	11,112,622
JPY	623,947	0.2642	164,847
Investments accounted for using equity method			

USD	631,656	29.76	18,798,094
JPY	41,045,193	0.2642	10,844,140
DKK	368,426	4.78	1,761,074
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	25,627	29.76	762,660
JPY	8,175,036	0.2642	2,159,845

	December 31, 2016		
	Foreign currency	**Exchange rate**	**NTD**
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	$ 154,806	32.25	4,992,494
JPY	312,517	0.2756	86,130
<u>Investments accounted for using equity method</u>			
USD	659,240	32.25	21,260,491
JPY	34,326,166	0.2756	9,460,291
DKK	378,037	4.59	1,735,192
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	98,432	32.25	3,174,432
JPY	6,163,530	0.2756	1,698,669

(b) Sensitivity analysis

The Company’s exposure to foreign currency risk arises from the negative fluctuations in the foreign currency exchange rates particularly on cash and cash equivalents, accounts receivable, borrowings and accounts payable that are denominated in foreign currency. A depreciation or appreciation of 1% of the NTD against the USD, CNY and JPY at December 31, 2017 and 2016 would have increased or decreased the net income before tax by $83,549 and $2,055, respectively. The analysis is performed on the same basis for the years of 2017 and 2016.

(c) Exchange gains and losses of functional currency

For the years ended December 31, 2017 and 2016, the foreign exchange losses (gains) (including realized and unrealized) were as follows:

	2017		2016	
	Exchange gains (losses)	Average Exchange rate	Exchange gains (losses)	Average Exchange rate
USD	$ (238,902)	30,432	1,292	32.263
JPY	63,274	0.2713	186,658	0.2972
EUR	3,176	34.35	845	35.70
CNY	(553)	4.507	(1,436)	4.849
CHF	(4)	30.89	(7)	32.72

D. Interest rate analysis

The following sensitivity analysis is based on the risk exposure to interest rates. For debts with floating interest, the analysis assumes that the liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.25%, the Company's net income before tax may decrease or increase by $34,876 and $44,705, for the years ended December 31, 2016 and 2017, respectively, assuming all other variable factors remain constant. The change is mainly due to the Company's deposits and borrowings with variable rates.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The Company's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

	December 31, 2017				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 95	-	95	-	95
Financial assets at cost-non current	$ 49,896	-	-	-	-
Loans and receivables					
Cash and cash equivalents	$ 1,101,936	-	-	-	-
Notes and accounts receivable (including related parties)	2,578,720	-	-	-	-

Other receivable	7,916,160	-	-	-	-
Other financial assets – non-current	95,603	-	-	-	-
	$ 11,692,419	-	-	-	-
Financial liabilities at fair value through profit or loss	$ 4,917	-	4,917	-	4,917
Financial liabilities at amortized cost					
Short-term borrowings	$ 10,121,350	-	-	-	-
Notes and accounts payable (including related parties)	8,986,979	-	-	-	-
Long term loans payable (including current portion of long-term loans payable)	4,276,333	-	-	-	-
	$ 23,384,662	-	-	-	-

	December 31, 2016				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 2,442	-	2,442	-	2,442
Loans and receivables					
Cash and cash equivalents	2,501,000	-	-	-	-
Notes and accounts receivable (including related parties)	2,740,858	-	-	-	-
Other financial assets – non-current	85,159	-	-	-	-
	$ 5,327,017	-	-	-	-
Financial liabilities at amortized cost					
Short-term borrowings	$ 11,745,000	-	-	-	-
Notes and accounts payable (including related parties)	4,970,090	-	-	-	-
Long term loans payable (including current portion of long-term loans payable)	8,453,806	-	-	-	-
	$ 25,168,896	-	-	-	-

(b) Valuation techniques for financial instruments not measured at fair value

The Company measures the financial instruments not measured at fair value through the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation techniques for financial instruments that are measured at fair value

Forward exchange contracts are usually measured at current forward rate.

There was no transfer between the different levels of the fair value hierarchy for the years ended December 31, 2017 and 2016.

(25) Financial Risk Management

A. Overview

The Company is exposed to the following risks for holding financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies, and procedures to measure and manage the risks. For further information please refer to the relevant notes.

B. Structure of risk management

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring company's risk management policies. Internal auditors assist the board of directors to monitor and review the risk management control and internal procedures regularly and report them to the board of directors.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

C. Credit risk

The Company's potential credit risk is derived primarily from cash and accounts receivable. The Company maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk for cash.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollar (NTD), but also include the Chinese Yen (CNY), US Dollar (USD), and Japanese Yen (JPY). These transactions are denominated in NTD, USD, and JPY.

Interest is denominated in the currency used in borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily NTD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(b) Interest rate risk

The Company holds variable-rate assets and liabilities, which cause the exposure to interest rate risk in cash flows.

(26) Capital Management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings and non-controlling interests of the Company. The board of directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

The Company’s debt-to-equity ratios at the end of the reporting periods were as follows:

		December 31, 2017	December 31, 2016
Total liabilities	$	28,218,416	26,073,065
Less: cash and cash equivalents		(1,101,936)	(2,501,000)
Net debt	$	27,116,480	23,572,065
Total equity	$	34,054,928	15,774,704
Debt-to-equity ratio		79.65%	149.43%

Due to early repayment of bank loans, the debt-to-equity ratio decreased.

7. Related-party transactions:

(1) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

Name of related party	Relationship with the Company
Sino-American Silicon Product Inc. (“SAS”)	The parent company
Sino American Material Corp.	The subsidiary of the parent company
Sunrise PV World Co. (SPW)	The subsidiary of the parent company
Sunshine PV Corp	Same chairman with the parent company
Crystalwise Technology Inc.	Share of Profit or Loss of Associates of the parent company
GlobalSemiconductor Inc. (GSI)	The subsidiary of the Company
GlobalWafers Inc. (GWI)	The subsidiary of the Company
GWafers Japan (GWafers)	The subsidiary of the Company
GWafers Singapore Pte. Ltd. (GWafers Singapore)	The subsidiary of the Company
Topsil GlobalWafers A/S (Topsil A/S)	The subsidiary of the Company
Taisil Electronic Materials Corp.(Taisil)	The subsidiary of the Company
Kunshan Sino Silicon Technology Co., Ltd. (SST)	The subsidiary indirectly owned by the Company
GlobiTech Incorporated (GTI)	The subsidiary indirectly owned by the Company

GlobalWafers Japan Co., Ltd.(GWJ)	The subsidiary indirectly owned by the Company
Shanghai GrowFast Semiconductor Technology Co., Ltd.	The subsidiary indirectly owned by the Company
Topsil Semiconductor sp z o.o. (Topsil PL)	The subsidiary indirectly owned by the Company
SunEdison Semiconductor Limited (SSL)	The subsidiary indirectly owned by the Company
SunEdison Semiconductor B.V. (SSBV)	The subsidiary indirectly owned by the Company
SunEdison Semiconductor Technology Pte. Ltd. (SSTPL)	The subsidiary indirectly owned by the Company
MEMC Japan Ltd. (MEMC Japan)	The subsidiary indirectly owned by the Company
MEMC Electronic Materials, SpA(MEMC SpA)	The subsidiary indirectly owned by the Company
MEMC Electronic Materials France SarL (MEMC SarL)	The subsidiary indirectly owned by the Company
MEMC Electronic Materials GmbH (MEMC GmbH)	The subsidiary indirectly owned by the Company
MEMC Holding B.V. (MEMC BV)	The subsidiary indirectly owned by the Company
MEMC Korea Company (MEMC Korea)	The subsidiary indirectly owned by the Company
SunEdison Semiconductor LLC (SunEdison LLC)	The subsidiary indirectly owned by the Company
MEMC Electronic Materials, Sdn Bhd (MEMC Sdn Bhd)	The subsidiary indirectly owned by the Company
SunEdison Semiconductor Technology (Shanghai) Ltd. (SunEdison Shanghai)	The subsidiary indirectly owned by the Company
SunEdison Semiconductor Holdings B.V.(SSHBV)	The subsidiary indirectly owned by the Company
MEMC Ipoh Sdn Bhd (MEMC Ipoh)	The subsidiary indirectly owned by the Company

(2) Sino-American Silicon Product Inc. (“SAS”) is both the parent company and the ultimate controlling party of the Company. As of December 31, 2017, it owns 50.84 percent of all shares outstanding of the Company and has issued consolidated financial statements available for public use.

(3) Key management personnel compensation

Key management personnel compensation comprised of:

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	$ 172,701	50,300
Post-employment benefits	540	432
Share-based payments	-	344
	$ 173,241	51,076

The Company provided a car costing $1,500 for use by key management in 2017 and 2016.

For information on share based payment, please refer to note 6(16).

(3) Transactions with related parties

A. Sales

The significant sales with related parties were as follows:

	For the years ended December 31,	
	2017	2016
Parent company	$ 13,129	17,515
Other related parties	267,973	245,560
	$ 281,102	263,075

The sales price for sales to the related parties was determined by market value and adjusted according to the sales area and sales volume.

The credit terms for third parties were 0 to 120 days after month-end in 2017 and 2016, while those for related parties were 30 to 90 days after month-end, and 30 days after month-end to 60 days after the following month-end in 2017 and 2016, respectively.

B. Purchases and process outsourcing

Purchases and process outsourcing from related parties were as follows:

	For the years ended December 31,	
	2017	2016
Parent company	$ 176,922	385,830
GWJ	5,986,763	5,110,592
SST	2,015,251	1,770,573
GTI	1,345,536	1,003,410
Subsidiaries	371,807	24,528
	$ 9,896,279	8,294,933

The prices of purchases and process outsourcing were determined by market rates.

The payment terms to third parties were 0 to 120 days after the following month-end in 2017 and 2016, while those to related parties were 30 days after the following month-end and 15~60 days after month-end in 2017, and 2016, respectively.

C. Receivables from related parties

The receivables from related parties were as follows:

Items	Categories	December 31, 2017	December 31, 2016
Receivable from related parties	Parent company	$ 565	1,742
Receivable from related parties	Other related parties	$ 71,578	74,306
		$ 72,143	76,048

D. Payables to related parties

The payables to related parties were as follows:

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Parent company	$ 47,771	220,905
Payable to related parties	GWJ	1,497,896	1,092,536
Payable to related parties	Subsidiaries	$ 744,741	441,882
		$ 2,290,408	1,755,323

E. Administrative expenses

The Company pays monthly administrative expenses to SAS. These administrative expenses were $5,332 and $9,621 in 2017 and 2016, respectively. The unpaid administrative expenses recognized as accounts payable to related parties were $1,388 and $2,453 as of December 31, 2017 and 2016, respectively.

F. Technical service fees

Technical service fees of related parties were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Parent company	$ 6,640	7,099
Subsidiaries	3,951	-
	$ 10,591	7,099

As of December 31, 2017 and 2016, unpaid technical service fees were $5,380 and $2,226, respectively.

GlobalWafers Co., Ltd.

Notes to the Parent Company Only Financial Statements

G. Loans to Related Parties

The loans to related parties were as follows:

	2017				
Relationship	**Highest balance**	**Actual usage amount**	**Ending balance**	**Interest rate**	**Interest Revenue**
Subsidiaries	$ 4 ,110,525	-	2,500,000	1.5~2.5%	2,879

	2016				
Relationship	**Highest balance**	**Actual usage amount**	**Ending balance**	**Interest rate**	**Interest Revenue**
Subsidiaries	$ 3,544,750	662,773	1,651,250	2.0~2.5%	1,733

As of December 31, 2017 and 2016, unreceived interest revenues were $0 and $1,172, respectively.

H. Borrowings from Related Parties

The borrowings from related parties were as follows:

	2017		
Relationship	**Ending balance**	**Interest rate**	**Interest Expenses**
Subsidiaries	6,492,600	0.46~1.5%	24,566

	2016		
Relationship	**Ending balance**	**Interest rate**	**Interest Expenses**
Subsidiaries	1,378,000	0.44%	1,093

As of December 31, 2017 and 2016, unpaid interest expenses were $20,145 and $0, respectively.

I. Endorsements and guarantees

The maximum amounts endorsed by the Company for related parties's bank financing were as follows:

	For the years ended December 31,			
	2017		2016	
Subsidiaries	NTD	200,000	NTD	-
Subsidiaries	JPY	1,000,000	JPY	1,000,000
Subsidiaries	USD	360,000	USD	200,000
Subsidiaries	DKK	25,000	DKK	-

The ending balance endorsed by the Company for related parties' bank financing were as follows:

	As of December 31,			
	2017		2016	
Subsidiaries	NTD	200,000	NTD	-
Subsidiaries	JPY	1,000,000	JPY	1,000,000
Subsidiaries	USD	160,000	USD	200,000
Subsidiaries	DKK	25,000	DKK	-

J. Payment on behalf of others

The receivables from related parties and payables to related parties generated from material purchases, insurance and utilities payments and manpower support of related parties as of December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Parent company	$ 129	229
Parent company	(2,425)	(1,421)
Subsidiaries	1,361	13,331
Subsidiaries	(1,664)	(2,771)
Other related parties	-	254
Other related parties	-	(38)
	$ (2,599)	9,584

K. Transactions of property, plant and equipment

(a) Acquisition of property, plant and equipment

The property, plant and equipment purchased from related parties were as follows:

	For the years ended December 31,	
	2017	2016
Parent company	$ 759	-
Subsidiaries	4,367	433
Other related parties	17,385	768
	$ 22,511	1,201

As of December 31, 2017 and 2016, the payables from the above transactions had been fully paid.

(b) Acquisition of intangible assets

The intangible assets purchased from related parties were as follows:

	For the years ended December 31,	
	2017	2016
Subsidiaries	$ -	1,630,850

As of December 31, 2017 and 2016, the payables from the above transactions had been fully paid.

L. Others

(a) Since the sales transactions to related parties were deemed as inventory transfer in the group, the related sales and cost were eliminated in the presentation of the financial statements.

The amount of the sales transactions were as follows:

	For the years ended December 31,	
	2017	2016
Subsidiaries	$ 5,344,879	4,549,307

Revenue of rendering services generated from material purchases on behalf of subsidiaries were $259,586 and $264,064 for the year ended December 31, 2017 and 2016, respectively.

The commission revenue generated from the agreements between the Company and subsidiaries were $33,600 and $23,942 for the year ended December 31, 2017 and 2016.

The receivables in relation to the above transactions were as follows:

Items	Categories	December 31, 2017	December 31, 2016
Receivable from related parties	Subsidiaries	$ 865,236	864,667

(b) The Company entered into plant lease contracts with SAS. The payment term was 15 days after the following month-end. Details of rental expenses and payables to related parties under the lease contracts were as follows:

	For the years ended December 31,	
	2017	2016
Parent company	$ 18,085	15,090

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Parent company	$ 3,265	3,113

SAS leased plants from the Company and the credit term was 45 days after the following month-end. Details of rental income and receivables from related parties under the lease contract were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Parent company	$ 816	816

Items	Categories	December 31, 2017	December 31, 2016
Receivable from related parties	Parent company	$ 71	71

(c) The Company received royalty revenue from related parties. Details of royalty income and receivables were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Subsidiaries	$ 685,773	-

Items	Categories	December 31, 2017	December 31, 2016
Receivable from related parties	Subsidiaries	$ 86,544	-

(d) The Company provides other services for related parties, including service income, machine usage, human resources, etc. Details of related other income and receivables from related parties were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Parent company	$ 1,140	-
Subsidiaries	10,278	-
Other related parties	1,350	-
	$ 12,768	-

Items	Categories	December 31, 2017	December 31, 2016
Receivable from related parties	Parent company	$ 204	-
Receivable from related parties	Subsidiaries	1,129	-
Receivable from related parties	Other related parties	650	-
		$ 1,983	-

(e) The Company pays the parent company's legal work appointment fee, and the related labor expenses and payable to the related parties were as follows:

	For the years ended December 31, 2017	2016
Parent company	$ 1,500	-

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Parent company	$ 1,500	-

(f) The Company pays related parties commission fee and payable to the related parties were as follows:

	For the years ended December 31, 2017	2016
Subsidiaries	$ 23,439	-

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Subsidiaries	$ 1,483	-

(g) With the Company's 2016 organizational restructuring, the Company acquired securities of Taisil, please refer to noet6 (7) for relevant information.

8. Pledged assets:

The carrying amounts of assets pledged as collaterals were as follows:

Pledged assets	Purpose of pledge	December 31, 2017	December 31, 2016
Time deposits (recognized in other financial assets - non-current)	Guarantee for the land lease contract with the Hsinchu Science Industrial Park Bureau	$ 5,037	5,018
Time deposits (recognized in other financial assets - non-current)	Impound account of borrowings	78,600	78,600
Time deposits(recognized in other financial assets-non-current)	Guarantee for research R&D program of government	10,300	-
Property, plant and equipment	Long-term loans payable and credit lines	97,497	-
		$ 191,434	83,618

GlobalWafers Co., Ltd.

Notes to the Parent Company Only Financial Statements

9. Significant commitments and contingencies:

Aside from those disclosed in note 6(12), note 7 and note 11, other commitments and contingences of the Company were as follows:

(1) Significant unrecognized contractual commitments

A. The purchase amounts for future delivery from suppliers under the existing agreements were as follows:

(Unit: currency in thousands)

	December 31, 2017	December 31, 2016
USD	$ 43,060	57,953
EUR	$ 13,522	6,608

B. The Company's outstanding standby letters of credit were as follows:

(Unit: currency in thousands)

	December 31, 2017	December 31, 2016
JPY	$ -	3,800

C. The Company had a long-term sales contract with some customers and received the advance payment. The customer is required to order minimum quantity according to the contract.

(2) Contingent liabilities : None

10. Significant disaster: None

11. Subsequent Events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing fiscal year of 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $76,450 thousands and $190,934, respectively.

In order to expand the Company 's capacity and to meet the operational requirements, on November 7, 2006, the Board of Directors resolved to purchase a plant, affiliated factory facilities and part of equipment from the parent company, SAS, for a total amount of $618,500. The title and asset ownership were transferred upon the completion of registration process on January 29, 2018.

12. Other:

The employee benefits, depreciation, and amortization expenses, categorized by function were as follows:

By function / By item	For the years ended December 31,					
	2017			2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	480,589	328,861	809,450	235,104	115,335	350,439
Labor and health insurance	25,403	11,000	36,403	21,885	8,853	30,738
Pension	11,079	6,482	17,561	10,330	5,464	15,794
Others	16,678	5,519	22,197	12,618	3,960	16,578
Depreciation	51,854	42,021	93,875	75,924	22,961	98,885
Amortization	317,931	-	319,931	-	-	-

As of December 31, 2017 and 2016, the employee number of the Company is 592 and 488, respectively.

Attachment 3 Affiliation Report

Representation Letter

The affiliation report of GlobalWafers Co., Ltd. as of and for the year ended December 31, 2017 is made under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises. There is no major discrepancy between the information disclosed here and the footnotes in the Consolidated Financial Statements of the same period.

Company name: GlobalWafers Co., Ltd.

Chairman: Doris Hsu

Date : March 20, 2018

Independent Auditors' Opinion

To the Board of Directors of GlobalWafers Co., Ltd.:

We have audited the affiliation report of GlobalWafers Co., Ltd. as of and for the year ended December 31, 2017 under the regulations set forth in the 30 November 1999 Letter No. Tai-Fin-Sec-No. 04448 issued by Securities and Futures Bureau, Financial Supervisory Commission (Formerly Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan.) We conducted our audit regarding 2017 affiliation report of GlobalWafers Co., Ltd. to verify if it is in compliance with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises. There is no major discrepancy between the information disclosed here and the footnotes in the Consolidated Financial Statements of the same period audited by us, hereby we issue audited opinion.

Based on our audit, we do not find violation in the aforementioned 2017 affiliation report against Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, neither material discrepancy between the information disclosed here and the footnotes in the Consolidated Financial Statements of the same period.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

GlobalWafers Co., Ltd.

Affiliation Report

2017

1. The Relationship of the Subsidiary and the Controlling Company

Unit：share；%

Controlling Company	Reason	Shareholding & pledge of the controlling company			Director, supervisor or managers from the controlling company	
		shares	%	Pledged shares	Title	Name
Sino-American Silicon Products Inc.	50.84% direct shareholding of over the subsidiary	222,293,000	50.84%	0	Director Director	Ming-Kuang Lu Tan-Liang Yao

2. Transaction

2.1 The Transaction of the Company and the Controlling Company

Unit: NTD 1,000；%

Transaction with the Controlling Company				Payment Terms with the Controlling Company		General Payment Terms		Reason for discrepancy	Accounts Receivables and Notes		Overdue			Note
Selling/ Buying	Amount	% to Total Selling/ Buying	Gross Margin	Unit Price	Credit Period	Unit Price	Credit Period		Balance	% to Accounts Receivables and Notes	Amount	Treatment	Allowance for bad debts	
Selling	(13,129)	0.14%	(7,110)	Note 1	TT060	Per contract	TT00~ TT120	-	565	0.02%	-	-	-	-
Buying	176,922	1.56%	-	Note 2	NTT 030	Per contract	TT00~ NTT120	-	(47,771)	(1.94%)	-	-	-	-

Note 1：Selling refers to selling of semiconductor wafers and ingot, no major discrepancy against general selling price and terms

Note 2：Buying refers to production materials, no major discrepancy against general buying price and terms

2.2 Transactions of property, plant and equipment

Unit: NTD 1,000

Type (Acquisition or disposal)	Asset	Transaction Date	Amount	Payment Term	Payment Status	Gain (Loss) on Disposal (Note 1)	Reason for Controlling Company as Transaction Party	Previous transaction (Note 2)				Decision Making of the Transaction (Note3)	Reference of Price	Purpose of the Acquisition or Disposal	Other Condition
								Owner	Relation-ship	Date	Amount				
Acquisition	Equipment	2017.01 2017.11	759	NTT030	Full Payment is Paid	-	Asset transfer	-	-	-	-	Transfer among related company	Book value	Operation	-

Note 1：Omit if it is acquisition

Note 2：

(1)The controlling company's original acquisition data should be disclosed if it is acquisition; the subsidiary's original acquisition data should be disclosed if it is disposal.

(2) The relationship between the owner and the controlling company and the subsidiary should be specified.

(3)Previous transaction information of the related party should be listed in the same column if the transaction party is also related party in the previous transaction.

Note 3：Decision level of the transaction should be specified

2.3 Financial Accommodation: None

2.4 Lease

Unit: NTD 1,000

Type (Lease/ Lessee)	Target		Lease period	Nature （Note 1）	Rental reference	Rental Paid/Received	Compare to general condition	Total lease amount in current period	Payment of current period	Other condition (Note 2）
	Name	Location								
Lessee	Plant	5F, No. 21, Kejung Rd., Chunan, Miaoli County, Hsinchu Science Park, No. 8, Kebe 5th Rd., Chunan, Miaoli County, Hsinchu Science Park	2016.02-2018.01 、 2017.07-2018.06	Operating lease	General rental standard	Monthly	No major discrepancy	$18,085	Normal	NA
Lessor	Plant	2F & 4F, No. 8. Industrial East Road 2, Hsinchu Science Park	2017.01-2017.12	Operating lease	General rental standard	Monthly	No major discrepancy	816	Normal	NA

Note 1：Please specify whether it is capital lease or operating lease

Note 2：Please specify if there is any pledge , for example superficies, dian or easement.

2.5 Other Important Transaction

Unit: NTD 1,000

Transaction with the Controlling Company			Commercial Terms Between General Companies And The Controlling Company
Account	Amount	Unsettlements Recognized in Accounts Receivables (Payables) – Related Party	
Management Fee	$5,332	$(1,388)	No major discrepancy
Technical Service Fee	6,640	(1,429)	No major discrepancy
Payment on Behalf of Others	-	129	No major discrepancy
Collection on Behalf of Others	-	(2,425)	No major discrepancy
Other Income	1,140	204	No major discrepancy
Labor Service Fee	1,500	(1,500)	No major discrepancy

3. Endorsement & Guarantee：None