Stock Code:6488

GlobalWafers Co., Ltd. and its Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

GlobalWafers Co., Ltd.

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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.

Doris Hsu

Company name: GlobalWafers Co., Ltd.
Chairman: Doris Hsu
Date: March 20, 2018

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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.

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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.

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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.

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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.

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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 Amount	%	2016 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	Unappropriated 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 acquires 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.

(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)

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

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

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.

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.

(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.

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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)

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

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at December 31, 2017	Percentage of Ownership at 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.

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.

(Continued)

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.

(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	KRW74,506,300	KRW to USD	January 24, 2018

	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.

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

(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:

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

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.

(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**

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**	**-**

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

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

(Continued)

	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)

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

	Goodwill	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.

(Continued)

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.

(Continued)

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.

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

(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

(Continued)

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

(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)

(Continued)

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)

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

	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.

(Continued)

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.

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

(Continued)

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	$	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)

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

(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)

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

	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)

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

	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).

(Continued)

(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)

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

	December 31, 2017				
	Carrying amount	Fair value			
		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 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	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)

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

	December 31, 2016				
	Carrying amount	Fair value			
		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.

(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.

(Continued)

(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)

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

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	For the years ended December 31, 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)

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

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	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	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	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	For the years ended December 31, 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	For the years ended December 31, 2016
Parent company	$ 1,500	-

Items	Categories	December 31, 2017	December 31, 2016
Payable to related parties	Parent company	$ 1,500	-

(Continued)

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

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

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 function	For the years ended December 31,					
	2017			2016		
By item	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.

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

(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:

A. Revenue from external customers:

Area	For the years ended December 31, 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

(Continued)

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

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