

Stock code: 5483

Sino-American Silicon Products Inc. Individual Financial Report

**December 31, 2017 and 2016
(Independent Auditor's Report Enclosed)**

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Independent Auditors' Report

To the Board of Directors of Sino-American Silicon Products Inc.,

Opinion

We have audited the financial statements of Sino-American Silicon Products inc. (“the Company”), which comprise the balance sheets as of December 31, 2017 and 2016 and January 1, 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016 and January 1, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016 and January 1, 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

Among the inclusion of the Company's investment accounted for using the equity method, audit on the financial report of Crystalwise Technology was not conducted by us but by other accountants. Therefore, the opinion we provided for the standalone financial report about the recognition amount from Crystalwise Technology's financial report was based on the audit report of other accountant. The investment amounts using equity method by Crystalwise Technology as at December 31, 2017 and 2016 respectively were 2% and 4% of the total asset. The loss of affiliated enterprises using equity method from January 1 to December 31, 2017 and 2016 was (25)% of loss before tax and 21% of profit before tax respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to note 4(7) “Inventories”, note 5(1) “Inventory valuation” and note 6(3) of the consolidated financial statements.

Description of key audit matter:

The Company sells and manufactures solar silicon wafers, solar cells and power generation business. The market demand and prices of its related products fluctuated due to factors as governments’ subsidy policy and anti-dumping that may resulted in risks of high inventory cost over net realization value. Thus we considered it as one of the important matters regarding its standalone financial report.

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.

2. Realty, factories and equipment valuation

Please refer to note 4(13) “Non-financial asset valuation” and note 5(2) of the consolidated financial statements.

Description of key audit matter:

The product prices of the Company continued to drop due to market factors and green power policy changes from governments. Thus we considered it important to estimate the loss on their realty, factories and equipment. The loss evaluation on asset included cash generation unit distinction, evaluation method determination, crucial consumption selection and receivable amount calculation etc. that required subjective judgments of the management level. Thus we consider it as an important matter for auditing.

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 and testing of the important assumptions such as valuation model, future cash flow forecast, service life and weighted average cost of capital taken by the authorities including the expected product income, costs and expenses etc., evaluating of the accuracy of the authorities in the past; analyzing the outcome sensitivity; also indentifying through inquiring related procedures if there is any matter affecting the outcome of loss testing after the financial information is reported.

3. Impairment on investment accounted for using the equity method

Please refer to note 4(9) “Invest subsidiary”, note 6(7) “Investment adopting equity method” and note 6(8) changes to all equity of its subsidiary.

Description of key audit matter:

The Company holds investment using the equity method – 50.84% shareholding of its subsidiary (GlobalWafers Co., Ltd.) which takes 32% of the Company's total asset. We consider it one of the important matter for auditing.

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 auditing the comprehensive profit and loss of the investment toward its subsidiary according to the shareholding ratio; confirming the number of the share held; discussing and understanding with the management level about important valuations on its subsidiary so as to indentify the reasonableness of accounting if the revenue recognition of the subsidiary is dealt in proper period by inventory valuation and business combination; reviewing the adequacy of the financial information disclosed by the management level.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters

that were of most significance in the audit of the financial statements 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.

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2018

Sino-American Silicon Products Inc.
Parent-Company-Only Statements of Financial Position
December 31, 2017 and 2016 (expressed in thousands of New Taiwan dollars)

Assets		December 31,		December 31,	
		2017		2016	
Current assets:			%		%
Cash and cash equivalents	\$	673,428	2	2,579,645	9
Notes and trade receivable, net		728,986	2	488,815	2
Accounts receivable from related parties		1,518,914	5	1,181,941	4
Inventories, net		2,234,785	6	2,006,867	7
Prepayments for materials		269,441	2	484,203	2
Other current assets		119,977	-	131,742	-
		<u>5,545,531</u>	<u>17</u>	<u>6,873,213</u>	<u>24</u>
Non-current assets:					
Available-for-sale financial assets, non-current		685,194	2	661,280	2
Held-to-maturity financial assets, non-current		281,366	1	281,400	1
Financial assets carried at cost, non-current		298,640	1	368,141	1
Investments accounted for using equity method		20,988,678	60	13,244,929	44
Property, plant and equipment, net		6,333,415	18	7,114,781	24
Intangible assets		—	-	—	-
Other non-current assets		178,030	-	210,876	1
Other financial assets, non-current		19,805	-	24,636	-
Long-term prepayments for materials		521,540	1	827,887	3
		<u>29,306,668</u>	<u>83</u>	<u>22,733,930</u>	<u>76</u>
Total Assets	\$	<u>34,852,199</u>	<u>100</u>	<u>29,607,143</u>	<u>100</u>

Liabilities and Stockholders' Equity		December 31,		December 31,	
		2017		2016	
Current liabilities:			%		%
Short-term borrowings	\$	2,364,913	7	1,760,000	6
Notes and accounts payable		1,043,113	3	1,376,761	4
Payables to related parties		4,740	-	6,441	-
Payroll and bonus payable		323,170	1	267,900	1
Other current liabilities		466,882	1	386,521	1

Revenue received in advance for sales	287,517	1	318,136	1
Provision – current	—	-	—	-
Current portion of long-term loans payable	—	-	748,011	2
	<u>4,490,335</u>	13	<u>4,863,770</u>	15
Non-current liabilities:				
Long-term loans payable	1,360,000	4	1,990,000	7
Liability reserve & Other liabilities, non-current	443,351	1	449,508	1
Revenue received in advance for sales, non-current	<u>1,417,641</u>	4	<u>1,405,324</u>	5
	<u>3,220,992</u>	9	<u>3,844,832</u>	13
Total Liabilities	<u>7,711,327</u>	22	<u>8,708,602</u>	28
Equity:				
Common stock	<u>5,920,587</u>	18	<u>5,800,312</u>	20
Capital surplus	<u>24,205,831</u>	69	<u>18,821,483</u>	64
Retained earnings:				
Legal reserve	311,579	1	311,579	1
Special reserve	513,302	1	513,302	2
Unappropriated earnings (accumulated deficits)	<u>(317,629)</u>	(1)	<u>(1,565,754)</u>	(5)
	<u>507,252</u>	1	<u>(740,873)</u>	(2)
Other equity	<u>(3,322,937)</u>	(10)	<u>(2,812,520)</u>	(9)
Tresury Stock	<u>(169,861)</u>	-	<u>(169,861)</u>	(1)
Total Equity	<u>27,140,872</u>	78	<u>20,898,541</u>	72
Total Liabilities and Equity	<u><u>34,852,199</u></u>	100	<u><u>29,607,143</u></u>	100

\$

Parent-Company-Only Statements of Profit or Loss and Other Comprehensive Income
Years ended December 31, 2017 and 2016
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2017		2016	
		%		%
Operating revenues:	\$ 11,282,980	100	10,390,005	100
Cost of sales	11,959,612	106	11,298,216	109
Gross loss	(676,632)	(6)	(908,211)	(9)
Operating expenses:				
Selling and marketing	66,787	1	53,714	-
General and administrative	143,398	1	106,182	1
Research and development	203,724	2	207,175	2
Total operating expenses	413,909	4	367,071	3
Operating loss	(1,090,541)	(10)	(1,275,282)	(12)
Non-operating income and (expenses):				
Other income	50,152	-	25,007	-
Other gains and (losses)	(162,855)	(1)	(446,619)	(4)
Interest expense	(46,537)	-	(66,422)	(1)
Share of profit or loss of subsidiaries and associates accounted for using equity method	2,275,232	20	170,432	2
Total non-operating income and expenses	2,115,992	19	(317,602)	(3)
Profit before income tax	1,025,451	9	(1,592,884)	(15)
Income tax expense	(10,054)	-	(3,659)	-
Net profit (loss)	1,035,505	9	(1,589,225)	(15)
Other comprehensive income (loss) :				
Components of other comprehensive income that will not be reclassified to profit or loss				
Actuarial loss on defined benefit plans	(153)	-	(3,905)	-
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	212,773	2	19,396	-
Total of items that may be reclassified subsequently to profit or loss:	212,620	2	15,491	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations	(76,543)	(1)	(76,933)	-
Unrealized gain (loss) on available-for-sale financial assets	23,914	-	(178,850)	(2)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(236,832)	(2)	(15,900)	-

Income tax related to other comprehensive income	13,012	-	13,078	-
Total other comprehensive income (loss), net of income tax	(63,829)	(1)	(243,114)	(2)
Total comprehensive income (loss)	\$ 971,676	8	(1,832,339)	(17)
Earnings per share (in dollars)				
Basic earnings (loss) per share	\$ 1.80		(2.77)	
Diluted earnings (loss) per share	1.79	\$		

Parent-Company-Only Statements of Changes in Stockholders' Equity
Years ended December 31, 2017 and 2016 (expressed in thousands of New Taiwan dollars)

	<u>Retained Earnings</u>						<u>Other Equity</u>						
	Common	Capital	Legal	Special	Unappro- priated retained	<u>Total</u>	Exchange differences on	Unrealized gain (loss) on available-for-sale financial	Unearned Stock-Based Employee		<u>Total</u>	Treasury	<u>Total equity</u>
	<u>stock</u>	<u>surplus</u>	<u>reserve</u>	<u>reserve</u>	<u>earnings</u>		<u>translation</u>	<u>assets</u>	<u>Compensation</u>	<u>other</u>		<u>stock</u>	
Balance at January 1, 2016	\$ 5,800,312	18,614,691	259,628	513,302	519,512	1,292,442	(1,460,070)	(1,087,491)		(3,267)	(2,550,828)	(169,861)	22,986,756
Net profit for the period	-	-	-	-	(1,589,225)	(1,589,225)	-	-	-	-	-	-	(1,589,225)
Other comprehensive income (loss)	-	-	-	-	15,491	15,491	(157,442)	(101,163)	-	-	(258,605)	-	(243,114)
Total comprehensive income (loss)	-	-	-	-	(1,573,734)	(1,573,734)	(157,442)	(101,163)	-	-	(258,605)	-	(1,832,339)
Appropriation and distribution of retained earnings (Note 2):	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	51,951		(51,951)	-	-	-	-	-	-	-	-
Common shares cash dividend	-	-	-		(459,581)	(459,581)	-	-	-	-	-	-	(459,581)
Capital surplus cash dividend declared	-	(402,133)	-	-	-	-	-	-	-	-	-	-	(402,133)
Compensation cost arising from employee stock option	-	4,382	-	-	-	-	-	-	-	-	-	-	4,382
Adjustments to share of changes in equities of associates	-	1,323	-	-	-	-	-	-	-	(3,087)	(3,087)	-	(1,764)
Disposal of shares in subsidiaries to non-controlling interests	=	603,220	-	-	-	-	-	-	-	-	-	-	603,220
Balance at December 31, 2016	5,800,312	18,821,483	311,579	513,302	(1,565,754)	(740,873)	(1,617,512)	(1,188,654)	-	(6,354)	(2,812,520)	(169,861)	20,898,541
Net profit for the period	-	-	-	-	1,035,505	1,035,505	-	-	-	-	-	-	1,035,505

Other comprehensive income (loss)	-	-	-	-	212,620	212,620	(355,822)	79,373	-	-	(276,449)	-	(63,829)
Total comprehensive income (loss)	-	-	-	-	1,248,125	1,248,125	(355,822)	79,373	-	-	(276,449)	-	971,676
Appropriation and distribution of retained earnings (Note 2):	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital surplus cash dividend declared		(861,714)	-	-	-	-	-	-	-	-	-	-	(861,714)
Issuing new shares – Employee stock options	60,625	234,013	-	-	-	-	-	-	-	-	-	-	294,638
Adjustments to share of changes in equities of associates	-	5,670,627	-	-	-	-	-	-		2,052	2,052	-	5,672,679
Issuing employee restrict stock	60,000	343,200	-	-	-	-	-	-	(283,200)	-	(283,200)	-	120,000
Compensation cost arising from employee restrict stock	-	-	-	-	-	-	-	-	45,752	-	45,752	-	45,752
Write-off employee restrict stock	(350)	(1,778)	-	-	-	-	-	-	1,428	-	1,428	-	(700)
Balance at December 31, 2017	\$ 5,920,587	24,205,831	311,579	513,302	(317,629)	507,252	(1,973,334)	(1,109,281)	(236,020)	(4,302)	(3,322,937)	(169,861)	27,140,872

Note: Remuneration for 2017 and Jaunary 1 to December 31, 2016 were both NT\$0 for directors and employees.

Parent-Company-Only Statements of Cash Flows
Years ended December 31, 2017 and 2016 (expressed in thousands of New Taiwan dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Income (loss) before tax	\$ 1,025,451	(1,592,884)
Adjustments :		
Adjustments for:		
Depreciation	1,034,098	1,036,737
Amortization	—	—
Provision for (reversal of) allowance for doubtful accounts	—	(565)
Interest expenses	46,537	66,422
Interest income	(35,206)	(11,166)
Dividend income	(14,946)	(13,841)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	45,752	4,382
Share of profit or loss of subsidiaries and associates accounted for using equity method	(2,275,232)	(170,432)
Loss from disposal and write-off of property, plant and equipment	(3,568)	5,730
Loss on non-financial asset impairment	—	—
Gain(loss) from financial assets	69,501	452,661
Provision for (reversal of) inventory obsolescence and devaluation loss	(130,275)	142,367
Expense with no effect on cash flow	(9,837)	22,760
Total adjustments to reconcile income (loss) before tax	<u>(1,273,176)</u>	<u>1,535,055</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets designated as at fair value through profit or loss	—	—
Notes and accounts receivable (including related parties)	86,970	1,274,882
Inventories	(89,732)	(267,157)
Prepayments for materials	532,935	416,609
Other financial assets and others	11,799	62,400
Total changes in operating assets	<u>541,972</u>	<u>1,486,734</u>

Changes in operating liabilities:

Notes and accounts payable (including related parties)	(335,349)	(293,868)
Provision	—	—
Revenue received in advance for sales	(18,302)	(89,342)
Accrued pension liabilities	(5,536)	(18,636)
Accrued expenses and other current liabilities	156,808	(78,639)
Total changes in operating liabilities	(202,379)	(480,485)
Total changes in operating assets and liabilities	339,593	1,006,249
Total adjustments	(933,583)	2,541,304
Cash inflow (outflow) generated from operations	91,868	948,420
Interest received	35,206	9,766
Dividend received	14,946	13,841
Interest paid	(47,931)	(65,975)
Income taxes paid	(1,071)	(115,035)
Net cash outflows used in operating activities	93,018	791,017

2017

2016

Cash flows from investing activities:

Acquisition of loan to related party	\$ (664,114)	(292,969)
Acquisition of financial assets available for sale	—	(280,000)
Acquisition of financial assets carried at cost	—	(9,000)
Acquisition of equity-accounted investees	(449,000)	(296,000)
Acquisition of subsidiaries (excluding cash obtained)	—	—
Acquisition of property, plant and equipment	(241,189)	(1,476,316)
Disposal of property, plant and equipment	17,368	36,897
Dividends from equity-accounted investees	555,732	1,231,465
Increase in restricted certificate of deposit and Decrease in refundable deposits	4,831	17,160
Net cash used in investing activities	(776,372)	(1,068,763)

Cash flows from financing activities:

Increase (decrease) in other payables to related parties	—	—
Increase in short-term borrowings	604,913	610,000
Increase in long-term loans payable	5,710,000	750,000
Repayment of long-term loans payable	(7,090,000)	(624,587)
Payments of cash dividends	(861,714)	(861,714)
Restricted stock awards for employees	120,000	—

Stock option for employees	294,638	—
Proceeds from sales of subsidiaries' equity to non-controlling interest	—	1,704,569
Restricted stock awards cancellation	(700)	
Treasury stock acquired	—	—
Net cash flows from financing activities	<u>(1,222,863)</u>	<u>1,578,268</u>
Net decrease in cash and cash equivalents	(1,906,217)	1,300,522
Cash and cash equivalents at beginning of year	<u>2,579,645</u>	<u>1,279,123</u>
Cash and cash equivalents at end of year	<u>\$ 673,428</u>	<u>2,579,645</u>

December 31, 2017 and 2016
(Expressed in NT\$ Thousand unless otherwise stated)

I. Company background

Sino-American Silicon Products Inc. (hereinafter referred to as “the Company”) was incorporated in accordance with the Company Act of the Republic of China in January 1981; also, the Chunan Branch was established in June 2005 at No. 8. Industrial East Road 2, Hsinchu Science Park, Taiwan, R.O.C. for the R&D, design, production and sale of semi-conductor silicon materials and components, rheostats, optical and communications wafer materials; and also the related technology, management consulting business, and technical services of the photo-voltaic power system generation and installation.

The Company’s stocks have been traded publicly at the Taipei Exchange (TPEX) since March 2001.

For the purpose of reorganization and professional division of work and enhancing competitiveness and business performance, a resolution was reached at the shareholders’ meeting on June 17, 2011 to have the semiconductor business and sapphire business (including the related assets, liabilities and business operations), by the way of incorporation and partition, transferred to the Company’s 100% owned subsidiaries, Globalwafers Co., Ltd. (hereinafter referred to as “Globalwafers”) and Sino Sapphire CO., LTD (hereinafter referred to as “Sino Sapphire”) with the base date of partition scheduled on October 1, 2011. The Company based on the net book value of the semi-conductor business shall pay a price of NT\$38.50 per share for acquiring 180,000 thousand shares at NT\$10 par value of Globalwafers; also, based on the sapphire business net assets shall pay a price of NT\$40 per share for acquiring 40,000 thousand shares at NT\$10 par value of Sino Sapphire.

A resolution merging with Sunrise Global Solar Energy Co., Ltd. (hereinafter referred to as “Sunrise Global”) was reached by the Board of Directors on August 12, 2013 with the base date of merger scheduled on August 1, 2014. The Company is the surviving corporation and Sunrise Global will be discontinued after the merger.

Stocks of Globalwafers have been approved for public trading at Taipei Exchange (TPEX) since September 25, 2015, and at the same date have stopped being traded at ESM.

II. Financial statements approval date and procedure

The individual financial reports were approved for release by the Board of Directors on March 22, 2018.

III. New standards, amendments and interpretations adopted:

- (I) 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
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

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

(II) 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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Company had equity investment classified as available-for-sale financial assets at cost of \$685,194 thousand, held-to-maturity financial assets at cost of \$281,366 thousand, and financial assets measured at cost of \$298,640 thousand are held for long-term strategic purposes. At initial application of IFRS9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Company assessed the application of IFRS 9's classification and measurement requirements will increase total assets, other interests and retained earnings by \$324,183 thousand, (\$277,315) thousands and \$601,498 thousands

respectively.

(ii) Impairment - Financial assets and contract 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 Company performed a preliminary assessment and considered that the timing of the related risks and rewards of ownership transferred is similar to the timing when control is transferred and the Company does not expect that there will be a significant impact on its consolidated financial statements.

(ii) Transition

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

The Company assessed the adoption of IFRS 15 would not have any material impact on its 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 Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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

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

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

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

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

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

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

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • 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.

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.
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The Company 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 Company completes its evaluation.

IV. Accounting policy summary

The significant accounting policies adopted in the individual financial statements are summarized as follows. The following accounting policies are applicable to the individual financial reports throughout the reporting period.

(I) Compliance statement

The individual financial report is prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by the Securities Issuers.”

(II) Basis of preparation

1. Measurement basis

The individual financial report has been prepared in accordance with the historical cost basis, except for the following important items in the balance sheet:

- (1) Financial instruments measured at the fair value through profit and loss;
- (2) Defined benefit liabilities are measured in accordance with the net amount of the pension fund assets minus the present value of the defined benefit obligations and the impact of the maximum amount referred to in Note 4 (17).

2. Functional currency and presentation currency

Each entity of the Company operates in accordance with the local functional currency of the primary economic environment. The individual financial report is based on the Company’s functional currency, the NT Dollar. All financial information expressed in NT Dollar is based on the monetary unit of NT\$ Thousand.

(III) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are converted into the functional currency in accordance with the exchange rates prevailing on the transaction date. Foreign currency monetary items are converted into functional currency in accordance with the exchange rates prevailing on the reporting date (referred to herein after as reporting date). The exchange profit and loss is the difference between the amortized cost denominated in the functional currency at the beginning of the year with the current effective interest adjusted and paid, and the amortized cost denominated in foreign currency translated in accordance with the exchange rate of the reporting date.

The non-monetary item in the foreign currency measured at fair value is converted into the functional currency in accordance with the exchange rate on the date the fair value is measured. The non-monetary item in the foreign currency measured at historical cost is translated in accordance with the exchange rate on the trading day.

Except for when the exchange profit and loss of the available-for-sale financial assets is recognized in other profits or losses, the exchange profit and loss of the remaining assets is recognized in the profits or losses.

2. Foreign operation institutions

The assets and liabilities of foreign operation institutions, including goodwill and fair value adjustments arising on acquisitions, are converted into the functional currency according to the exchange rate on the reporting date. Incomes and expenses are denominated in accordance with the current average exchange rate and with the exchange differences recognized in other comprehensive income.

(IV) Standards for classifying assets and liabilities as current and noncurrent

Assets in line with one of the following conditions are classified as current assets.

Assets other than current assets are classified as non-current assets.

1. Assets that are expected to be realized in the Company's regular operating cycle or with the intent to be sold or consumed;
2. Assets that are held for trading purposes;
3. Assets that are expected to be realized within twelve months after the balance sheet date;
4. Cash or cash equivalent, excluding the assets that are to be used for exchange or liquidating debts within twelve months after the balance sheet date or restrictive assets.

Liabilities in line with one of the following conditions are classified as current liabilities. Liabilities other than current liabilities are classified as non-current liabilities:

1. Liabilities that are expected to be settled within the regular operating cycle of the Company;
2. Assets that are held for trading purposes;
3. Expected to be settled within twelve months after the balance sheet date;
4. The liabilities for which the Company cannot unconditionally have the settlement deadline postponed for at least twelve months after the balance sheet date; No impact will be on classification of liabilities with terms determined by the counterparties that lead to settlement of the liabilities by issuing of equity instruments.

(V) Cash and cash equivalent

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquidating investments that can be converted to a known amount of cash with very little risk of changes in value. Time deposits that meet the definition referred to above and that are for the purpose of fulfilling short-term cash commitments rather than investment or other purposes are reported as cash equivalent.

(VI) Financial instrument

Financial assets and financial liabilities are recognized when the Company becomes a party to the financial instrument contract.

1. Financial assets

The Company's financial assets are classified as: accounts receivable and financial assets measured at cost 、available-for-sale financial assets

(1) Available-for-sale financial assets

Such financial assets are designated as available-for-sale or specific category non-derivative financial assets. The financial assets are measured at fair value plus attributed transaction cost at initial recognition; the financial assets are subsequently measured at fair value. Except for impairment losses and dividend income recognized as gains or losses, the change in carrying amount is recognized in other comprehensive income and accumulated in the available-for-sale financial assets unrealized gain or loss under the shareholder's equity. When derecognizing, the cumulative amount of gain or loss under the shareholder's equity is reclassified under gains or losses; it is also reported in the "non-operating income and expense" account. The regular trade of financial assets is handled in accordance with the accounting treatment at the trading date.

If such financial assets are equity investments "without quoted market price and reliably measured fair value," it is measured at cost net of impairment loss and reported at "financial assets carried at cost" account.

Dividend income from equity investment is recognized on the date (usually on the ex-dividend date) when the Company is entitled to collect dividends; also, it is reported in the "non-operating income and expense" account.

(2) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

(3) Accounts receivables

Accounts receivables are financial assets without a quoted market price and with fixed or determinable payment amount, including notes and accounts receivables and other receivables. It is measured at fair value plus directly attributed transaction cost at initial recognition. It is measured subsequently in accordance with the effective interest rate method and the amortized cost net of impairment loss, except for short-term receivables with insignificant interest recognized. The regular trade of financial assets is handled in accordance with the accounting treatment at the trading date.

Interest income is reported in the “non-operating income and expense” account.

(4) Impairment of financial assets

The impairment of the financial assets that is not measured at fair value through profit or loss should be assessed on each reporting date. When there is objective evidence indicating that the estimated future cash flow of the asset is with a loss due to one or more events that occurred after the financial assets recognized initially, the impairment of the financial assets has already occurred.

Objective evidence of impairment of financial assets includes significant financial difficulty of the issuer, the default (such as a delay in interest or principal payments or non-payment), and the disappearance of the active market for the financial assets due to financial difficulties. In addition, the significant or permanent fair value decline in the cost of the available-for-sale equity investments is also an objective evidence of impairment.

If the accounts receivable assessed individually is without any identified impairment, it should be jointly assessed for impairment. Objective evidence of impairment for a receivable portfolio could include the Company’s experience in collection, the increase in delayed payments to the receivable portfolio exceeding the average credit period and the national or regional economic conditions and changes related to receivable arrears.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

The recognized impairment loss of the financial assets measured at cost is the difference between the book value of the assets and the present value of the estimated future cash flow discounted at the market return rate on similar assets. Such impairment loss cannot be reversed in the subsequent period.

The impairment loss of all financial assets is directly deducted from the

carrying amount of the financial asset; however, the carrying amount of accounts receivables is adjusted down with the allowance account. The accounts receivable that is determined to be uncollectible is written off against the allowance account. The amount recovered that was previously written off is credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in the gains or losses.

If there is impairment loss of the available-for-sale financial instruments, the accumulated profits or losses previously recognized as other comprehensive income shall be reclassified as gain or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

The impairment loss of the available-for-sale financial instruments that was previously recognized in the gain or loss shall not be reversed and recognized in the gain or loss. The recovery in fair value of any impairment loss previously recognized is recognized in other comprehensive income and accumulated in the “other equity” account.

The loss and recovery of the bad debt of accounts receivable are reported as marketing expenses. The impairment loss and recovery of financial assets other than accounts receivables are reported in the “non-operating income and expense” account.

(5) De-recognition of financial assets

The Company’s financial asset is derecognized only when the contractual rights to the cash flows from the assets are terminated or when the financial assets have been transferred and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to other companies.

When having one single financial asset derecognized entirely, the difference between the carrying amount and the considerations received or receivable plus the amount recognized in the other comprehensive income and accumulated in the “Other equity-available-for-sale financial assets unrealized gain or loss” is recognized in the gains or losses and reported in the “non-operating income and expense” account.

When not having one single financial asset derecognized entirely, the Company has the carrying amount of the financial assets amortized to the continuing operation and discontinuing operation according to the respective fair value on the transfer day. The difference between the carrying value

amortized to the derecognized operation and the considerations received from the derecognized operation plus the accumulated gain or loss recognized in the other comprehensive income amortized to the derecognized operation is recognized in the gain or loss and reported in the “non-operating income and expense” account. The accumulated gain or loss recognized in the other comprehensive income is amortized to the continuously recognized operation and derecognized operation according to the respective fair value.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equities

The Company’s debt and equity instruments issued are classified as financial liabilities or equity in accordance with the definition of the contractual agreements.

Equity instrument refers to any contract underlying the Company’s residual equity after deducting all liabilities from the assets. The equity instrument issued by the Company is recognized at the acquisition price net of the direct issue cost.

Interest and loss or gain related to financial liabilities are recognized in the gain or loss and reported in the “non-operating income and expense” account.

(2) Other financial liabilities

Financial liabilities include long-term and short-term loans, accounts payable and other payables. Financial liabilities are measured at fair value plus directly attributable transaction cost when initially recognized; subsequently, they are valued in accordance with the effective interest rate method and measured at the amortized cost. The interest expense that is not capitalized as an asset cost is reported in the “non-operating income and expense” account.

(3) Derecognition of financial liabilities

The Company’s financial liability is derecognized when the contractual obligations have been performed, cancelled or expired.

When derecognizing financial liability, the difference between the carrying value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in the gains or losses and reported in the “non-operating income and expense” account.

(4) Financial assets and liabilities offsetting

Financial assets and financial liabilities are offset and recognized in the balance sheet only when the Company has a legal right to do so and has the intention to have them cleared at a net value or has the asset cashed and the liability settled at the same time.

(VII) Inventory

Inventory is valued at a lower level than the cost or net of the realizable value. Costs include the acquisition, production or processing and other costs necessary to make the product available at the designed location and status, which is calculated in accordance with the weighted average method. The cost of finished goods and work-in-process goods includes the manufacturing cost that is amortized proportionately to the regular productivity.

The net realizable value is calculated in accordance with the estimated selling price in the course of business net of the costs needed to complete the project and the selling expenses.

(VIII) Investment in the affiliated companies

Affiliated companies refer to companies over which the Company has significant influence but without control or jointly control over their financial and operating policies.

The Company has accounted for equities in affiliated companies under the equity method. Under the equity method, investment is initially recognized at cost. Investment cost includes transaction cost. The carrying amount of investment in the affiliated companies includes the goodwill recognized at the initial investment and net of any accumulated impairment losses.

The individual financial report covers the period from the date the significant influence obtained to the date the significant influence ceased, after completing the adjustments consistent with the Company's accounting policy; recognize the gains or losses and the other comprehensive income of the investment in the affiliated companies proportionately to the equity ratio. When the affiliated companies have equity changes not related to gains or losses and other comprehensive income, as well as not impacting the Company shareholding in the affiliated companies, the Company shall recognize the equity changes attributed as paid in capital in proportion to the equity ratio of its investment in the affiliated companies.

The unrealized gains and losses arising from the transactions conducted between the Company and the affiliated companies have been offset within the scope of the investment in the invested company. The written-off unrealized loss is the same as the written-off unrealized gain but is limited to the circumstances when the impairment evidence is not available.

When the loss of the affiliated company to be recognized by the Company proportionately to the shareholdings is equal to or exceeds the Company's equity in the affiliated company, stop recognizing any loss. Recognize additional losses and related liabilities only upon the occurrence of a legal obligation, presumption of obligation or within the amount paid on behalf of the invested company.

In circumstance that the affiliated company issues new shares and the Company does not subscribe proportionately to its equity shares in the affiliated company, and that leads to changes of shareholdings and the increase/decrease of net equity of the investment, such increases or decreases shall be adjusted to the paid in capital under the equity method; if paid in capital is insufficient to cover such adjustment, the remaining balance shall be debited to the retained earnings. However if the Company does not subscribe proportionately to its equity shares in the affiliated company and that leads to the decrease of net equity of such investment, any amount associated with this affiliated company recognized previously as comprehensive income shall be reclassified proportionately to the decrease, and accounted with on the basis that the affiliated company is required to adopt and comply with the demands to dispose relevant assets or liabilities directly.

(IX) Investment in subsidiaries

The Company has the wholly-owned invested company valued under the equity method when preparing the individual financial reports. Under the equity method, the amortization amount attributable to the shareholders of the parent company from the gains or losses and other comprehensive income of the individual financial statements and the consolidated financial statements is the same. Moreover, the equity attributable to the shareholders of the parent company from the shareholder's equity of the individual financial report and the consolidated financial reports is the same.

If the change in the Company's ownership of the subsidiary does not lead to loss of control over the subsidiary, it is treated as an equity transaction conducted within the shareholders.

(X) Property, plant and equipment

1. Recognition and measurement

Recognition and measurement of property, plant and equipment is based on the cost model. The cost of property, plant and equipment is net of the accumulated depreciation and accumulated impairment. Cost includes expenditures directly attributable to assets acquisition. The cost of self-built assets includes raw materials and direct labor, direct attributable cost to have the assets available for the intended use, demolition, removal and restoration of the location, and the loan cost in line with the requirements of assets capitalization. Software acquired for integrating the function of the related equipment is capitalized as part of the equipment.

When property, plant, and equipment contains different components and the cost is relatively significant to the total cost of the item; also, when the use of a different depreciation rate or method is more appropriate, it should be treated as a separate item of the property, plant and equipment (a major component).

The gain and loss from the disposal of property, plant and equipment is determined according to the difference between the carrying amount and the disposal amount of the property, plant and equipment; also, it is recognized in the “non-operating income and expense” account at a net amount.

2. Subsequent cost

When the expected future economic benefits resulting from the subsequent expenditure for property, plant and equipment is likely to flow into the Company and when the amount can be measured reliably, the expenditure is recognized as part of the carrying amount of the item; also, the carrying amount of the replacement is derecognized. The routine repair and maintenance cost of property, plant and equipment is recognized in the gain or loss when it is incurred.

3. Depreciation

Depreciation is calculated in accordance with the asset cost net of residual value, the estimated years of useful life and the straight-line method. Each significant part of the asset is assessed. If the useful life of an integral part of the asset is different from the other parts of the asset, the unique part should be depreciated separately. The appropriated depreciation is recognized in the profit or loss.

No depreciation on land.

Estimated useful lives for the current and comparative periods are as follows:

- (1) Real estate and building: 2~50 years
- (2) Machinery equipment: 2~25 years
- (3) Other equipment: 2~25 years
- (4) The major parts of housing and construction include plant building, electrical power engineering and wastewater treatment systems, whose depreciation are appropriated in accordance with the useful life of 25~50 years, 25 years and 4~23 years, respectively.

Depreciation methods, years of useful life and residual values are reviewed at the end of each financial year. If the expected value is different from the estimates, it should be adjusted properly when necessary; also, the difference should be processed as changes in accounting estimates.

(XI) Lease

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance lease are initially recognized as assets of the Company at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequently they are treated in a way pursuant to accounting policy relating to these

assets.

The minimum finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge should be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. The assets under such leases are not recognized in the Company's balance sheet.

For operating leases (not including service charges such as insurance and maintenance fees), the lease payments are recognized as expenses in the income statement over the lease term on a straight-line basis.

(XII) Intangible Assets

1. Research and Development

Research phase refers to the activity conducted to acquire and understand new scientific or technological knowledge; also, the related expense is recognized in the gain or loss when they are incurred.

The expenditure accrued in the development phase that meets all the following conditions simultaneously is recognized as an intangible asset; however, if it does not meet all the following conditions, it is to be recognized in the gain or loss when incurred:

- (1) Technical feasibility of the intangible asset is completed and the intangible asset is ready for use or sale.
- (2) The intention is to have the intangible asset completed for use or sale.
- (3) The Company is capable of using or selling the intangible asset.
- (4) The intangible asset is likely to generate future economic benefits.
- (5) The Company has sufficient technical, financial and other resources to complete this development and to use or sell the intangible asset.
- (6) The expenditure attributable to the intangible asset development can be reliably measured.

2. Other Intangible Assets

The other intangible assets acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment.

3. Subsequent Expenditures

Subsequent expenditures that can help increase the future economic benefits of the specific assets can be capitalized. All other expenses are recognized in the profit or loss when incurred.

4. Amortization

The amortizable amount is the asset cost, net of residual value.

Except for goodwill, intangible assets from the state available for use is amortized in accordance with the straight-line method over the estimated useful life of 2~5 years; also, the amortization amount is recognized in the gains or losses.

Review the residual value, amortization period and amortization method for intangible assets at the end of the fiscal year and with the changes, if any, treated as a change in accounting estimates.

(XIII) Impairment of non-financial assets

The Company assesses the non-financial assets other than inventories and deferred income tax assets for any impairment on each reporting date; also, estimates the recoverable amount of the assets with an impairment evidence. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit that the asset belongs to in order to assess the impairment.

The recoverable amount is the fair value of an individual asset or the cash-generating unit net of the sale cost or value in use, whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is lower than the book value, the book value of the individual asset or cash-generating unit is adjusted down to the recoverable amount with the impairment loss recognized. Impairment loss is recognized immediately in the gain or loss of the current period.

For the purposes of impairment testing, goodwill acquired through business mergers shall be amortized to the Company's cash-generating units (or cash generating group) that are expecting to be benefited from the synergy of the merger. If the recoverable amount of the cash-generating unit is less than its book value, the impairment loss is applied to offset the carrying amount of the goodwill amortized to the cash-generating unit and then to the book value of the assets within the unit proportionately. The goodwill impairment loss recognized cannot be reversed in the subsequent period.

The Company reevaluates on each reporting day whether there are indications that the impairment loss of non-financial assets other than goodwill recognized previously have been eliminated or reduced. If the estimates used to determine the recoverable amount are changed, the impairment loss should be reversed in order to increase the carrying amount of the individual asset or cash-generating unit to the recoverable amount; however, it shall not exceed the carrying amount of the individual assets or cash-generating unit in the prior period before recognizing the impairment loss but after appropriating the depreciation or amortization.

(XIV) Provision

The recognition of provision is due to the present obligations of the Company resulting from a past event that may require the outflow of economic resources in the

future to settle the obligation and the amount of the obligation can be estimated reliably. Provision is discounted at the pre-tax discount rate that reflects the monetary time value and debt specific risk assessed by the market. The amortization of the discount is recognized as an interest expense.

Onerous contracts: When the Company expects to fulfill a contractual obligation that is inevitably with a cost exceeding the expected economic benefits from the contract, the liability reserve for the onerous contract should be recognized. Such provision is measured at lower than the estimated cost of the terminated contract and the present value of the estimated net cost of the continued contract; also, recognize all impairment losses related to such assets before recognizing the liability reserve of the onerous contract.

(XV) Treasure Stock

The Company has the outstanding stock shares repurchased and classified as “Treasury stock” for the considerations (including the amount attributable to the cost) net of taxes paid and debited to the equity. If the disposal price of the treasury stock is higher than the carrying amount, the difference is classified as “Capital surplus – Treasury stock;” if the disposal price is lower than the carrying amount, the difference is applied to write off the capital surplus - treasury stock in the same category or debited to retained earnings, if there is an insufficient amount. The carrying amount of treasury stock is calculated in accordance with the weighted average method and is calculated separately in accordance with the reason for repurchase.

When the treasury stock is cancelled, the “Capital surplus – Treasury stock” is debited proportionately to the equity shares, the difference is applied to write off the capital surplus - treasury stock in the same category or debited to retained earnings, if there is an insufficient amount. If the carrying amount is lower than the sum of par value and the premium from issuing stocks, it shall be debited to the additional paid in capital from transactions of the treasury stock in the same category.

(XVI) Revenue Recognition

1. Product Sales

The income from product sales in the course of business is measured at the fair value of the considerations received or receivable net of sales return, sales discount and volume discount. Income is recognized when persuasive evidence is available (usually a signed purchase order from the customers), the significant risks of ownership and considerations are transferred to the buyer, the proceeds are likely to be collected, the associated cost and possible sales returns can be estimated reliably, do not continue to be involved in instrument management and the amount of income can be measured reliably. If a discount is likely to occur and the discount

amount can be measured reliably, it is credited to the income when the sale is recognized.

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

2. Labor Services

The Company provides labor services to its customers. Labor service income is recognized in accordance with the percentage of completion on the reporting date.

3. Government Grants

Government grant obtained is recognized in each period in pursuant to the costs expected to incur in proportion to total costs in the "non-operating income and expense" account.

(XVII) Employee Benefits

1. Defined Contribution Plan

The appropriation obligation under the defined contribution plan is recognized as employee benefits expense in the gain or loss account throughout the employee's service period.

2. Defined Benefit Plan

The retirement benefit plan that is not a defined contribution plan is classified as a defined benefit plan. The Company's net obligation under the defined benefit plan is based on the present value of the future benefit amount earned by employees currently or previously in each benefit plan. Any unrecognized prior service cost and the fair value of the plan assets are deducted. The discount rate is based on the interest rate of the market yield rate of government bonds on the reporting date that is with a similar due date as the Company's net obligation deadline and denominated in the same currency as the expected benefit payment.

Enterprise's net obligation is calculated annually by a qualified actuary in accordance with the project unit credit method. When the calculation is favorable to the Company, recognized assets are limited to the present value of the total economic benefit to be derived from the unrecognized prior service cost, the refund to be collected from the plan, or the reduction of the appropriation for the plan. The minimum fund appropriation needed for any plan of the Company should be considered when calculating the present value of the economic benefits. If a benefit can be realized in the plan period or upon the liquidation of the plan liability, it is with economic benefit to the Company.

For the plan benefit that is improved due to the service provided by the employees, it is to be recognized in the gain or loss in accordance with the straight line method over the average vested period. If the benefits will be vested immediately, the expense related to the vested benefit should be immediately recognized in the gains or losses.

Remeasurements of the net defined benefit liability or asset, comprising: (1) actuarial gains and losses; (2) return on plan assets, but not including net interest on the net defined benefit liability or asset; and (3) changes in the effect of the asset ceiling, but not including the net interest on the net defined benefit liability or asset,

The remeasured net defined benefit liabilities are recognized in other comprehensive income. The Company had chosen to have amounts recognized in other comprehensive income to be transferred to the retained earnings.

The Company, when experiencing curtailment or settlement, should recognize the curtailment or settlement gain or loss of the defined benefit plan. Curtailment or settlement gains and losses include any changes in the fair value of any plan assets and changes in the present value of defined benefit obligations.

3. Short-term employee benefit

Short-term employee benefit obligation is measured on an undiscounted basis; also, it is recognized as an expense when the related service is provided.

For the short-term cash bonus or the amount expected to be paid of a bonus plan, if the Company has a legal obligation or presumption of obligation due to the services rendered by employees and the obligation can be estimated reliably, the amount is recognized as a liability.

(XVIII) Share-based payment transactions

For the share-based rewards to be paid to the employees, compensation cost should be recognized with the respective equity increased in accordance with the fair value on the payment date when the employees are entitled to the rewards, unconditionally. The compensation cost to be recognized is adjusted in accordance with the rewards in line with the expected conditions of service. The final compensation cost recognized is based on the rewards in line with the expected conditions of service on the payment date. The conditions of the share-based payment awards are already reflected in the recognition of the grant-date fair value and there's no need to make adjustment on the difference between the expected and realized amount.

(XIX) Income Tax

Income tax expense includes current and deferred income tax. Except for the items related to a business merger or recognized directly in the equity or other comprehensive

income, the current income tax and deferred income tax should be recognized in the profits or losses.

Current income tax includes the estimated income tax payable or tax refund receivable of the current taxable income (loss) calculated in accordance with the statutory tax rate on the reporting date or the substantive legislation tax rate and any adjustments to the tax payable of the previous years.

Deferred income tax is measured and recognized in accordance with the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis. The temporary differences arising in the following circumstances will be without any recognized deferred income tax:

1. Assets or liabilities that are originally recognized in a transaction not attributable to a business merger; also, the transaction does not affect accounting profit and taxable income (loss).
2. It resulted from investing in subsidiaries and joint ventures; also, it probably won't be reversed in the foreseeable future.
3. Initial recognition of goodwill.

Deferred income tax is measured in accordance with the tax rate in the expected asset realization or liability settlement period; also, it is based on the statutory tax rate or substantive legislation tax rate on the reporting date.

The Company will have financial assets and financial liabilities offset when complying with the following conditions:

1. With statutory right to offset financial assets and financial liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the taxable entities that are levied by the same tax authorities:
 - (1) The same taxable entity; or
 - (2) Different taxable entities, but each entity intends to settle current income tax liabilities and assets at a net amount or to realize assets and liquidate liability simultaneously when a significant amount of deferred tax assets is expected to be recovered and deferred tax liabilities are expected to be settled in each future period.

The unapplied tax losses and unapplied tax credits carried forward and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income available for use. The deferred income tax assets should be reassessed on each reporting date and should be adjusted down within the range of improbable income tax benefit.

(XX) Earnings per share

The Company illustrated the basic and diluted earnings per share attributable to the common stock shareholders. Basic earnings per share is calculated by having the gain or

loss attributable to the Company's common stock shareholders divided by the weighted average number of the outstanding common stock shares during the period. Diluted earnings per share is calculated by having the gain and loss attributable to the Company's common stock shareholders and the weighted average number of common stock shares outstanding adjusted for the effects of all potential diluted common stock shares, respectively. The Company's potential diluted common stock includes stock options of employees and stock dividends of employees that are yet to be resolved in the shareholders' meeting.

(XXI) Segment Information

The Company has the segment information disclosed in the consolidated financial statements; therefore, it will not be disclosed in the individual financial statements.

V. Critical accounting judgements, estimates and assumption on uncertainty

The management, when preparing the individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", must make judgments, estimates and assumptions which will affect the adopted accounting policies and the assets, liabilities, revenues and expense amounts. The actual results could differ from those estimates.

The management is to continue examining the estimates and underlying assumptions. Changes in accounting estimates are to be recognized during the affected and future periods.

For the uncertainty of assumption and estimation, relevant information of adjustment possibly caused in the next fiscal year is as follows:

(1) Inventory evaluation

Since the inventory needs to be evaluated for the lower value of the cost and the net realizable value, the Company evaluates that at the report date, due to the normal depreciation of inventory, obsolete or value without market sales value, and offsets the inventory cost to the net realizable value. Such inventory evaluation mainly uses the product demand within a certain future period of time as the evaluation basis, major fluctuation may be generated due to the rapid change of the industry. For inventory evaluation listing status, please refer to Note 6(3) for details.

(2) Impairment evaluation of real property, facility and equipment

The Company needs to rely on subjective judgment and base them on assets usage patterns and industrial characteristics throughout the asset impairment evaluation process to determine the independent cash flow of a specific group of assets, service life of assets and potential profit and loss; also, the changes in estimates arising from any changes in the economic situation or the Company's strategies that are likely to cause significant impairments or have the recognized impairment loss reversed.

The Company's accounting policies and disclosure has adopted the fair value to

measure its financial, non-financial assets and liabilities. The Company's financial and accounting departments are responsible for the independent verification of fair value with independent information source on the valuation result to match the market status, as well as to ensure that the sources are independent, reliable, and consistent with other resources and represent executable prices. The Company also regularly calibrates the valuation model and conducts retroactive test updating input values desired by the valuation model and making necessary adjustments to fair value to ensure the results of the valuation are reasonable.

While measuring its assets and liabilities, the Company uses the observable market input values as much as possible. The definition of each fair value category is pursuant to the input values used by valuation techniques summarized as follows:

- (1) Level I: The market quoted price of the identical assets or liabilities (unadjusted).
- (2) Level II: In addition to the quoted prices included in Level I, the input parameters of the asset or liability can be observed directly (i.e. prices) or indirectly (i.e. derived from prices).
- (3) Level III: Input parameters of the asset or liability are not based on the observable market data (non-observable parameters)

In case there is movement between fair value hierarchy, the Company should recognize such movement at the reporting date. For relevant information regarding assumptions of fair value measurement adopted please see note 6(26) Financial instruments as follows.

VI. Important accounting items

(I) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash	\$ 246	446
Bank deposits	673,182	2,482,449
Deposit account	<u>-</u>	<u>96,750</u>
Cash and cash equivalents in the Statement of Cash Flow	<u>\$ 673,428</u>	<u>\$ 2,579,645</u>

Please refer to Note 6 (26) for the disclosure of the Company's interest rate risk and sensitivity analysis of financial assets and liabilities.

(II) Notes receivable and accounts receivable - net

	2017.12.31	2016.12.31
Notes receivable	\$ -	10,952
Accounts receivable	779,227	527,183
Less: Allowance for bad debt	(48,679)	(48,679)
Less: Allowance for return and discount	<u>(1,562)</u>	<u>(641)</u>
	<u>\$ 728,986</u>	<u>488,815</u>

Changes in allowance for bad debt of accounts receivable on 2017 and 2016 are as follows:

	2017.12.31	2016.12.31
Balance as of January 1	\$ 48,679	49,244
Impairment loss recognized (reversed)	<u>-</u>	<u>(565)</u>
Balance as of December 31	<u>\$ 48,679</u>	<u>48,679</u>
Individual assessment of impairments	<u>\$ 48,679</u>	<u>48,679</u>

The aging analysis of the Company's overdue receivable (including related parties) on the reporting date is as follows:

	2017.12.31	2016.12.31
Overdue 1-30 days	\$ 45,673	52,077

Overdue 31-60 days	1,027	22,697
Overdue 61-90 days	<u>6,825</u>	<u>11,590</u>
	<u>\$ 53,525</u>	<u>86,364</u>

The Company's average credit period for product sales is 0-180 days. Allowance for bad debt of accounts receivable is for recording bad debt expense and primarily based on the historical payment behavior, the customer's credit rating and the aging information to estimate the uncollectible amount.

As of December 31, 2017 and 2016, the Company's accounts receivable had not been provided as collateral.

(III) Inventories

	<u>2017.12.31</u>	<u>2016.12.31</u>
Finished goods	\$ 31,394	57,656
Finished goods	772,425	807,196
Work-in-process goods	236,839	165,879
Raw materials	1,119,384	894,988
Supplies	<u>74,743</u>	<u>81,148</u>
	<u>\$ 2,234,785</u>	<u>2,006,867</u>

Component of operating cost are as follows:

	<u>2017</u>	<u>2016</u>
Cost of goods sold	\$ 11,718,790	10,954,436
Appropriation for inventory loss in valuation	(130,275)	142,367
Unamortized fixed manufacturing expense	369,750	180,145
Loss on purchase agreement	<u>0</u>	<u>21,268</u>
	<u>\$ 11,958,265</u>	<u>11,298,216</u>

As of December 31, 2017 and 2016, the Company's inventories had not been provided as collateral.

(IV) Available- for-sale financial assets – non-current

	<u>2017.12.31</u>	<u>2016.12.31</u>
Stock of listed company - Solartech	\$ 439,258	445,155

OTC Stocks – Actron Technology Corporation	<u>245,936</u>	<u>216,125</u>
	<u>\$ 685,194</u>	<u>661,280</u>

As of December 31, 2017 and 2016, the Company's financial assets referred to above had not been provided as collateral.

The impact of the changes in equity securities price (two-period analysis is on the same basis and assumes that other factors remain constant) in the reporting date on other comprehensive income:

<u>Securities price on the reporting date</u>	<u>2017</u>	<u>2016</u>
Up 10%	<u>\$ 68,519</u>	<u>66,128</u>
Down 10%	<u>\$ (68,519)</u>	<u>(66,128)</u>

(V) Held-to-maturity investment

	<u>2017.12.31</u>	<u>2016.12.31</u>
Corporate bonds of CWT	<u>\$ 281,366</u>	<u>281,400</u>

The Company bought the 5-year privately placed corporate bond issued by its affiliate Crystalwise Technology Inc. at the face value of 280,000,000 in October 2016 with the intention to sell before the maturity. The interest of the bond is calculated half-yearly with the coupon rate and effective yield both at 2%.

As of 31 December 2017, there's no pledge of the held-to-maturity investments of the Company.

(VI) Financial valued at the cost - noncurrent

	<u>2017.12.31</u>	<u>2016.12.31</u>
Equity investment	<u>\$ 900,138</u>	<u>900,138</u>
The cumulative amount of impairment loss recognized	<u>(601,498)</u>	<u>(531,997)</u>
	<u>\$ 298,640</u>	<u>368,141</u>

Cumulative impairments changes are as follows:

	<u>2017</u>	<u>2016</u>
Cumulative impairments - beginning	<u>\$ 531,997</u>	<u>79,336</u>
Provided this period	<u>69,501</u>	<u>452,661</u>
Cumulative impairments - ending	<u>\$ 601,498</u>	<u>531,997</u>

The Company's stock investment referred to above is measured at cost, net of impairment loss on the reporting date. As the fair value is with a broad range of reasonable estimation and the probability of estimations cannot be reasonably assessed the management of the Company believes that the fair value cannot be reliably measured.

Powertec Energy Corp. (hereafter referred to as "Powertec") has executed the capital increase plan at the third quarter of 2016 for the purpose of increasing the capital and future operation development fund demand. The company makes a discount investment lower than the share par value for an amount 9,000 thousand dollars, and it is estimated that the account value of Powertec listed under impairment loss is calculated to be 489,754 thousand dollars.

As of December 31, 2017 and 2016, the Company's financial assets referred to above had not been provided as collateral.

(VII) Investment under the equity method

The Company's investments under the equity method on the reporting date were as follows:

	2017.12.31	2016.12.31
Subsidiary	\$ 19,612,583	12,054,859
Affiliated companies	1,376,095	1,190,070
	<u>\$ 20,988,678</u>	<u>13,244,929</u>

1. Subsidiary

Please refer to the 2017 and 2016 consolidated financial statements.

2. Affiliated companies

Names of affiliated companies	Relationship with the Company	Main location/ country registered in	Percentage of equity ownership and voting rights	
			2017.12.31	2016.12.31
Crystalwise Technology Inc (referred as Crystalwise)	Mainly engages in the manufacturing and trading of optoelectronic wafers and substrate material.	Taiwan	40.11%	40.07%

Accu Solar Corporation	Solar cell module manufacturing	Taiwan	24.70%	24.70%
Cathy Sunrise Corporation	Power generation, transmission, distribution machinery manufacturing	Taiwan	30.00%	30.00%

1. The fair values of affiliated companies that are significant to the Company and listed in the ESM are as follows:

	2017.12.31	2016.12.31
Crystalwise Technology Inc.	\$ <u>1,179,391</u>	<u>684,725</u>

Company, with adjustments made to include amounts reported by the affiliated companies in their individual financial reports prepared in a way pursuant to IFRSs so as to reflect adjustment on the fair value when acquiring shares of the affiliated companies and the adjustment of difference in accounting policy.

Financial Summary of Crystalwise

	2017.12.31	2016.12.31
Current Assets	\$ 1,370,465	1,781,023
Non-Current Assets	2,627,539	3,044,566
Current Liabilities	(1,392,433)	(1,450,579)
Non-Current Liabilities	<u>(1,013,279)</u>	<u>(1,147,528)</u>
Net Assets	<u>1,592,292</u>	<u>2,227,482</u>
Net assets attributed to non-controlling equities	-	-
Net assets attributed to owner of the investee company	\$ <u>1,592,292</u>	<u>2,227,482</u>

	2017	2016
Revenues	\$ <u>1,496,642</u>	<u>1,583,288</u>
Operating profit (loss) from	(527,910)	(707,929)

continuing operations		
Income and loss from discontinued operations	(93,711)	(17,750)
Other comprehensive income	<u>(19,047)</u>	<u>(79,649)</u>
Total comprehensive income	<u>\$ (640,668)</u>	<u>(805,328)</u>
Total comprehensive income attributed to non-controlling equities	<u>\$ -</u>	<u>4,124</u>
Total comprehensive income attributed to owner of the investee company	<u>\$ (640,668)</u>	<u>(809,452)</u>

	2017	2016
The Company's shares of net assets of the affiliated company at beginning of period	\$ 1,112,819	\$ 1,487,561
New investment in this period and changes of net equity for affiliated companies under the equity method	102	(2,553)
Total revenues attributed to the Company this period	(258,295)	(340,210)
Total Comprehensive Income attributed to the Company this period	<u>(5,415)</u>	<u>(31,979)</u>
The Company's shares of net assets of the affiliated companies at end of period	<u>\$ 849,211</u>	<u>1,112,819</u>

- (2) For affiliated companies under equity method that are not material to the Company, the financial information is summarized as follows. Such financial information represents the amount contained in the Company's individual financial reports:

	2017.12.31	2016.12.31
The summarized carrying amounts of equity of the immaterial affiliated companies at end of period	<u>\$ 526,884</u>	<u>77,251</u>
Total Net income attributable the company :		
Net loss	<u>\$ (367)</u>	<u>(42,055)</u>

As of December 31, 2017 and 2016, the Company's investments under the equity method had not been provided as collateral.

(VIII) Changes of equities in the subsidiaries

1. Disposing part of the subsidiary's equity without losing control

The Company has disposed 6.05%, shares of Globalwafers Co., Ltd in October, 2016 for NT\$1,704,569 thousand.

The impact of the changes in the Company's shareholding of Globalwafers Co., Ltd. is as follows:

	<u>2016</u>
The consideration received from the non-controlling equity	\$ 1,704,569
The carrying amount of the non-controlling equity disposed of	<u>(1,101,349)</u>
Capital surplus - the spread between the equity buying/selling price and carrying amount	\$ <u>603,220</u>

Non-controlling equity had decuting the under writing fee.

2. The Company did not subscribe in proportion to the shares issued by the capital increase of the subsidiaries. However, this did not result in its losing of control.

The subsidiary of the Company Globalwafers Co., Ltd. had its capital increased in Apr. 2017 by issuing Overseas Depositary Receipts, and all shares were subscribed by the non-controlling interests for NT\$14,035,424 thousand. The Company did not subscribed the shares in proportionate to its shareholdings. The change of the Company's equity investment in Globalwafers Co., Ltd. has the following impact on the equity interests attributed to the parent company:

	<u>2017</u>
The increase in equity the Company is entitled to after the issuance of new shares by the subsidiary.	\$ <u>5,670,467</u>
Capital surplus - From share of changes in equities of subsidiaries	\$ <u>5,670,467</u>

(VIII) Property, plant and equipment

1. Changes in the cost, depreciation and impairment loss of the Company's real estate, property, plant and equipment are as follows:

					Construction in progress and quarantined	
	Land	Building	Machinery equipment	Other equipment	equipment	Total
Cost:						
Balance – 1/1/2017	\$ 405,890	2,964,484	9,772,803	1,332,926	693,053	15,169,156
Additions	-	23,259	60,171	50,914	143,270	277,614
Disposal	-	(30,909)	(1,645,600)	(65,719)	-	(1,742,228)
Reclass	<u>0</u>	<u>70,032</u>	<u>209,441</u>	<u>190,120</u>	<u>(469,593)</u>	<u>0</u>
Balance – 12/31/2017	<u>\$ 405,890</u>	<u>3,026,8664</u>	<u>8,396,815</u>	<u>1,508,241</u>	<u>366,730</u>	<u>13,704,542</u>
Balance – 1/1/2016	\$ 2,380	2,931,901	8,452,522	1,431,517	1,697,648	14,515,968
Additions	91,902	15,623	220,295	58,344	440,016	826,180
Disposal	-	(291)	(263,898)	(38,674)	(135)	(302,998)
Reclass	<u>311,608</u>	<u>17,251</u>	<u>1,363,884</u>	<u>(118,261)</u>	<u>(1,444,476)</u>	<u>130,006</u>
Balance – 12/31/2016	<u>\$ 405,890</u>	<u>2,964,484</u>	<u>9,772,803</u>	<u>1,332,926</u>	<u>693,053</u>	<u>15,169,156</u>
Depreciation and impairment loss:						
Balance – 1/1/2017	\$ -	1,203,190	6,331,841	519,344	-	8,054,375
Current depreciation	-	143,724	786,206	104,168	-	1,034,098
Disposal	-	(30,909)	1,631,215)	(55,222)	-	1,717,346)
Reclassification	<u>-</u>	<u>-</u>	<u>2,114</u>	<u>(2,114)</u>	<u>-</u>	<u>-</u>
Balance – 12/31/2017	<u>\$ -</u>	<u>1,316,005</u>	<u>5,488,946</u>	<u>566,176</u>	<u>-</u>	<u>7,371,127</u>
Balance – 1/1/2016	\$ -	1,052,970	5,772,428	408,509	-	7,233,907
Current depreciation	-	150,511	791,968	94,258	-	1,036,737
Disposal	-	(291)	(237,017)	(27,175)	-	(264,483)
Reclassification	<u>-</u>	<u>-</u>	<u>4,462</u>	<u>43,752</u>	<u>-</u>	<u>48,214</u>
Balance – 12/31/2016	<u>\$ -</u>	<u>1,203,190</u>	<u>6,331,841</u>	<u>519,344</u>	<u>-</u>	<u>8,054,375</u>
Carrying amount:						
December 31, 2017	<u>\$ 405,890</u>	<u>1,710,861</u>	<u>2,907,869</u>	<u>942,065</u>	<u>366,730</u>	<u>6,333,415</u>
January 1, 2016	<u>\$ 2,380</u>	<u>1,878,931</u>	<u>2,680,094</u>	<u>1,023,008</u>	<u>1,697,648</u>	<u>7,282,061</u>
December 31, 2016	<u>\$ 405,890</u>	<u>1,761,294</u>	<u>3,440,962</u>	<u>813,582</u>	<u>693,053</u>	<u>7,114,781</u>

2. Guarantees

Please refer to Note 8 for the guarantees of long-term loan as of December 31, 2017 and 2016 in details.

(X) Short-term loans

	2017.12.31	2016.12.31
Unsecured bank loans	\$ 2,364,913	1,760,000
The unutilized credit amount	\$ 1,664,252	1,925,860
Loan interest rate interval at end of period	0.2%~1.1%	0.9%~1.1%

(XI) Long-term loan

Details, terms and conditions of the Company's long-term loan are as follows:

2017.12.31				
	Currency	Interest rate interval at end of period	Contract period	Amount
Unsecured bank loans	NTD	1.1%~1.17%	108.06~109.10	\$ 900,000
Secured bank loans	NTD	1.28%	111.01~121.01	460,000
Total				\$ 1,360,000
The unutilized credit amount				\$ 1,800,000
2016.12.31				
	Currency	Interest rate interval at end of period	Contract period	Amount
Unsecured bank loans	NTD	1.17%~1.28%	104.07~107.12	\$ 2,140,000
Secured bank loans	NTD	1.68%	102.05~107.05	598,011
				2,738,011
Less: current portion of long-term liabilities				(748,011)
Total				\$ 1,990,000
The unutilized credit amount				\$ 1,370,000

The Company had a syndicated loan signed with the Cooperative Bank and the other five banks on May 6, 2013 for a credit line of NT\$4,000,000 thousand. According to the contract signed, the Company during the loan period must maintain a specific current ratio, debt ratio, times interest earned ratio and net value on the consolidated financial statements of the audited year and on the consolidated financial statements of the second quarter reviewed.

The Company's 2016 consolidated financial report is in compliance with the financial ratio limits. Part of the financial covenants breached as per the 2016 consolidated financial reports of the Company. The breach of financial covenants is deemed as breach of loan contract and the loan will be reclassified as long-term debt due in one year. Nevertheless, the Company has repaid the full amount of the loan in Apr. 2017 and cancelled the relevant collateral for the bank's borrowings with asset set.

Please refer to Note 8 for the Company's assets pledged as collateral for bank loans

(XII) Finance lease liability

According to the resolution of the Board of Directors' meeting of the Company on March 22, 2016, to cope with the future development needs of the Company, application for the purchase of a portion of the land of the Li-Ze Industrial District is submitted to the Industrial Development Bureau, MOEA, and relevant transfer and registration procedures have been completed in October 2016, of which the land price is of the amount of 403,510 thousand dollars. Please refer to Note 6(9) for details thereof.

(XIII) Provision

Changes in the Company's provisions are as follows:

	2017.12.31	2016.12.31
Onerous contract	\$ <u>427,000</u>	<u>427,000</u>

The onerous contract appropriated by the Company was for the long-term silicone material supply contract signed with the supplier. The parties to the contract have agreed to have the supply volume and price fulfilled completely from January 1, 2006 to December 31, 2019. The Company is to pre-pay the supplier for the materials purchased with payment by installments that are non-refundable; also, the transaction is irrevocable. The materials supplier guarantees to have the agreed quantities of silicon materials supplied to the Company. In response to the current market price volatility, the Company has the contractual price re-negotiated with some of the silicon suppliers or negotiated with some of

the suppliers for the current purchase price in accordance with market conditions in order to adjust the average purchase price. However, the long-term purchase of the raw materials contract price adjustment is still under negotiations with some of the suppliers; therefore, the Company has the relevant liability reserve appropriated. Please refer to Note 9 for the notice of the silicone suppliers requesting the Company to perform the contract.

(XIV) Operating lease

Lease of lessee

The rent payment of the irrevocable operating leases is as follows:

	2017.12.31	2016.12.31
Within 1 year	\$ 31,792	31,410
1~5 years	122,015	121,722
Over 5 years	81,499	111,929
	<u>\$ 235,306</u>	<u>265,061</u>

The operating lease expense reported in gain or loss was NT\$35,803 thousand and NT\$36,007 thousand in 2017 and 2016, respectively.

The company leased the plant from subsidiary, annual rental expense is NT\$816 thousand.

The base of the Company's plant located in Chunan Science Park is the rental from the Administration of the Science Park for a period from March 17, 2005 to December 31, 2027. According to the contract signed, the rent is to be adjusted in accordance with the adjustments of the land price announced by the government and for an annual rent of NT\$7,750 thousand. The related party exposed of the Company refer to Note 7.

(IV) Employee benefits

1. Defined benefit plan

The present value of the Company's defined benefit obligations and the fair value of the plan assets are adjusted as follows:

	2017.12.31	2016.12.31
The total present value of defined benefit obligations	\$ (47,043)	(48,472)
The fair value of plan assets	32,571	28,617
The net defined benefit liabilities	<u>\$ (14,472)</u>	<u>(19,855)</u>

The Company's defined benefit plans are appropriated to the labor pension reserve account at the Bank of Taiwan. The pension payment to each employee who is under the Labor Standards Act is calculated in accordance with the service points received for the years of service and the average salary six months prior to retirement.

(1) Plan assets composition

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed collectively by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the "Bureau of Labor Funds"). According to the "Rules Governing the Income and Expense Safekeeping and Utilization of Labor Pension Fund," the minimum earnings of the fund shall not be less than the earnings calculated at the two-year time deposit interest rate of the local bank.

The Company's pension reserve account at the Bank of Taiwan amounted to NT\$32,571 thousand on December 31, 2017. The Labor Pension Fund asset implementation information includes fund returns rate and fund asset allocation. Please refer to the information published on the website of the Ministry of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of the defined benefit obligation

Changes in the present value of the Company's defined benefit obligations in 2017 and 2016 are as follows:

	2017	2016
Defined benefit obligations – 1/1	\$ 48,472	45,676
Current service cost and interest	1,046	1,068
Remeasurement of net defined liabilities		
- The expected return of plan assets (excluding interest of current period)	(1,087)	1,904
- Actuarial gains and losses arising from changes of demographic assumptions	1,008	661
- Actuarial gains and losses arising from changes of financial assumptions	-	1,156
Benefits paid	(2,396)	(1,993)
Defined benefit obligations – 12/31	\$ <u>47,043</u>	<u>48,472</u>

(3) Changes in the fair value of plan assets

Changes in the fair value of the Company's defined benefit plan assets in 2017 and 2016 are as follows:

	2017	2016
Fair value of the plan assets on January 1	\$ 28,617	11,081
Remeasurement of net defined liabilities		
- The expected return of plan assets (excluding interest of current period)	(230)	(184)
Interest income	512	355
The Company's amount of appropriation	6,069	19,358
Benefits paid	(2,397)	(1,993)
Fair value of the plan assets on December 31	\$ <u>32,571</u>	<u>28,617</u>

(4) Change of limit on a defined benefit assets

The Company has no change of limit on a defined benefit plan in 2017 and 2016.

(5) The expenses recognized in the profit or loss

The Company's expenses recognized in the profit or loss in 2017 and 2016 are as follows:

	2017	2016
Current service cost	\$ 500	440
Net interests of net defined benefit liabilities	<u>34</u>	<u>273</u>
	\$ <u>534</u>	<u>713</u>
Operating Costs	\$ 266	398
Marketing expense	38	54
General and administrative expenses	158	167
R&D expense	<u>72</u>	<u>94</u>
	\$ <u>534</u>	<u>713</u>

(6) Remeasurement of net liabilities under defined benefit plan recognized as other comprehensive income

In 2017 and 2016, remeasurement of net defined benefit liabilities recognized by the Company as other comprehensive income is as follows:

	2017	2016
Accumulated balance – 1/1	\$ (74,498)	(89,989)
Recognized currently	(153)	15,441
Equity recognized in other comprehensive income	<u>212,773</u>	(74,548)
Accumulated balance – 12/31	<u>\$ 138,122</u>	<u>(74,548)</u>

(7) Actuarial assumptions

The major actuarial assumptions used by the Company at the end of the financial reporting day are as follows:

	2017.12.31	2016.12.31
Discount rate	1.125%	1.125%
Future salary increases	2.000%	2.000%

The amount estimated to be appropriated for payments of the defined benefit plan within a year after the 2017 reporting date is NT\$4,895 thousand.

The weighted average duration of the defined benefit plan is 10.4 years.

(8) Sensitivity analysis

To calculate the present value of defined benefit obligation, the Company must use its discretion and assessment to determine relevant actuarial assumptions on the balance sheet date including the discount rate and future changes of salary. Any change in the actuarial assumptions is likely to materially affect the amount of the Company's defined benefit obligations.

The impact of changes on major actuarial assumptions to the present value of defined benefit obligations is as follows:

	The impact to the defined benefit obligations	
2017.12.31	Increase 0.25%	Decrease 0.25%
Discount rate	\$ (1,196)	1,240
Future salary increases	1,203	(1,167)
	The impact to the defined benefit obligations	
2016.12.31	Increase 0.25%	Decrease 0.25%

Discount rate	\$	(1,176)	1,217
Future salary increases		1,179	(1,144)

The above sensitivity analysis is to analyze the impact of one single assumption with other assumptions remaining unchanged. In practice the changes of many assumptions may be correlated. The approach used for sensitivity analysis is consistent with the calculation of net pension liabilities recorded in the balance sheet.

The approach and assumptions used to compile the sensitivity analysis is the same with that of the previous period.

2. Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act. An amount equivalent to 6% of the employee's monthly wage is appropriated to the respective labor pension account with the Bureau of Labor Insurance, Ministry of Labor. According to the defined contribution plan, the Company, after appropriating a fixed amount to the Bureau of Labor Insurance, Ministry of Labor, is free from any legal or constructive obligations to make extra payments.

The Company's pension expense under the defined contribution plan was NT\$39,492 thousand and NT\$41,883 thousand in 2017 and 2016, respectively; also, the amount had been appropriated to the Bureau of Labor Insurance, Ministry of Labor.

(XVI) Income tax

1. Income tax expenses

The Company's income tax expense (profit) in 2017 and 2016 is as follows:

	2017	2016
Current income tax profit		
Adjustment of the income tax-current of \$	(10,054)	(3,659)
prior period		
Income tax expenses	\$ (10,054)	\$ (3,659)

The Company's income tax expense (profit) recognized under other comprehensive income in 2017 and 2016 is as follows:

	2017	2016
Foreign exchange differences from foreign operation	\$ (13,012)	(13,078)

The Company's income tax expense (profit) and net income before tax in 2017 and 2016 is adjusted as follows:

	2017	2016
Net income before tax	\$ <u>1,025,451</u>	\$ <u>(1,592,884)</u>
The income tax is calculated in accordance with the domestic income tax rate where the Company is located.	174,327	(270,790)
Permanent differences adjustment	(268,393)	232,855
The underestimation and overestimation of the prior period and unrecognized temporary difference	(10,054)	(3,659)
Income Basic Tax	<u>94,066</u>	<u>37,935</u>
Income tax expenses	\$ <u>(10,054)</u>	\$ <u>(3,659)</u>

2. Deferred income tax assets and liabilities

(1) The items that have not been recognized as deferred income tax assets by the Company are as follows:

	2017.12.31	2016.12.31
Deductible temporary differences	\$ 355,026	383,597
Loss carryforwards	<u>320,062</u>	<u>197,425</u>
	\$ <u>675,088</u>	<u>581,022</u>

According to the Income Tax Act, tax losses of the last ten years audited and authorized by the tax authorities can be deducted from the net income of the year before levying the income tax. Such items are not recognized as deferred tax assets since the Company is not likely to have sufficient taxable income in the future for the use of temporary differences.

As of December 31, 2017, the deadline for the deduction of the Company's tax losses arising from the items that had not been recognized as deferred tax assets are as follows:

Annual losses	Loss to be deducted	Deadline for deduction
2012	\$ 899,695	2022Year

2017	983,023	2027Year
	\$ <u>1,882,718</u>	

(2) Recognized deferred income tax assets:

Deferred income tax assets are listed as follows:

	2016.1.1	Recognized in the income statement	Recognized in other comprehensive income statement	2016.12.31	Recognized in the income statement	Recognized in other comprehensive income statement	2017.12.31
Allowance for inventory loss in valuation	\$ 39,668	24,202	-	63,870	(22,147)	-	41,723
Loss deduction	69,196	-	-	69,196	18,129	-	87,325
Other	<u>42,650</u>	<u>(24,202)</u>	<u>13,078</u>	<u>31,526</u>	<u>4,018</u>	<u>13,012</u>	<u>48,556</u>
	<u>\$ 151,514</u>	<u>-</u>	<u>13,078</u>	<u>164,592</u>	<u>-</u>	<u>13,012</u>	<u>177,604</u>

3. Audited and approved income tax return filed

The Company's income tax returns filed have been audited and approved by the tax authorities up to 2015.

4. The Company's income tax integration is as follows

	2017.12.31	2016.12.31
The attributable year of unappropriated earnings:		
After 1998	\$ <u>-</u>	<u>(1,565,754)</u>
Tax credit account balance	\$ <u>-</u>	<u>78,487</u>

	2017 (Estimated)	2016 (Actual)
ROC resident's tax credit ratio for earnings distribution	<u>-</u>	<u>-</u>

The income tax integration amount referred to above was processed in accordance with the Tai.Chai.Shay No. 10204562810 Letter dated October 17, 2013 of the Ministry of Finance.

(XVII) Capital and other equity

The Company's authorized capital amounted to NT\$8,000,000 thousand with 800,000 thousand shares issued at NT\$10 par on December 31, 2017 and 2016, respectively, (all including employee stock warrants, preferred stock with stock option or corporate bonds

with stock option, and NT\$200,000 thousand worth of stock shares available for subscription). The legal registration procedure for the authorized capital stock is completed. The paid in capitals are NT\$5,920,587 thousand and NT\$5,800,312 thousand, respectively.

The Company's outstanding stock shares in 2017 and 2016 were adjusted as follows (expressed in thousand shares):

	Common stock	
	2017	2016
Beginning outstanding shares – 1/1	574,476	574,476
Employees exercising stock options	6,063	-
Ending outstanding shares – 12/31	<u>580,539</u>	<u>574,476</u>

1. Issuance of common stock

The Company participated in the global depositary receipts for NT\$610,000 thousand with cash capital increase and with 61,000 thousand shares issued, which was listed at the Luxembourg Stock Exchange on September 9, 2010 with a total of 61,000 thousand units of GDR issued at an issuance price of US\$2.9048; also, the GDR amounted to US\$177,193 thousand and each GDR underlying 1 common stock share of the Company. Such cash capital increase had already been approved by the Financial Supervisory Commission on August 13, 2010 with the FSC.certificate.far.tzi No. 0990041383 Letter issued. For this capital increase, the Company had sufficient stock shares issued and proceeds collected on September 9, 2010 for a grand total of US\$177,193 thousand and a net total of US\$174,931 thousand after deducting the underwriting fees of US\$2,262 thousand, which was equivalent to NT\$5,580,288 thousand after being translated in accordance with the closing exchange rate of the day. In addition, after deducting the related issuance cost of NT\$11,531 thousand, the premium amount of NT\$4,958,757 thousand was booked in the “Capital surplus” account.

The Company issued 6,000 shares of Employee Restricted Stock authorized through annual general meeting on Jun. 07, 2017, and the base date of capital increase on Oct. 13, 2017.

2. Capital surplus

The Capital surplus balance of the Company is as follows:

	2017.12.31	2016.12.31
Common stock premium	\$ 1,397,742	14,832,456
Difference between the disposal price and	2,492,997	2,492,997

book value of the subsidiary's equity		
Capital surplus of long-term equity investment is recognized under the equity method	6,762,869	1,092,242
Treasury stock transactions	31,765	31,765
Employee restrict stock	341,422	
Employee stock options, etc.	<u>606,036</u>	<u>372,023</u>
	<u>\$ 24,205,831</u>	<u>18,821,483</u>

According to the Company Act amended in January 2012, Capital surplus is for making up losses first before capitalizing the realized Capital surplus or distributing cash dividends to shareholders in accordance with the original shareholding ratio. The realized Capital surplus referred to above includes the stock premium and bestowed income. According to the Criteria Governing the Offering and Issuance of Securities by Issuers, the total amount of Capital surplus for capitalization every year may not exceed 10% of the paid-in capital.

It was resolved in the Company's shareholders' meeting on June 27, 2017 to distribute cash dividend of NT\$861,714 thousand (NT\$1.5 per share) and NT\$402,133 thousand (NT\$0.7 per share) with the Capital surplus in 2016 and 2015 respectively. Please visit the MOPS for the related information.

3. Legal reserve

According to the Company Act amended in January 2012, the Company is to appropriate 10% of its net income as legal reserve until it is equivalent to the total capital amount. If there is no net loss, the Company may have stock dividends or cash dividends distributed with legal reserve based on the resolution reached in the shareholder's meeting, but limited to the legal reserve amount exceeding 25% of the paid-in capital.

4. Special reserve

When the Company adopted the international financial reporting standards (IFRSs) approved by the FSC for the first time, the Company had chosen to apply IFRS 1 "First-time Adoption of the IFRSs" exemptions, retained earnings was increased by NT\$161,317 thousand due to the accumulated conversion adjustment (profit) under the shareholders' equity, which exceeding the net increase of NT\$102,349 thousand in retained earnings on the conversion date for the first-time adoption of IFRSs approved by the FSC. According to the FSC.Certificate Far.Tzi No. 1010012865 Order of the Financial Supervisory Commission dated April 6, 2012, special reserve is appropriated for the net increase in retained earnings due to the conversion to the IFRSs approved by

the FSC; also, it could be reversed for earnings distribution proportionately to the originally appropriated special reserve while using, disposing or reclassifying the related assets. The special reserve balance amounted to NT\$102,349 thousand as of December 31, 2017 and 2016, respectively.

According to the Order referred to above, while distributing the distributable earnings, the Company had additional special reserve appropriated from the current profit or loss and unappropriated earnings of the prior period for the difference between the net amount debited to other shareholder's equity and the balance of the special reserve appropriated in the preceding paragraph. For the amount debited to other shareholders' equity attributable to prior period accumulation, the special reserve was appropriated from the unappropriated earnings of the prior period and it could not be distributed. The amount debited to the shareholders' equity reversed subsequently can be distributed as earnings.

5.Earnings distributions and dividend policy

According to the regulations of the amended Article of Association of the Company, if there is a surplus at the year-end settlement, after tax payment according to the law and the compensation of accumulated losses, a further 10% thereof shall be appropriated as the legal reserve; however, when the legal reserve has reached the paid-in capital of the Company, no further appropriation shall be made, and the remains shall be listed or reserved for special reserve according to the law; if there is still further remains, for such remains along with the undistributed accumulated surplus, the Bored of Directors shall prepare the surplus distribution proposal and shall submit such proposal to the shareholders' meeting for resolution on the distribution of shareholders' dividends and bonuses.

To maintain the sustainable business development and the stable growth of surplus per share of the Company, the shareholders' dividends shall be the surplus after tax of the current fiscal year with the deduction of more than 50% of the special reserve according to the law in principle, and the distribution ratio shall be cash dividend not lower than 50%.

The distributions of dividends per share, employee bonuses, and directors' and supervisors' remuneration for the years 2015 and 2016 which were approved by the stockholders during their meetings on June 28, 2016 and June 27, 2017, respectively, were as follows:

	December 31, 2016	December 31, 2015
	NT\$	NT\$
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were \$0.8and \$0, respectively)	\$ -	459,581

The above mentioned earnings distribution is consistent with the resolution approved by the

board of directors. The information is available on the Market Observation Post System website.

The 2016 earnings distribution after the end of the year, Such earnings distribution is yet to be resolved in the shareholders' meeting. The relevant information can be obtained from the MOPS after the resolutions reached in the meetings.

6. Treasury stock

The Company exercises treasury stock system to buy back stock shares from the Gre Tai Securities Market. The changes in treasury stock are illustrated by the reasons for buy back as follows:

Unit: Thousand shares

2017				
Reasons for buy back	Beginning shareholdings	Increase of the year	Decrease of the year	Ending shareholdings
Transferred to employee	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>

2016				
Reasons for buy back	Beginning shareholdings	Increase of the year	Decrease of the year	Ending shareholdings
Transferred to employee	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>

According to the Securities Exchange Act, the repurchased shares and percentage shall not exceed 10% of the outstanding shares; the total amount of treasury stock shall not exceed the lump sum of the retained earnings, stock premium and realized Capital surplus. According to the Securities and Exchange Act, the Company's treasury stock may not be pledged and is not entitled to the rights of shareholders before transfer.

7. Other equity (after tax)

	Exchange difference arising from the conversion of a foreign institution's financial statements	Investments available-for-sale	Unearned Stock-Based Employee Compensation	Other	Total
Balance – 1/1/2017	\$ (1,617,512)	(1,188,654)		(6,354)	(2,812,520)
Exchange difference arising from the conversion of a foreign institution's net assets	(63,531)	-	-	-	(63,531)

Exchange difference of the subsidiaries and affiliated companies under the equity method	(292,291)	-	-	-	(292,291)
Available-for-sale financial assets unrealized gains and losses	-	23,914	-	-	23,914
The unrealized profit or loss of the available-for-sale financial assets of the affiliated companies under the equity method	-	55,459	-	-	55,459
The un-earned remuneration of the employees of the affiliated companies under the equity method	-	-	-	2,052	2,052
Issuing employee restrict stock			(283,200)		(283,200)
Compensation cost of employee (stock options & restrict stock			45,752		45,752
Write-off employee restrict stock	-	-	1,428	-	1,428
Balance – 12/31/2016	<u>\$ (1,973,334)</u>	<u>(1,109,281)</u>	<u>(236,020)</u>	<u>(4,302)</u>	<u>(3,322,937)</u>
Balance – 1/1/2016	\$ (1,460,070)	(1,087,491)		(3,267)	(2,550,828)
Exchange difference arising from the conversion of a foreign institution's net assets	(63,855)	-		-	(63,855)
Exchange difference of the subsidiaries and affiliated companies under the equity method	(93,587)	-		-	(93,587)
Available-for-sale financial assets unrealized gains and losses	-	(178,850)		-	(178,850)
The unrealized profit or loss of the available-for-sale financial assets of the affiliated companies under the equity method	-	77,687		-	77,687
The un-earned remuneration of the employees of the affiliated companies under the equity method	-	-		(3,087)	(3,087)

Balance – 12/31/2016	\$	<u>(1,617,512)</u>	<u>(1,188,654)</u>	<u> </u>	-	<u> </u>	<u>(6,354)</u>	<u>(2,812,520)</u>
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(XVIII) Share-based payment

1. Employee restricted stock awards

In the annual general meeting on June 27, 2017, the shareholders approved a restricted stock plan for qualified employees who had served for more than one year and have special contribution on the grant date, at a total of 6,000 shares. On October 5, 2017, the Company's board of directors passed a resolution to issue all the shares. The issuance process was granted effective registration by the Financial Supervisory Commission and issued on October 5, 2017, the fair value of the grant date is NT\$67.2.

Employee could subscribe the common shares by NT\$20 per share. Restriction on the rights and vesting conditions of restricted stocks for employees is that Employee's continuous employment with the Company through the vesting dates, and achievement of both personal performance criterion and the Company's operation objectives during the vesting period are eligible to receive the vested shares. The portions of the vesting shares of each year are as follows:

- (1) Continuous employment for 1 year:40%.
- (2) Continuous employment for 2 year:70%.
- (3) Continuous employment for 3 year:100%.

During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., and other rights of restricted stock plan for employees, including but not limited to, dividends, bonuses, the distribution rights of legal reserve and capital surplus, the right to subscription of new shares, etc. are as the same as the common shares issued by the Company. The restricted stock for employees issued by Company may be deposited in a security trust account.

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel the restricted shares.

The Employee restricted stock awards is disclosed as follows:

	<u>2017</u>
January 1, 2017	-
Granted (thousand shares)	6,000
Cancelled (thousand shares)	<u>(35)</u>
December 31, 2017	<u><u>5,965</u></u>

The Company issued employee restricted stock at a total of 6,000 thousand shares in 2017, total premium amounting to NT\$343,200 thousand was recognized on capital surplus. The unearned stock-based employee compensation isn't\$236,020 thousand.

2. Employee stock warrants

It was resolved at the Board meeting in June 2010 to have the 1st employee stock warrant issued for 10,000,000 units in 2010, which was declared and became effective on November 12, 2010 and issued on August 10, 2011. One unit of stock warrant can subscribe to one common stock share of the Company for a 6-year duration. Employees may exercise the stock option for the cumulative ratio of 40%, 60%, 80% and 100% after 2-year, 3-year, 4-year, and 5-year, respectively, from the date the stock option was awarded.

The Company's employee stock warrant awarded as of December 31, 2017 is as follows:

	<u>The</u>			<u>Vested unit</u>	<u>Subscription</u>	<u>Market</u>	<u>Adjusted</u>
	<u>effective</u>	<u>Awarded</u>	<u>Vested</u>	<u>(Thousand</u>	<u>unit price</u>	<u>price per</u>	<u>performanc</u>
<u>Type</u>	<u>date of</u>	<u>date</u>	<u>period</u>	<u>units)</u>	<u>(NT\$)</u>	<u>unit on the</u>	<u>e price</u>
	<u>declaration</u>		<u>period</u>			<u>measureme</u>	<u>(NT\$)</u>
						<u>nt date</u>	
						<u>(NT\$)</u>	
The first	2010.11	2011.8.	Service	10,000	60.50	60.50	50.2
employee	.12	10	period				
stock			2~4				
options in			years				
2010							

The remuneration cost of the Company's 2017 and 2016 compensating employee stock option plan amounted to NT\$0 thousand and NT\$4,382 thousand, respectively, (including NT\$0 thousand and NT\$0 thousand recognized as remuneration cost by the

subsidiaries, respectively). The fair value of the stock option awarded to employees on August 10, 2011 was estimated in accordance with Black-Scholes stock option valuation model and with the weighted average information of the assumptions illustrated as follows:

Dividend rate	3.6%
Expected price volatility	48.065%
Risk-free interest rate	1.2905%
Expected duration	6 years

The Company at the time of partition had transferred 2,175 thousand shares and 885 thousand shares of the stock option to the subsidiaries, Globalwafers Co., Ltd. and Sino Sapphire CO., LTD., on October 1, 2011, respectively. The volume and weighted average price of the Company's employee stock warrant in 2017 and 2016 is disclosed as follows:

	2017		2016	
	Quantity (thousand shares)	Adjusted weighted average price (NT\$)	Quantity (thousand shares)	Adjusted weighted average price (NT\$)
<u>Employee stock options</u>				
Outstanding shares - beginning	4,435	\$ 50.2	4,585	52.4
Exercised in current period	(2,458)	48.60		
Confiscated in current period (number of failures)	(1,944)	48.60	(80)	50.2
The number of shares transferred in the current period of employees assigned to subsidiaries	<u>(33)</u>	48.60	<u>(70)</u>	50.2
Outstanding shares - end of period	<u>-</u>	48.60	<u>4,435</u>	50.2
Exercisable employee stock options - end of	<u>-</u>	48.60	<u>4,335</u>	50.2

period

The average fair market

value per share (NT\$)

of the employee stock

options

\$ 23.36

23.36

The weighted average residual duration of the outstanding employee stock options on December 31, 2017 and 2016 was for 0 years and 0.66 years, respectively.

(XVIII) Earnings per share

1. Basic earnings per share

	<u>2017</u>	<u>2016</u>
Net income attributable to the owner of the parent company	\$ <u>1,035,505</u>	\$ <u>(1,589,225)</u>
Weighted average number of outstanding common stock (shares in thousand) - End of period	<u>576,525</u>	<u>574,476</u>
Basic earnings per share (NT\$)	\$ <u>1.80</u>	\$ <u>(2.77)</u>

2. Diluted earnings per share

	<u>2017</u>
Net income attributable to the Company	\$ <u>1,035,505</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	576,525
Effect of dilution	<u>3,113</u>
Weighted-average number of ordinary shares outstanding during the year after dilution (in thousands of shares)	<u>579,638</u>
Diluted earnings per share	\$ <u>1.79</u>

The 2016 employee stock options had no diluting effect; therefore, the diluted earnings per share would not be disclosed.

(XX) Revenues

	2017	2016
Sales of goods	\$ 11,267,778	10,384,167
Processing revenue	11,080	894
Electricity revenue	<u>4,122</u>	<u>4,944</u>
	<u>\$ 11,282,980</u>	<u>10,390,005</u>

(XXI) Remuneration to employees and directors

Pursuant to the article of corporation of the Company approved by the directors of the board but yet to be resolved at the shareholders' meeting, for any earnings of the year, no more than 3% to 15% shall be appropriated as remuneration to the employee and distributed in cash or stocks as proposed by the board of directors. The employees of the Company's subsidiary who have met the specific conditions are entitled to such distribution; the Company may appropriate no more than 3% of the earnings mentioned above as remuneration to the directors as resolved by the directors of the board. The distribution of remuneration of employees and directors should be submitted and reported to the shareholders' meeting. In case the Company has cumulative losses, it should reserve amount to make up losses before distributing remuneration to the employees and directors in pursuant to the percentage mentioned in the preceding paragraph.

The Company still has cumulative losses after making up the loss, and the 2016 operating loss was not estimated to be paid by employees and directors. The relevant information was available to the public information station.

(XXII) Other income

	2017	2016
Interest income	\$ 35,206	11,166
Dividend income	<u>14,946</u>	<u>13,841</u>
	<u>\$ 50,152</u>	<u>25,007</u>

(XXIII) Other profit and loss

	2017	2016
Foreign currency exchange gains and losses	\$ (139,814)	(72,558)
Impairment loss	(69,501)	(452,661)
Other	<u>46,460</u>	<u>78,600</u>
	<u>\$ (162,855)</u>	<u>(446,619)</u>

(XXIV) Financial costs

	2017	2016
Interest expenses		
Bank loans	\$ 46,537	56,091
Lease payable	-	10,331
	<u>\$ 46,537</u>	<u>66,422</u>

(XXV) Other comprehensive income for subsidiaries and affiliates under equity method

Other comprehensive income for subsidiaries and affiliates of the Company under equity method of 2017 and 2016 are detailed as follows:

	2017	2016
Exchange difference arising from the conversion of a foreign institution's financial statements	\$ (292,291)	(93,587)
Unrealized gains or losses on valuation of financial assets available for sales	55,459	77,687
	<u>\$ (236,832)</u>	<u>(15,900)</u>

(XXVI) Financial instruments

1. Credit risks

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

The Company's material clients are in the silicon wafer industry. The Company assigns a credit line to each customer in accordance with the credit procedures; therefore, the Company's credit risk is mainly affected by the silicon wafer industry. As of December 31, 2017 and 2016, 87% and 59%, respectively, of the Company's notes and accounts receivable (including related party) were attributable to the top-10 customers. Although there was the risk of concentration, the Company had regularly assessed the likelihood of the recovery of receivables and with appropriate allowance for bad debts appropriated.

2. Liquidity Risk

The contract maturities of financial liabilities are illustrated in the following table,

including estimated interest but excluding the impact of the agreed net amount.

		<u>Contract</u>					
	<u>Carrying</u>	<u>ual cash</u>	<u>6 months</u>	<u>6-12</u>			<u>Over 5</u>
	<u>Amount</u>	<u>flows</u>	<u>or less</u>	<u>months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>years</u>
December 31, 2017							
Non-derivative							
financial liabilities							
Short-term loans	\$ 2,364,913	(2,380,350)	(674,361)	(1,705,989)	-	-	-
Notes and accounts payable (including related party)	1,047,853	(1,047,853)	(1,047,853)	-	-	-	-
Long-term loans (including long-term loan due in one year)	<u>1,760,000</u>	<u>(1,496,214)</u>	<u>(8,105)</u>	<u>(8,105)</u>	<u>(732,614)</u>	<u>(225,000)</u>	<u>(522,390)</u>
	<u>\$ 4,772,766</u>	<u>(4,924,417)</u>	<u>(1,730,919)</u>	<u>(1,714,094)</u>	<u>(732,614)</u>	<u>(225,000)</u>	<u>(522,390)</u>
December 31, 2016							
Non-derivative							
financial liabilities							
Short-term loans	\$ 1,760,000	(1,776,055)	(268,697)	(1,507,358)	-	-	-
Notes and accounts payable (including related party)	1,383,202	(1,383,202)	(1,383,202)	-	-	-	-
Long-term loans (including long-term loan due in one year)	<u>2,738,011</u>	<u>(2,794,672)</u>	<u>(766,656)</u>	<u>(12,672)</u>	<u>(2,015,344)</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,881,213</u>	<u>(5,953,929)</u>	<u>(2,418,555)</u>	<u>(1,520,030)</u>	<u>(2,015,344)</u>	<u>-</u>	<u>-</u>

The Company does not expect the cash flow analysis on the maturity date to occur significantly ahead of the schedule or the actual amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company's financial assets and liabilities exposed to significant foreign exchange rate risk are as follows:

2017.12.31

		<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	77,237	29.760	2,298,573
JPY		331	0.2642	87
EUR		14,084	35.570	500,968
<u>Non-monetary items</u>				
USD		57,009	29.760	1,696,583
EUR		9,991	35.570	355,393
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		22,864	29.760	680,433
JPY		44,124	0.2642	11,658
EUR		5,200	35.570	184,964

<u>2016.12.31</u>				
		<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	82,098	32.250	2,647,660
JPY		3,903	0.2756	1,076
EUR		28,511	33.900	966,523
<u>Non-monetary items</u>				
USD		58,480	32.250	1,855,980
EUR		11,583	33.900	392,664
<u>Financial</u>				

liabilities

Monetary items

USD	30,743	32.250	991,462
JPY	3,911	0.2756	1,078
EUR	631	33.900	21,391

(2) Sensitivity analysis

The Company's exchange rate risks primarily come from the cash and cash equivalents, accounts receivable, loan and accounts payable, etc. denominated in foreign currency with the resulting foreign currency exchange gains and losses. When the rate of NT to USD, JPY, and EUR was valued or devalued by 5% on December 31, 2017 and 2016 and with all other factors remaining unchanged, the 2017 and 2016 net income before tax was increased or decreased by NT\$105,893 thousand and NT 130,174 thousand, respectively. The analysis of the two periods was performed on the same basis.

(3) Exchange gains or losses for monetary items

The exchange gains or losses of the Company's monetary items (including realized and unrealized) due from conversion to the functional currency, as well as the exchange rate used to convert to the functional currency of the parent company (i.e the currency as expressed in the Company's financial statement) are as follows:

		2017		2016	
		Exchange gains or losses	Exchange gains or losses	The average exchange rate	The average exchange rate
USD	\$	(116,996)	30.432	(48,470)	32.263
EUR		(23,252)	34.350	(26,471)	35.7
JPY		164	0.2713	40	0.2972
Franc		276	30.89	(10)	32.72
RMB		(6)	4.507	2,353	4.849
		\$ (139,814)		(72,558)	

4. Interest rate analysis

The Company's interest rate exposure of financial assets and financial liabilities is

described in the liquidity risk management of this note.

The following sensitivity analysis is based on the interest rate risk exposure. The analysis of the floating interest rate liabilities is with the assumption that the amount of liability outstanding on the reporting date was outstanding for the whole year.

If interest rates increased or decreased by 0.25%, but all other variables remained constant, the Company's net income before tax in 2017 and 2016 would be decreased or increased by NT\$7,629 thousand and NT\$3,544 thousand, respectively, mainly due to the Company's loans with variable interest rates.

5. Fair value information

(1) Types of financial instruments and fair value

Information on the carrying amounts and fair values of financial assets and financial liabilities of the Company (including information on fair value hierarchy; however for financial instruments not measured at fair value but with carrying amounts reasonably approximate to fair value, or equity instrument investment in the active market with no quotation and no fair value reliably measured, there is no need to disclose fair value information) are as follows:

	2017.12.31				
	Fair value				
	Carrying Amount	Level I	Level II	Level III	Total
Financial assets in available-for-sale — non-current	\$ 685,194	685,194	-	-	685,194
Financial assets in held-to-maturity-non- current	\$ 281,366	-	289,080	-	289,080
Financial assets measured at cost — non-current	\$ 298,640	-	-	-	-
Loans and receivables					
Cash and cash equivalents	\$ 673,428	-	-	-	-
Notes and accounts receivable (including related party)	2,247,900	-	-	-	-

Other financial assets (current and noncurrent)	<u>20,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$2,941,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured with amortized costs					
Short-term loans	\$2,364,913				
Long-term loans (including long-term loan due in one year)	1,360,000	-			
Notes and accounts payable (including related party)	<u>1,047,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$4,772,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2016.12.31</u>					
<u>Fair value</u>					
Carrying					
<u>Amount</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>	
Financial assets in available-for-sale — non-current	<u>\$ 661,280</u>	<u>661,280</u>	<u>-</u>	<u>-</u>	<u>661,280</u>
Financial assets in held-to-maturity-non-current	<u>\$ 281,400</u>	<u>-</u>	<u>261,479</u>	<u>-</u>	<u>261,479</u>
Financial assets measured at cost — non-current	<u>\$ 368,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loans and receivables					
Cash and cash equivalents	\$2,579,645	-	-	-	-
Notes and accounts receivable (including related party)	1,670,756	-	-	-	-

Other financial assets (current and noncurrent)	<u>25,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$4,275,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured with amortized costs					
Short-term loans	\$ 1,760,000				
Long-term loans (including long-term loan due in one year)	2,738,011	-			
Notes and accounts payable (including related party)	<u>1,383,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$5,881,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Valuation technique to measure the financial instruments that are not measured at fair value

The methods and assumptions the Company adopts to estimate fair value of instruments that are not measured at fair value are as follows:

A.Held-to-maturity financial assets

If there is a public market offer, then the market price for the fair value; if no market price for reference, the use of evaluation methods to estimate or use the counterparty offer

B. Financial liabilities measured with amortized costs

If prices from sales or quoted prices from sellers are available, the most recent sale price and quoted price shall be used as basis to estimate the fair value. If no market value is available for reference, the valuation method is adopted for the estimation. The assessment and assumption adopted by the valuation method is fair value of the estimated discounted cash flow.

(3) Valuation technique employed to measure financial instruments that are measured at fair value

Non-derivatives financial instruments

If the financial instrument has quoted prices available in the active market, the quote in the active market shall be used as fair value. Both the market prices announced by major exchanges and those of Central Government bonds determined as popular securities announced by the Taipei Exchange are considered basis of fair

value for equity instruments listed in the Exchange (Taipei Exchange)

If public quoted prices can be timely obtained from the exchanges, brokers, underwriters or the competent authority, and the prices can represent actual and frequent transactions in the market, the financial instruments are considered to have public quoted prices in the active market. If the above condition is not met, the market is considered inactive. Generally speaking, if there is great difference between the sales price and purchase price, or there is significant increase in such difference or the transaction are not frequent, there is indication that the market is not active.

Listed stocks in the exchanges (Taipei Exchange) refer to the financial assets and financial liabilities with standard clauses and conditions that are traded in the active market. Their fair market value refers to their market quoted price respectively.

From January 1 to December 31 of 2017 and 2016, there is no transfer between fair value hierarchy.

(XXVII) Financial Risk Management

1. Outline

The financial instrument that the Company is using is exposed to the following risks:

- (1) Credit Risk
- (2) Liquidity Risk
- (3) Market Risk

The Company's risk exposure information and the objectives, policies and procedures of the Company's risk measurement and management are disclosed in this note. Please refer to the notes to the individual financial statements for the quantitative disclosure in detail.

2. Risk management structure

The Board has sole responsibility for and oversight of the Company's risk management framework and risk management policies and procedures. Internal auditors assist the Board of Directors to monitor and to carry out the regular and extraordinary review of risk management controls and procedures, and to report the results of the review to the Board.

The Company's risk management policy is established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and the compliance with risk limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's operations. Also, develop a disciplined and constructive environmental control through

training, management standards, and operating procedures in order to help all employees understand their roles and obligations.

The audit committee of the Company oversees the management personnel to monitor and control the Company's compliance of risk management policies and procedures, as well as review the appropriateness of relevant risk management framework the Company employs to determine and plan responses to risk. The internal auditor assists the audit committee the Company to play the role of auditors. Internal auditors carry out the regular and extraordinary review of risk management controls and procedures, and report the results of the review to the Board.

3. Credit Risk

The primary potential credit risk of the Company mainly comes from the financial instruments of cash and accounts receivable. The Company's cash is deposited in different financial institutions

(1) Accounts receivables and other receivables

The Company has established a credit policy. Before granting the standard payment and shipping terms as well as any other clauses, the Company shall analyze the credit rating of each new customer respectively. The limit on purchase quota shall be established according to each respective customer, and the limit shall be reviewed periodically. For customers not meeting the standard credit ratings as required, they can only make purchases from the Company on the basis of pre-payment.

The Company has not requested collaterals on accounts receivables and other receivables.

(2) Investment

Credit risk on bank deposits, fixed-income investments and other financial instruments are measure and monitored by the Company's finance department. As the Company's trading partners and its counterparties fulfill their obligations either as banks with good credit standing or financial institutions, corporations, and government agencies of investment-grade and above, there should be no significant credit risk of them defaulting on their payment obligations, and this shall not be a concern.

(3) Guarantees

Pursuant to the Company's policy, it can only provide financial guarantees to companies with which it has business dealings, i.e. those companies that directly and indirectly hold more than 50 percent of the Company's voting shares, as well as the combined companies in which the Company holds directly and indirectly more than 50 percent of the voting shares. As of December 31, 2017 and 2016, except to

the subsidiary companies, the Company does not provide any endorsement or guarantee.

4. Liquidity Risk

The Company has managed to pay for its operations by managing and maintaining sufficient cash and cash equivalents while mitigating the effects of fluctuations in cash flows. The Company's management is responsible for monitoring the credit lines granted by the bank and ensuring the compliance of the terms specified on the loan.

The bank loan is an importance source of liquidity. As of December 31, 2017 and 2016, the unused short term bank credit lines are NT\$3,464,252 and NT\$3,295,860 respectively.

5. Market Risk

Market risk refers to the changes in market prices, such as exchange rates, interest rates and equity instrument price changes, causing risks to the Company's income or the value of the financial instruments. The purpose of market risk management is to contain market risk exposure within the tolerable range and with the return on investment optimized.

(1) Exchange rate risk

The Company is exposed to exchange rate risk that arises from sales, purchases and loans transactions denominated in non-functional currency. The Company's functional currency is NT Dollars. Such transactions are mainly denominated in the currencies of NTD, USD, JPY and EUR.

Loan interest is denominated in the currency of the loan principal. In general, a loan is in the same currency as the cash flow generated from an operating activity, which is mainly in NT Dollars.

For other monetary assets and liabilities denominated in foreign currencies, for any short-term imbalance occurring, the Company is to maintain the net risk exposure at an acceptable level by buying or selling foreign currency at the spot exchange rate.

(2) Interest rate risk

The Company holds assets and liabilities with floating interest rates, resulting in a cash flow interest rate risk exposure.

(3) Equity instrument price

The Company has equity price exposures due to investments in stocks listed on the Taipei Exchange (TPEX). Those equity investments are not held for trading but for strategic investment.

Please refer to Note 6 (4) for risk of changes, in detail.

(XXIII) Capital Management

The policy of the Board of Director is to maintain sound capital base in order to uphold the confidence of investor, creditor, and market, and to support future operations and development. Capital includes the Company's capital stock, capital surplus, retained earnings and other equities. The Board of Directors controls the return on capital and the common stock dividend level.

Debt capital ratio on the reporting date is as follows:

	2017.12.31	2016.12.31
Total liabilities	\$ 7,711,327	8,708,602
Less: Cash and cash equivalent	<u>(673,428)</u>	<u>(2,579,645)</u>
Net liabilities	\$ <u>7,037,899</u>	<u>6,128,957</u>
Total Equity	\$ <u>27,140,872</u>	<u>20,898,541</u>
Debt capital ratio	<u>25.93%</u>	<u>29.33%</u>

As of December 31, 2017 the debt capital ratio has increased due to the decrease of cash and cash equivalent.

VII. Related party transactions

(I) The relationship between parent company and subsidiaries

The Company's subsidiaries are as follows:

Related Party Name	Related Party Categories
Sino Silicon Technology Inc. (referred to hereinafter as SSTI)	Subsidiaries
Globalwafers Co., Ltd.	Subsidiaries
Aleo Solar GmbH (referred to hereinafter as Aleo Solar) (Note 1)	Subsidiaries
Aleo Solar Distribuzione Italia S.r.l.	Indirect Subsidiaries
Aleo Sunrise GmbH (referred to hereinafter as Aleo Sunrise)	Indirect Subsidiaries
SAS Sunrise Inc.	Subsidiaries
SAS Sunrise Pte. Ltd.	Indirect Subsidiaries
Sulu Electric Power and Light Inc. (Referred to hereinafter as SULU) (Note 1)	Indirect Subsidiaries

AMLED International Systems Inc. (referred to hereinafter as AMLED)(Note 2)	Indirect Subsidiaries
Sino-American Materials Co., Ltd.	Subsidiaries
Sunrise PV World Co.	Subsidiaries
Sunrise PV Five Co., Ltd.	Indirect Subsidiaries
Sunrise PV One Co., Ltd.	Associates
Sunrise PV Two Co., Ltd.	Indirect Subsidiaries
Sunrise PV Electric Power Two Co., Ltd.	Indirect Subsidiaries
Sunrise PV Three Co., Ltd.	Indirect Subsidiaries
Sunrise PV Four Co., Ltd.	Indirect Subsidiaries
GlobalSemiconductor Inc. (referred to hereinafter as GSI)	Indirect Subsidiaries
GlobalWafers Inc.(referred to hereafter as GWI)	Indirect Subsidiaries
GWafers Co., Ltd.(referred to hereinafter as GWafers)	Indirect Subsidiaries
GWafers Singapore Pte.Ltd. (referred to GWafers Singapore)	Indirect Subsidiaries
Topsil GlobalWafers A/S (referred to Topsil A/S)	Indirect Subsidiaries
Sino-America Silicone Products Inc. (hereinafter referred to as “Sino-America Silicone”)	Indirect Subsidiaries
GlobiTech Incorporated(referred to hereinafter as GTI)	Indirect Subsidiaries
GlobalWafers Japan Co., Ltd.(referred to hereinafter as GWJ)	Indirect Subsidiaries
Shanghai Glowfast semiconductor technology co.ltd.	Indirect Subsidiaries
Topsil Semiconductor sp z o.o.	Indirect Subsidiaries
SunEdison Semiconductor Limited	Indirect Subsidiaries
SunEdison Semiconductor B.V.	Indirect Subsidiaries
SunEdison Semiconductor Technology Pte Ltd.	Indirect Subsidiaries
MEMC Japan Ltd.	Indirect Subsidiaries
MEMC Electronic Materials SpA	Indirect Subsidiaries
MEMC Electronic Materials France SarL	Indirect Subsidiaries
MEMC Electronic Materials GmbH	Indirect Subsidiaries
MEMC Holding B.V.	Indirect Subsidiaries
MEMC Korea Company	Indirect Subsidiaries
SunEdison Semiconductor LLC	Indirect Subsidiaries

MEMC Electronic Materials, Sdn Bhd	Indirect Subsidiaries
SunEdison Semiconductor Technology (Shanghai) Ltd	Indirect Subsidiaries
SunEdison Semiconductor Holdings B.V.	Indirect Subsidiaries
Taisil Electronic Materials Corp.	Indirect Subsidiaries
MEMC Ipoh Sdn Bhd	Indirect Subsidiaries
ACTRON TECHNOLOGY CORPORATION (referred to hereafter as ATC)	Affiliated companies
Solartech Energy Corp. (referred to hereafter as Solartech)	Affiliated companies
Sunshine-PV Co., Ltd. (referred to hereafter as Sunshine-PV)	Affiliated companies
Ming Yang Co., Ltd. Solartech	Affiliated companies
SONG LONG ELECTRONICS CO., Ltd	Affiliated companies
Accusolar Power Co., Ltd	Associates
Crystalwise Technology Inc.	Associates
Cathy Sunrise Corporation	Associates

Note 1: even if the merged company has no more than 50 percent voting shares in SPV, it may control the finance and strategy of the SPV through valid agreements with other investors of SPV. As a consequence the SPV is deemed as a subsidiary of the Company.

Note 2: even if the merged company does not hold any equity interest in AMLED, it may control the finance and strategy of this company and obtain all interests derived from its operations and net assets. As a consequence AMLED is deemed as a subsidiary of the Company.

(II) Other related party transactions

1. Operating revenue

The Company's material sales amount to the related party are as follows:

	2016	2016
Subsidiary	\$ 1,342,322	246
Affiliated companies	36,626	1
Other related parties- Solartech	927,897	1,511,760
Other related parties	34,598	9,349
	<u>\$ 2,341,443</u>	<u>1,521,356</u>

The Company had processing income from the related party for NT\$174,066 thousand and NT\$169,279 thousand in 2017 and 2016 that was debited to the operating cost, respectively.

The Company offers selling price to the related party in accordance with the general market price and has the price adjusted with the considerations of sales area, sales volume, etc.

In 2017 and 2016, the Company offered a payment term to regular customers of 0~120 days; the payment terms offered to major related parties are Net 30~180 days and Net 30~180 days respectively.

2. Purchase and outsourced processing

The amount of purchase and outsourced processing from the related party by the Company is as follows:

	2017	2016
Subsidiary	\$ 95,915	134,995
Other related parties	18,221	51,128
	<u>\$ 114,136</u>	<u>186,123</u>

The Company has used the general market price to purchase goods and outsource processing from the related party.

In 2016 and 2015 the Company was granted a payment term of O/A 0 day ~ 120 days from regular suppliers; and Net 7~90 days and O/A 15~60 days purchase term granted from the related parties.

3. Receivables from related parties

The Company's receivables from the related parties are as follows:

Account	Classification of related party	2017.12.31	2016.12.31
Receivables from related parties	Subsidiary-GWC	\$ 20,533	179,656
Receivables from related parties	Subsidiary-Aleo	148,200	169,044
	Solar		
Receivables from related parties	Subsidiary-Others	127,243	166,958
Receivables from related parties	Other related parties	<u>40,329</u>	<u>131,172</u>

\$ 336,325 646,830

In addition, the related party has long-term supply agreements signed with the Company gradually to secure a stable supply of raw materials for production. As of December 31, 2016, and 2015, the advances from the related party (booked in the “received in advance” and “long-term prepayment”) were as follows:

	2017.12.31	2016.12.31
Other related parties	\$ <u>806,357</u>	<u>905,456</u>

4. Payables to related parties

The Company’s payables to related parties are as follows:

Account	Classification of related party	2017.12.31	2016.12.31
Payable to related parties	Subsidiary	\$ 750	1,742
Payable to related parties	Other related parties	<u>3,282</u>	<u>4,204</u>
		\$ <u>4,032</u>	<u>5,946</u>

5. Property transactions

Information regarding the Company’s selling machinery equipment to the related party is summarized as follows:

	2017	2016
	Receivables from related parties	Receivables from related parties
	Sale price	Sale price
Subsidiary	\$ 34,513 -	<u>33,363 -</u>

In 2017 and 2016 the realized gains were NT\$3,567 thousand and NT\$843 thousand respectively. As of December 31, 2017 and 2016 the deferred gains on disposal fixed assets from selling fixed assets to related parties are NT\$2,843thousand and NT\$4,112 respectively.

Information regarding the Company’s buying machinery equipment from the related party is summarized as follows:

2017	2016
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	Amount payable at end of period (Prepaid equipment)	Amount payable at end of period (Prepaid equipment)
	Amount	Amount
Other related parties	\$ 33,290	\$ 7,282

6. Management fee income

Information regarding the Company's collecting the management fees income from related parties and having them debited to the management expense is as follows:

	2017	2016
Subsidiary	\$ 15,310	503

As of December 31, 2017 and 2016, the management fees yet to be received are NT\$33 thousand and NT\$137 thousand respectively and recorded in the account of receivable from related parties.

7. Technical service income

The Company collected technical service income from the related parties and recorded them in the account of "Other profits or losses". Please see detail as follows:

	2017	2016
Subsidiary	\$ 7,300	7,099

As of December 31 of 2017 and 2016, the technical service income yet to be received is recorded in the account of receivables from related parties of NT\$1,432 thousand and NT\$2,26 thousand respectively.

8. Loan to related parties

The actual disbursement of loan to the related parties is as follows:

	2017.12.31	2016.12.31
Subsidiary-Aleo Solar	\$ 284,560	-
Subsidiary-Sulu	652,339	394,821
Subsidiary-Others	188,000	72,692
Subsidiary	\$ 1,124,899	467,513

The interests on loans to subsidiaries are calculated with the average interest rate of the year the disbursement was made. All loans are unsecured. The interest incomes in 2017 and 2016 are NT\$12,592 thousand and NT\$10,973 respectively. As of December 31, 2017 and 2016, the interest receivable at end of period are NT\$11,859 thousand and NT\$5,131 thousand respectively and recorded under the account of receivables from related parties.

9. Endorsement and guarantee

The Company's endorsements and guarantees for the related party is summarized as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Subsidiary	\$ 3,902,240	4,774,250

Upon the resolution of the Board of Directors on May 5, 2016, Sino-American Silicon Products Inc. originally provided a total amount of 64,207 thousand dollars to other interested parties for their bank loans with the setting of mortgage guarantee.

On August 9, 2016, upon the resolution of the Board of Directors, Sino-American Silicon Products Inc. had canceled the providing of property to other interested parties for their bank loans with the setting of mortgage guarantee.

10. Corporate bonds

In October 2016, the Company purchased five-year term of private corporate bonds from affiliated companies, and each bond par value is 1,000 thousand dollars with a total purchase of 280 bonds for a total of 280,000 thousand dollars, interest is paid every half year, the effective interest rate and coupon rate are both 2% respectively. The interest income in 2017 is 1,366 thousand dollars. On December 31, 2017, the accumulated investment cost and interest receivable are of the amount of 281,366 thousand dollars, listed for holding till the expiration date under the financial asset – non-current item.

11. Various amount paid on behalf

As of December 31, 2017 and 2016, the unsettled balance of amounts paid on behalf in between related parties, including the purchase of materials, insurance and utilities bills, are recorded under the account of receivables (payable) from/to the related parties as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Subsidiary	\$ 37,433	51,938
Subsidiary	(332)	(367)
Affiliated companies	1,711	4,810

Affiliated companies	(40)	(39)
Other related parties	-	126
	<u>\$ 38,772</u>	<u>\$ 56,468</u>

12. Other

- (1) The company's direct sales to the related parties are deemed as transfer of inventory and not as sales and costs of the Company, as the sales revenue and related costs are offset in the financial statements. For 2016 the sales mentioned above is NT\$1,462,320 thousand. As of December 31, 2017 and 2016 deferred revenue from the above transactions amounted to NT\$48,913 thousand and NT\$51,353 respectively which recorded in the account of investment under equity method.

- (2) The plant lease contract signed by the Company and its related parties are summarized as below:

The Company has signed a contract to lease a plant from its related parties. The lease payable and other payables to the related parties are detailed as follows:

	2017	2016
Subsidiary	\$ 1,301	816
affiliated companies	2,096	290
Other related parties	11,340	22,680
	<u>\$ 14,737</u>	<u>23,786</u>

Account	Classification of related party	2017.12.31	2016.12.31
Payable to related parties	Subsidiary	\$ 71	-
Payable to related parties	Affiliated companies	265	89
		<u>\$ 336</u>	<u>89</u>

- (3) The lease contracts the related parties signed with the Company are summarized as follows:

The Company has a lease contract signed with the related party. The related

rent income and accounts receivable – related party is detailed as follows:

	2017	2016
Subsidiary	\$ 22,244	15,033
Affiliated companies	100	-
	<u>\$ 22,344</u>	<u>15,033</u>

Account	Classification of related party	2016.12.31	2016.12.31
Receivables from related parties	Subsidiary	<u>\$ 3,722</u>	<u>3,230</u>

(IV) Major transactions involving management

The remuneration to key management include:

	2017	2016
Short-term employee benefits	\$ 75,727	41,321
Post-employment benefits	459	594
Share-based payment	-	1,719
	<u>\$ 76,186</u>	<u>43,634</u>

The Company provided 3 automobiles for a total of NT\$3,345 thousand for the use by management in 2017, and 2016 respectively.

VIII. Pledged assets

(I) The carrying amount of the assets pledged by the Company as collateral is as follows:

Assets	Pledge or Mortgage underlying subject	2017.12.31	2016.12.31
Property, plant and equipment	Long-term debt payable	\$ 552,000	1,868,996
Bank deposits (recorded as “other financial assets – noncurrent”	Pledged as collateral to a land lease	7,750	7,750

account)		
Bank deposits	Performance bonds	
(recorded as	for Government grant	
“other financial	provided to	
assets –	technology projects	
noncurrent”		
account)		
	1,020	5,745
	<u>\$ 560,770</u>	<u>1,882,491</u>

IX. Material-contingent liabilities and unrecognized contractual commitments

Beside note VI(15), the company material-contingent liabilities and unrecognized contractual commitments as below:

(I) Material unrecognized contractual commitments

1. The Company’s purchase amount yet to be spent in accordance with the current effective long-term purchase contract is as follows:

(Foreign currency unit: in Thousand)

	2017.12.31	2016.12.31
USD	<u>\$ 1,406,246</u>	<u>1,552,138</u>
EUR	<u>\$ 18,000</u>	<u>42,000</u>

Silicone supplier Hemlock Semiconductor Pte Ltd. has send notification requesting the Company for prepayment, payment for goods to be collected, and late payment arrearage interests in accordance with the long-term purchase contract for a cumulative total of US\$12,774 thousand and US\$464,096 thousand as of December 31, 2017. and 2016. The aforementioned purchase amount yet to be collected, except for interest, has included the amount requested by the suppliers. Given the Company continues to trade with Hemlock, the Company considers the possibility to pay the afore-mentioned interest is low and therefore doesn’t recognize the associated contingent liability.

Hemlock Semiconductor Pte Ltd. has served summons and complaints to the Company and they arrived the Company on May 12, 2015. For relevant information please refer to (2) the contingent liabilities.

The Company has appropriated impairment loss on prepayment of goods purchased

from the silicone supplier for NT\$(11,826) thousand and NT\$21,268 thousand as of December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the pre-payments for goods to a silicone supplier by the Company, net of the impairment loss of NT\$928,642 thousand and NT\$940,468 thousand, are NT\$1,022,802 thousand and NT\$1,312,090 thousand respectively and recorded under the account of material pre-payments and long-term pre-paid material”.

2. In response to the long-term purchase contract referred to above, the Company has signed silicone wafer long-term sales contracts with the customers since the year 2005, who agreed to pay for the non-refundable funds. Both parties agreed that the Company sells silicon wafers in accordance with the agreed quantity and price between January 1, 2006 and December 31, 2019. If the delivery has not been made in compliance with the contract signed, a sales discount or an amount equivalent to 1.5~4 times of the advances from customers as compensation should be granted. If the delay of shipment has not been resolved for more than three months, the outstanding pre-payment should be refunded. In response to the price decline arising from the falling demand, solar energy battery customers and the Company will negotiate the selling price and adjusting the average selling price in accordance with market conditions.

The amount of delivery according to the existing contracts and current market conditions is as follows:

(Foreign currency unit: in Thousand)

	2017.12.31	2016.12.31
USD	\$ 239,996	216,818
EUR	\$ 115,316	164,556
NTD	\$ 54,845	54,854

3. As of December 31, 2017 and 2016, material construction as well as equipment and plants projects signed or ordered but yet to be inspected amounted to NT\$114,856 thousand and NT\$175,300 thousand respectively.
4. As of December 31, 2017 and 2016, the total amount of promissory notes deposited in the bank by the Company after obtaining bank loans was NT\$6,728,900 thousand and NT\$11,795,860 thousand, respectively.
5. As of December 31, 2017 and 2016, the amount of the performance bond issued by the

bank upon the request of the Company to the Directorate General of Customs, Ministry of Finance and for R&D programs was NT\$53,250 thousand and NT\$38,740 thousand, respectively.

6. As of December 31, 2017 and 2016 the letter of credits issued yet unused amounted

As below:

	2017.12.31	2016.12.31
EUR	\$ <u> -</u>	\$ <u> 480</u>

7. The Company and polycrystalline solar cell manufacturers (hereinafter referred to as “the manufacturer”) have a cooperation agreement signed so that the manufacturer is to provide a plant and equipment to the Company for business operations from April 1, 2016 to March 31, 2021. According to the contract, the Company shall allocate part of the operating profit arising from the plant and equipment to the manufacturer. During the contract period, after the cumulative operating profit reached a certain amount, the Company is entitled to obtain ownership of the plant and equipment with or without any consideration paid.

(II) Contingent liabilities

The Company reached agreement with the silicon material supplier Hemlock regarding the litigation between the parties in May 2016 that Hemlock suspend its litigation procedure towards the Company until 1 April 2018 under certain conditions. The parties signed STIPULATION OF DISCONTINUANCE and SETTLEMENT AGREEMENT. Under the SETTLEMENT AGREEMENT, SAS has to purchase certain quantity silicon material from Hemlock and its affiliates.

X.Loss from major accidents: None

XI.Materiality after the period

The board of directors of the Company resolved to sell the factory and its affiliated factory facilities and some equipment for operation. The total amount was NT\$ 618,500 thousand and completed on January 29, 2018.

XII. Others

Employee benefits and depreciation expenses are summarized by functions as follows:

By Function	2017			2016		
	Classified as operating cost	Classifica tion of operating expenses	Total	Classified as operating cost	Classifica tion of operating expenses	Total
By Nature						
Employee benefits expense						
Salaries	797,113	200,858	997,971	854,506	159,766	1,014,272
Labor and health insurance	42,688	10,926	53,614	91,712	12,320	104,032
Pension expenses	34,309	5,717	40,026	36,557	6,039	42,596
Other employee benefits expense	43,338	4,330	47,668	51,270	4,628	55,898
Depreciation expense	981,394	52,704	1,034,098	981,993	54,744	1,036,737
Amortizations	-	-	-	-	-	-

As of December 31 2017 and 2016, the Company has 1,612 and 1,541 employees respectively.

XIII. Supplementary disclosure

(I) Relevant information of material transactions:

Significant transactions to be disclosed by the Company in 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loaning of Funds: Attachment I
2. Endorsement and guarantee for others: Attachment II
3. Marketable securities held at year end (Does not include investments in subsidiaries, affiliated companies and joint control): Attachment III
4. The cumulative purchase or sale of the same marketable security for an amount over NT\$300 million or 20% of the paid-in capital: Attachment IV
5. Acquisition of real estate for an amount over NT\$300 million or 20% of the paid-in capital: Attachment None
6. The amount of real property disposed exceeds NT\$300 million or 20% of stock capital collected: None
7. The purchase or sale amount with the related parties for an amount over NT\$100

million or 20% of the paid-in capital: Attachment V

8. Receivables from related parties for an amount over NT\$100 million or 20% of the paid-in capital: Attachment VI

9. Trading of Derivative Products: None.

(II) Transfer Investment Information: Attachment VII

(III) Information on investment in Mainland China:

1. Investments in Mainland China information: Please refer to Attachment XIII (I) for details

2. Investment limits in Mainland China: Please refer to Attachment XII (II) for details.

XIV. Segment information

Please refer to the 2017 consolidated financial statements for segment information, in detail.

Sino-American Silicon Products Inc. and its subsidiaries
Lending of Funds
From January 1 to December 31, 2017

Attachment I

Unit: NT\$ Thousand

No.	Lending company	Borrower	Inter account	A related party or not	Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
													Name	Value		
0	Sino-American Silicon Products Inc.	Sulu	Loan receivable – related party	Yes	912,6000 (USD30,000)	892,800 (USD30,000)	652,339 (USD21,920)	4.5%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	SPW	Loan receivable – related party	Yes	500,000	500,000	-	2.5%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	SPV1	Loan receivable – related party	Yes	300,000	-	-	2.5%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	SPV5	Loan receivable – related party	Yes	300,000	300,000	183,000	2.5%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	SPVE2	Loan receivable – related party	Yes	200,000	200,000	-	2.5%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	SPV3	Loan receivable – related party	Yes	500,000	500,000	5,000	2.5%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	Aleo Solar	Loan receivable – related party	Yes	427,080	426,840	284,560	2%	2	-	Working capital	-	-	-	10,856,349	10,856,349
0	Sino-American Silicon Products Inc.	Aleo Sunrise	Loan receivable – related party	Yes	427,080	426,840	-	2%	2	-	Working capital	-	-	-	10,856,349	10,856,349

No.	Lending company	Borrower	Inter account	A related party or not	Maximum amount	Balance – ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
													Name	Value		
1	SSTI	Sulu	Loan receivable – related party	Yes	217,688 (USD6,750)	-	-	4.0%	2	-	Working capital	-	-	-	423,257	423,257
1	SSTI	AMLED	Loan receivable – related party	Yes	217,688 (USD6,750)	200,880 (USD6,750)	200,880 (USD6,750)	4.0%	2	-	Working capital	-	-	-	423,257	423,257
2	SAS Sunrise Inc.	Sulu	Loan receivable – related party	Yes	258,570 (USD8,500)	238,080 (USD8,500)	178,828 (USD6,009)	4.0%	2	-	Working capital	-	-	-	255,376	255,376
3	Sulu	AMLED	Loan receivable – related party	Yes	114,401 (USD3,412)	113,802 (USD3,824)	113,802 (USD3,824)	4.0%	2	-	Working capital	-	-	-	216,911	216,911
4	SPW	SPV1	Loan receivable – related party	Yes	55,000	-	-	2.5%	2	-	Working capital	-	-	-	120,378	120,378
5	Aleo Solar	Aleo Sunrise	Loan receivable – related party	Yes	284,720 (EUR8,000)	284,560 (EUR8,000)	284,560 (EUR8,000)	2.0%	2	-	Working capital	-	-	-	357,174	357,174
6	SAS Sunrise Pte. Ltd.	Sulu	Loan receivable – related party	Yes	241,360	238,080	238,080	4.0%	2	-	Working capital	-	-	-	331,211	331,211
7	Globalwafers Co., Ltd.	Topsil A/S	Loan receivable – related party	Yes	200,000	-	-	2%	2	-	Working capital	-			13,618,371	13,618,371
7	Globalwafers Co., Ltd.	SSBV	Loan receivable – related party	Yes	1,410,525	-	-	2.5%	2	-	Working capital	-	-	-	13,618,371	13,618,371
7	Globalwafers Co., Ltd.	Faisil	Loan receivable – related party	Yes	2,500,000	2,500,000	-	1.5%	2	-	Working capital	-	-	-	13,618,371	13,618,371
8	GWJ	Globalwafers	Loan receivable –	Yes	1,378,000	1,321,000	792,600	0.46%	1	5,986,763	Business	-	-	-	5,986,763	4,304,036

No.	Lending company	Borrower	Inter account	A related party or not	Maximum amount	Balance – ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
													Name	Value		
		Co., Ltd.	related party								dealings					
8	GWJ	MEMC Japan	Loan receivable – related party	Yes	273,000	264,200	-	0.58%	2	-	Working capital				1,076,009	4,304,036
9	SSBV	MEMC Korea	Loan receivable – related party	Yes	1,253,800	-	-	7%	2	-	Working capital	-	-	-	1,190,400	1,190,400
9	SSBV	MEMC SpA	Loan receivable – related party	Yes	263,104	-	-	-	2	-	Working capital	-	-	-	260,758	260,758
9	SSBV	SSL	Loan receivable – related party	Yes	3,604,675	-	-	7%	2	-	Working capital	-	-	-	3,422,400	3,422,400
10	MEMC SpA	SSL	Loan receivable – related party	Yes	2,799,420	2,774,460	2,167,982	3.64%	2	-	Working capital	-	-	-	2,774,460	2,774,460
11	Taisil	MEMC Ipoh	Loan receivable – related party	Yes	1,567,250	-	-	3%	2	-	Working capital	-	-	-	5,929,569	5,929,569
11	Taisil	SSL	Loan receivable – related party	Yes	12,538,000	-	-	2%	2	-	Working capital	-	-	-	5,929,569	5,929,569
11	Taisil	SSL	Loan receivable – related party	Yes	3,057,210	-	-	2%	2	-	Working capital	-	-	-	5,929,569	5,929,569
11	Taisil	SSL	Loan receivable – related party	Yes	5,700,000	5,700,000	5,700,000	1.5%	2	-	Working capital	-	-	-	5,929,569	5,929,569
12	GTI	SunEdison LLC	Loan receivable – related	Yes	699,660	684,480	-	2.9%	2	-	Working capital	-	-	-	1,465,224	1,465,224

No.	Lending company	Borrower	Inter account	A related party or not	Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
													Name	Value		
12	GTI	SunEdison LLC	party Loan receivable – related party	Yes	91,260	89,280	-	2.9%	2	-	Working capital	-	-	-	1,465,224	1,465,224

Note 1: The entry method for the loaning of funds is as follows:

- (1) “1” stands for those who had conducted business transactions with the company;
- (2) “2” stands for where there was need for a short-term loan;

Note 2: For the loaning of funds to a business counterpart, the individual loan amount is limited to the transaction amount conducted between the two parties within the year. For the loaning of funds to a company with the need of short-term financing, the individual loan amount is limited to 10% of the net worth of the lender. For the loaning of funds between the lender and a foreign company with 100% voting rights held directly and indirectly by the lender, the individual loan amount is limited to 20% of the net worth of the lender.

Note 3: For the loaning of funds to a business counterpart, the total loan amount is limited to 40% of the net worth of the lender. For the loaning of funds to a company with the need of short-term financing, the total loan amount is limited to 40% of the net worth of the lender. Except Aleo Sola for the loaning of funds between the lender and a foreign company with 100% voting rights held directly and indirectly by the lender, the total loan amount is limited to 40% of the net worth of the lender. Aleo Sola for the loaning of funds between the lender and a foreign company with 100%.

Sino-American Silicon Products Inc. and its subsidiaries
Endorsement and guarantee for others:
From January 1 to December 31, 2017

Attachment II

Unit: NT\$ Thousand

No.	Endorsing company	Endorsed company		Endorsement limit to a single company	Maximum endorsement and guarantee balance this period	Endorsement balance at end of period	Amount of actual disbursement	Endorsement and guarantee with assets as collateral	Ratio of accumulated endorsement and guarantee of the net worth on the most recent financial statement	Maximum amount for guarantee	Endorsement and guarantee by the parent company to its subsidiaries	Endorsement and guarantee by the subsidiaries to parent company	Endorsement and guarantee to companies in Mainland China.
		Company Name	Relationship										
0	Sino-American Silicon Products Inc.	SAS Sunrise Inc.	Transfer investment company of Sino-American Silicon Products Inc.	27,140,872	322,500 (USD10,000)	238,080 (USD8,000)	157,728 (USD5,300)	-	0.88%	27,140,872	Y	N	N
0	Sino-American Silicon Products Inc.	SAS Sunrise Pte. Ltd.	Ditto	27,140,872	1,290,000 (USD40,000)	595,200 (USD40,000)	-	-	2.19%	27,140,872	Y	N	N
0	Sino-American Silicon Products Inc.	Sulu	Ditto		1,483,500 (USD46,000)	1,368,960 (USD46,000)	1,106,239 (USD37,172)	-	5.04%			N	N
0	Sino-American Silicon Products Inc.	Aleo Solar	Ditto	27,140,872	717,800 (EUR20,000)	-	-	-	-	27,140,872	Y	N	N
0	Sino-American Silicon Products Inc.	SPW	Ditto	27,140,872	1,000,000	200,000	1,150	-	0.74%	27,140,872	Y	N	N
0	Sino-American Silicon Products Inc.	SPW & its subsidiaries	Ditto	27,140,872	1,500,000	1,500,000	-	-	5.50%	27,140,872	Y	N	N
1	Globalwafers Co., Ltd.	GWJ	Ditto	34,045,928	275,600	264,200	-	-	0.78%	102,137,784	Y	N	N
1	Globalwafers Co., Ltd.	SSBV	Ditto	34,045,928	6,269,000	-	-	-	-	102,137,784	Y	N	N

No.	Endorsing company	Endorsed company		Endorsement limit to a single company	Maximum endorsement and guarantee balance this period	Endorsement balance at end of period	Amount of actual disbursement	Endorsement and guarantee with assets as collateral	Ratio of accumulated endorsement and guarantee of the net worth on the most recent financial statement	Maximum amount for guarantee	Endorsement and guarantee by the parent company to its subsidiaries	Endorsement and guarantee by the subsidiaries to parent company	Endorsement and guarantee to companies in Mainland China.
		Company Name	Relationship										
1	Globalwafers Co., Ltd.	SunEdison LLC	Ditto	34,045,928	456,300	446,400	97,750	-	1.31%	102,137,784	Y	N	N
1	Globalwafers Co., Ltd.	Taisil	Ditto	34,045,928	200,000	200,000	-	-	0.59%	102,137,784	Y	N	N
1	Globalwafers Co., Ltd.	Taisil	Ditto	34,045,928	1,815,600	1,785,600	-	-	5.24%	102,137,784	Y	N	N
1	Globalwafers Co., Ltd.	MEMC Korea	Ditto	34,045,928	756,500	744,000	-	-	2.19%	102,137,784	Y	N	N
1	Globalwafers Co., Ltd.	SSL	Ditto	34,045,928	1,815,600	1,785,600	595,200	-	5.24%	102,137,784	Y	N	N
1	Globalwafers Co., Ltd.	Topsil A/S	Ditto	34,045,928	120,500	119,500	-	-	0.35%	102,137,784	Y	N	N
2	GWJ	Globalwafers Co., Ltd.	Ditto	53,800,453	6,084,000	-	-	-	-	53,800,453	N	Y	N
3	GTI	Globalwafers Co., Ltd.	Ditto	18,202,800	6,084,000	-	-	-	-	18,202,800	N	Y	N
4	GWafers Singapore	Globalwafers Co., Ltd.	Ditto	78,042,300	6,084,000	-	-	-	-	78,042,300	N	Y	N

Sino-American Silicon Products Inc. and its subsidiaries
Marketable securities held at end of period
(not including subsidiary invested, affiliated companies and the jointly controlling portion)
December 31, 2017

Attachment III

Unit: NT\$ Thousand /Thousand shares; thousand units

Companies owned	Type and names of marketable securities	Affiliation with marketable security issuers	Account titles	Ended				Remarks
				Number of shares	Carrying Amount	Shareholding ratio	Fair value	
Sino-American Silicon Products Inc.	Corporate bonds of CWT	Affiliated enterprises	Held to maturity financial assets - non-current	280	<u>281,366</u>	-	289,080	
Sino-American Silicon Products Inc.	Stock of Solartech Energy Corp.	Sino-American Silicon Products Inc. is the management of Solartech Energy Corp.	Financial assets in available-for-sale — non-current	29,480	439,258	7.94%	439,258	
Sino-American Silicon Products Inc.	Stock of Actron Technology Corporation	Chairman of the company is also the Chairman of Sino-American Silicon Products Inc.	- Ditto -	2,129	<u>245,936</u>	2.84%	245,936	
					<u>685,194</u>			
Sino-American Silicon Products Inc.	Stock of SONGLONG ELECTRONICS CO., LTD.	-	Financial assets measured at costs - non current	221	-	13.81%	-	
Sino-American Silicon Products Inc.	Stock of Giga Epitaxy Technology Corp.	-	- Ditto -	1,100	4,458	1.52%	-	
Sino-American Silicon Products Inc.	Stock of 21-Century Silicon Inc	-	- Ditto -	1,000	-	7.74%	-	
Sino-American Silicon Products Inc.	Stock of Powertec Energy Corp.	-	- Ditto -	87,895	294,182	3.94%	-	
Sino-American Silicon Products Inc.	Stock of Sunshine PV Corp.	-	- Ditto -	3,399	-	4.98%	-	

Companies owned	Type and names of marketable securities	Affiliation with marketable security issuers	Account titles	Ended				Remarks
				Number of shares	Carrying Amount	Shareholding ratio	Fair value	
SSTI	Stock of SILFAB SPA	-	- Ditto -	300	489,645	15.20%	-	
SSTI	Stock of Clean Venture 21 Corporation	-	- Ditto -	10		7.20%	-	
Globalwafers Co., Ltd.	CDIB Capital Growth Partners L.P.	-	- Ditto -	-	49,896			
					<u>838,181</u>			

Sino-American Silicon Products Inc. and its subsidiaries
The cumulative purchase or sale of the same marketable security for an amount
over NT\$300 million or 20% of the paid-in capital
From January 1 to December 31, 2017

Attachment IV

Unit: NT\$ Thousand / Thousand shares

Companies in the purchase and sale activities	Type and names of marketable securities	Account titles	Counter party	Relationship	Beginning		Bought		Sold				End of Period	
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying cost	Disposition gain or loss	Shares	Amount
Sino-American Silicon Products Inc.	Stock of CSR	Long-term investments (Equity method)	-	-	100	1,000	44,900	44,900	-	-	-	-	45,000	453,708
SSBV	Stock of Taisil	Long-term investments (Equity method)	Globalwafers Co., Ltd.	Parent company	252,770	11,142,092	-	-	252,770	-	11,142,092	-	-	-
SSHBV	Stock of Taisil	Long-term investments (Equity method)	Globalwafers Co., Ltd.	Parent company	207,046	9,116,257	-	-	207,046	-	9,116,257	-	-	-
SSBV	Stock of SunEdison LLC	Long-term investments (Equity method)	-	-	-	3,371,238	-	4,710,145	-	-	4,309,918	-	-	3,771,465
SSBV	Stock of MEMC Japan	Long-term investments (Equity method)	GWJ	Parent company	-	220,989	-	-	-	-	220,989	-	-	-
SSL	Stocks of SSBV	Long-term investments (Equity method)	-	-	-	30,288,122	-	4,710,145	-	-	15,896,477	-	-	19,101,790

Note 1. It includes equity investment gains and losses recognized currently and cumulative translation adjustment.

Note 2. The transactions were for the reorganization of the group, which have no impact on the consolidated profit and loss of the combined company.

Note 3. It is include reduction of capital and organization restructured.

Sino-American Silicon Products Inc. and its subsidiaries
Purchases or sales with related parties amounting to over NT\$100 million or 20% of the paid-in capital
From January 1 to December 31, 2017

Attachment V

Unit: NT\$ Thousand

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
Sino-American Silicon Products Inc.	Solartech Energy Corp.	Sino-American Silicon Products Inc. is the management of Solartech Energy Corp.	Sales	(927,897)	(8%)	Net 45 days	-	-	40,199	2%	
Aleo Sunrise	Sino-American Silicon Products Inc.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	519,658	8%	Net 90 days	-	-	(127,241)	(14)%	
Aleo Solar	Sino-American Silicon Products Inc.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	807,771	8%	Net 90 days	-	-	(148,200)	(22)%	
Aleo Solar	Aleo Sunrise	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	215,137	10%	Net 90 days			(10,614)	(5)%	
Aleo Solar	Aleo Solar	Subsidiaries	Sales	294,957	13%	Net 90 days			79,129	49%	

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
	Distribuzione Italia S.r.l	directly held by Sino-American Silicon Products Inc.									
Globalwafers Co., Ltd.	Sino-American Silicon Products Inc.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	176,922	2%	O/A 60 days	-	-	(47,772)	2%	
Globalwafers Co., Ltd.	GTI	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	1345,536	12%	O/A 60 days	-	-	(238,306)	10%	
Globalwafers Co., Ltd.	KUNSHAN SINO SILICON TECHNOLOGY CO., LTD.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	2,015,251	18%	O/A 60 days	-	-	(416,123)	17%	
Globalwafers Co., Ltd.	GWJ	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	5,986,763	53%	O/A 60 days	-	-	(1,497,896)	62%	
Globalwafers Co., Ltd.	Topsil A/S	Subsidiaries directly held by	Purchase	254,750	2%	O/A 60 days	-	-	(59,400)	2%	

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
		Sino-America n Silicon Products Inc.									
GTI	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-America n Silicon Products Inc.	Purchase	2,829,792	30%	O/A 45 days	-	-	(346,455)	14%	
Kunshan sino silicon technology Co., Ltd.	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-America n Silicon Products Inc.	Purchase	1,077,387	12%	O/A 30 days	-	-	(85,364)	3%	
GWJ	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-America n Silicon Products Inc.	Purchase	1,255,481	14%	O/A 90 days	-	-	(376,074)	15%	
Actron Technology Corporation	Globalwafers Co., Ltd.	Chairman of the company is also the Chairman of Sino-America n Silicon Products Inc.	Purchase	267,928	3%	O/A 60 days	-	-	(71,578)	3%	
Topsil A/S	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-America	Purchase	126,707	1%	O/A 60 days			(38,391)	2%	

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
		n Silicon Products Inc.									
SSL	SunEdison LLC	Subsidiaries directly held by Sino-American Silicon Products Inc.	Sales	(1,637,534)	(9%)	O/A 60 days	-	-	650,976	25%	
SSL	MEMC Sdn Bhd	Subsidiaries directly held by Sino	Purchase	1,911,585	11%	O/A 60 days	-	-	(311,647)	12%	
SSL	MEMC Sdn Bhd	Subsidiaries directly held by Sino	Sales	(774,728)	(4%)	O/A 60 days	-	-	136,761	5%	
SSL	MEMC SpA	Subsidiaries directly held by Sino	Purchase	2,837,957	17%	O/A 60 days	-	-	(454,198)	20%	
SSL	MEMC SpA	Subsidiaries directly held by Sino	Sales	(2,743,611)	(15%)	O/A 60 days	-	-	368,324	14%	
SSL	MEMC Korea	Subsidiaries directly held	Purchase	1,842,1502	11%	O/A 60 days	-	-	(279,425)	10%	

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
		by Sino									
SSL	MEMC Japan	Subsidiaries directly held by Sino	Purchase	4,400,657	26%	O/A 60 days	-	-	(630,727)	23%	
SSL	MEMC Japan	Subsidiaries directly held by Sino	Sales	(1,651,275)	(9%)	O/A 60 days	-	-	223,682	9%	
SSL	Taisil	Subsidiaries directly held by Sino	Purchase	5,117,966	31%	O/A 60 days	-	-	(809,812)	30%	
SSL	Taisil	Subsidiaries directly held by Sino	Sales	(221,870)	(1%)	O/A 60 days	-	-	5,221	0%	
Taisil	GWJ	Subsidiaries directly held by Sino	Purchase	221,558	6%	O/A 30 days	-	-	(31,259)4%		

Note: Sino-American Silicon Products Inc sells directly to the related parties. As the sales are deemed as inventory transfer, the sales revenues and related costs are offset in the financial reports and not deemed as sales and costs of Sino-American Silicon Products Inc.

Sino-American Silicon Products Inc. and its subsidiaries
Receivables from related parties for an amount over NT\$100 million or 20% of the paid-in capita

December 31, 2017

Attachment VI

Unit: NT\$ Thousand

Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with mount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
Sino-American Silicon Products Inc.	Aleo Solar	Subsidiaries directly held by Sino-American Silicon Products Inc	148,200	5.09	-	-	45,923	-
Sino-American Silicon Products Inc.	Aleo Solar	Subsidiaries directly held by Sino-American Silicon Products Inc	285,243	Note2	-	-	-	-
Sino-American Silicon Products Inc.	Aleo Sunrise	Subsidiaries directly held by Sino-American Silicon Products Inc	127,241	3.09	-	-	24,304	-
Sino-American Silicon Products Inc.	Sulu	Subsidiaries directly held by Sino-American Silicon Products Inc	662,471	Note2	-	-	-	-
Sino-American Silicon Products Inc.	SPV5	Subsidiaries directly held by Sino-American Silicon Products Inc	184,165	Note2	-	-	-	-
SSTI	AMLED	Subsidiaries directly held by Sino-American Silicon Products Inc	200,990	Note2	-	-	-	-
SAS Sunrise Inc.	Sulu	Subsidiaries directly held by Sino-American Silicon Products Inc	183,076	Note2	-	-	-	-
Sulu	AMLED	Subsidiaries directly held by Sino-American Silicon Products Inc	114,880	Note2	-	-	-	-
Aleo Solar	Aleo Sunrise	Subsidiaries directly held by Sino-American Silicon Products Inc	288,832	Note2	-	-	-	-

Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with mount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
Globalwafers Co., Ltd.	GTI	Subsidiaries directly held by Sino-American Silicon Products Inc	346,455	6.1	-	-	346,455	-
Globalwafers Co., Ltd.	GWJ	Subsidiaries directly held by Sino-American Silicon Products Inc	376,074	4.3	-	-	215,810	-
Taisil	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	5,700,000	Note2	-	-	-	
GTI	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	238,306	7.6	-	-	238,306	-
Kunshan sino silicon technology Co., Ltd.	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	416,123	5.5	-	-	329,303	-
GWJ	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	1,497,896	4.6	-	-	900,658	-
GWJ	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	792,600	Note 2	-	-	-	-
SSL	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	136,761	44.32	-	-	136,761	-
SSL	MEMC Japan	Subsidiaries directly held by Sino-American Silicon Products Inc	223,682	38.32	-	-	223,682	-
SSL	MEMC Korea	Subsidiaries directly held by Sino-American Silicon Products Inc	368,324	33.09	-	-	368,324	-
SSL	Taisil	Subsidiaries directly held by Sino-American Silicon Products Inc	650,976	6.2	-	-	233,883	-
MEMC Sdn Bhd	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	311,647	6.94	-	-	311,647	-
MEMC SpA	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	454,198	8.46	-	-	454,198	-

Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with mount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
MEMC SpA	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	2,167,982	Note 2	-	-	-	-
MEMC Korea	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	279,425	2.92	-	-	279,425	-
MEMC Japan	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	630,727	6.8	-	-	630,727	-
SunEdison LLC	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	100,472	6.24	-	-	76,896	-
Taisil	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	809,812	5.28	-	-	367,066	-

Sino-American Silicon Products Inc. and its subsidiaries
Reinvestment information (not including investments in Mainland China)
From January 1 to December 31, 2017

Attachment VII

Unit: NT\$ Thousand / Thousand shares

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
Sino-American Silicon Products Inc.	SSTI	British Virgin Islands	The holding company of Sino-American Silicon Products Inc. for overseas investments	1,425,603 (USD45,255)	1,425,603 (USD45,255)	48,526	100.00%	1,058,142	26,198	26,198	subsidiary (Note 1)
Sino-American Silicon Products Inc.	Globalwafers Co., Ltd.	Taiwan	Semiconductor silicon wafer materials and components manufacturing and trade	8,864,946	8,864,946	222,293	50.84%	17,308,960	5,274,723	2,714,329	subsidiary
Sino-American Silicon Products Inc.	Crystalwise Technology Inc.	Taiwan	Optical wafer and substrate manufacturing and trade	2,010,843	2,010,843	84,848	40.11%	849,211	(631,125)	(258,295)	Affiliated enterprises (Note 3)
Sino-American Silicon Products Inc.	Sino-American Materials Co., Ltd.	Taiwan	EVA film for solar modules manufacturing and sale	90,000	90,000	9,000	90.00%	4,958	(34,322)	(30,890)	subsidiary
Sino-American Silicon Products Inc.	Accu Solar Corporation	Taiwan	Solar cell module manufacturing	112,193	112,193	7,452	24.70%	73,176	(10,771)	(4,075)	Other person
Sino-American Silicon Products Inc.	Aleo Solar	Prenzlau	Solar cell manufacturing and sale and wholesale of electronic	558,139 (EUR13,500)	558,139 (EUR13,500)	Note 2	100.00%	355,393	(54,502)	(54,502)	subsidiary (Note 3)
Sino-American Silicon Products Inc.	SAS Sunrise Inc.	Cayman	Reinvestments in various businesses	794,373 (USD24,500)	794,373 (USD24,500)	24,500	100.00%	638,441	(128,839)	(128,839)	subsidiary
Sino-American Silicon Products Inc.	SPW	Taiwan	Power generating business	300,000	5,000	30,000	100.00%	300,944	7,598	7,598	subsidiary

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
Sino-American Silicon Products Inc.	CSR	Taiwan	Power generating business	450,000	450,000	45,000	30.00%	453,708	12,362	3,708	Other person
SPW	SPV1	Taiwan	Power generating business	2,000	-	-	-	-	(643)	-	-
SPW	SPVE2	Taiwan	Power generating business	30,000	-	3,000	100.00%	29,610	-390		sub-subsidiary (company)
SPW	SPV2	Taiwan	Power generating business	15,000	-	1,500	100.00%	14,985	(15)		sub-subsidiary (company)
SPW	SPV3	Taiwan	Power generating business	15,000	-	1,500	100.00%	14,901	(99)		sub-subsidiary (company)
SPW	SPV4	Taiwan	Power generating business	100,000	-	10,000	100.00%	99,960	(40)		sub-subsidiary (company)
SPW	SPV5	Taiwan	Power generating business	65,000	-	6,500	100.00%	65,000	683		sub-subsidiary (company)
SAS Sunrise Inc.	SAS Sunrise Pte. Ltd.	Singapore	Reinvestments in various businesses	719,292 (USD22,000)	719,292 (USD22,000)	30,934	100.00%	643,918	(71,665)	-	sub-subsidiary (company)
SAS Sunrise Pte. Ltd.	AMLED	Philippines	Reinvestments in various businesses	-	-	-	-	-	-	-	sub-subsidiary (company) (Note 4)
SAS Sunrise Pte. Ltd.	Sulu	Philippines	Power generating business	440,667 (USD13,435)	440,667 (USD13,435)	420,000	40.00%	345,587	(128,770)	-	sub-subsidiary (company)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
AMLED	Sulu	Philippines	Power generating business	297,229 (USD9,065)	297,229 (USD9,065)	472,500	45.00%	244,025	(128,770)	-	sub-subsidiary (company)
Aleo Solar	Aleo Solar Distribuzione Italia S.r.l	Italy	Solar cell manufacturing and sale and wholesale of electronic	4,078 (EUR100)	4,078 (EUR100)	(Note 2)	100.00%	3,557	653	-	sub-subsidiary (company)
Aleo Solar	Aleo Sunrise	Germany	Solar cell manufacturing and sale and wholesale of electronic	91,250 (EUR2,500)	863 (EUR25)	(Note 2)	100.00%	(91,326)	(41,676)	-	sub-subsidiary (company)
Globalwafers Co.	GWI	Cayman	Reinvestments in various businesses	2,241,668 (USD73,423)	2,241,668 (USD73,423)	90,000	100.00%	36,40,560	382,689	-	sub-subsidiary (company)
Globalwafers Co.	GSI	Cayman	Reinvestments in various businesses	756,809 (USD26,555)	756,809 (USD26,555)	25,000	100.00%	1,060,748	131,351	-	sub-subsidiary (company)
Globalwafers Co.	GWafers	Japan	Reinvestments in various businesses	5,448,015 (JPY13,827,513)	5,448,015 (JPY13,827,513)	(Note 2)	100.00%	10,844,140	1,815,730	-	sub-subsidiary (company)
Globalwafers Co.	GWafers Singapore	Singapore	Reinvestments in various businesses	11,966,930 (USD364,000)	17,504,000 (USD550,000)	760,00	100.00%	14,096,786	2,232,125	-	sub-subsidiary (company)
Globalwafers Co.	Topsil A/S	Denmark	Semiconductor Silicon Wafer Manufacturing and Trading	(Note 5)	(Note 5)	1,000	100.00%	1,761,074	(41,542)	-	sub-subsidiary (company) (Note 3)
Globalwafers Co.	HONG-WAN G Investment Co., Ltd.	Taiwan	Reinvestments in various businesses	200,000	-	312	24.38%	318,622	5,959		Other person
Globalwafers Co.	Taisil	Taiwan	Semiconductor silicon wafer manufacturing and sales	14,502,885	-	9,998	99.98%	14,821,368	692,772		sub-subsidiary (company) (Note 3)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
GWl	GTl	Texas	Epitaxial silicon wafer production and epitaxial OEM and other trade	2,241,668 (USD73,423)	2,241,668 (USD73,423)	1	100.00%	3,640,560	382,689	-	sub-subsidiary (company) (Note 3、7)
GWafers	GWJ	Japan	Semiconductor Silicon Wafer Manufacturing and Trading	5,484,300 (JPY13,142,798)	5,484,300 (JPY13,142,798)	128	100.00%	10,760,091	1,737,325	-	sub-subsidiary (company) (Note 7)
GWJ	MEMC Japan	Japan	Semiconductor silicon wafer manufacturing and sales	(Note 6)	(Note 6)	-	100.00%	1,550,680	86,870		sub-subsidiary (company) (Note 7)
Topsil A/S	Topsil PL	Poland	Semiconductor Silicon Wafer Manufacturing and Trading	(Note 5)	-	1	100.00%	(53,504)	(7,116)	-	sub-subsidiary (company) (Note 7)
GWafers Singapore	SSL	Singapore	Investment, marketing and trading business	17,451,233	17,451,233	42,392	100.00%	15,565,827	3,731,256	-	sub-subsidiary (company) (Note 3、7)
SSL	SSBV	Netherlands	Reinvestments in various businesses	(Note 6)	-	0.1	100.00%	19,101,704	3,417,343	-	sub-subsidiary (company) (Note 7)
SSL	SST	Singapore	Reinvestments in various businesses	(Note 6)	-	0.001	100.00%	-	-	-	sub-subsidiary (company) (Note 7)
SSBV	MEMC Japan	Japan	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	-	100.00%	-	188,587	-	sub-subsidiary (company) (Note 7)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
SSBV	MEMC SpA	Italy	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	65,000	100.00%	9,736,057	836,999	-	sub-subsidiary (company (Note 7))
MEMC SpA	MEMC SarL	France	Trading business	(Note 6)	-	0.5	100.00%	(609)	638	-	sub-subsidiary (company (Note 7))
MEMC SpA	MEMC GmbH	Germany	Trading business	(Note 6)	-	0.002	100.00%	5,202	515	-	sub-subsidiary (company (Note 7))
MEMC SpA	MEMC BV	Netherlands	Reinvestments in various businesses	(Note 6)	-	0.2	100.00%	2,772,632	474,492	-	sub-subsidiary (company (Note 7))
MEMC BV	MEMC Korea	Korea	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	6,880	40.00%	2,770,053	1,183,867	-	sub-subsidiary (company (Note 7))
SSBV	MEMC Korea	Korea	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	10,320	60.00%	4,155,079	1,183,867	-	sub-subsidiary (company (Note 7))
SSBV	SunEdison LLC	United States	Semiconductor silicon wafer R & D, manufacturing and sales	(Note 6)	-	1	100.00%	3,771,448	(944,278)	-	sub-subsidiary (company (Note 7))
SSBV	MEMC Sdn Bhd	Malaysia	Semiconductor silicon wafer R & D, manufacturing and sales	(Note 6)	-	1,036	100.00%	791,972	79,278	-	sub-subsidiary (company (Note 7))
SSBV	SSH BV	Netherlands	Reinvestments in	(Note 6)	-	-	-	-	422,307	-	sub-

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
			various businesses								subsidiary (company (Note 7))
SSBV	Taisil	Taiwan	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	-	-	-	977,443	-	sub-subsidiary (company (Note 7))
SSHBV	Taisil	Taiwan	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	-	-	-	977,443	-	sub-subsidiary (company (Note 7))
SSHBV	MEMC Ipoh	Malaysia	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	699,374	100.00%	247,283	23,223	-	sub-subsidiary (company (Note 7))

Note 1: The initial investment amount does not include capitalization from earnings.

Note 2: It is a Limited Company

Note 3: The recognition of investment gains and losses includes investment cost and the amortization amount of the net equity acquired.

Note 4: even the merged company does not hold any equity interest in AMLED, per the agreed terms signed it may control the finance and strategy of this company and obtain all interests derived from its operations and net assets. As a consequence AMLED is deemed as a subsidiary of the Company.

Note 5: Merger of the current acquisition of the company Topsil A/S and Topsil PL, total investment amount 1,964,069 thousand (DKK407,600 thousand) °

Note 6: Acquisition of the company SSL and its subsidiaries, total investment amount 17,451,233 thousand (USD546,975 thousand) °

Note 7: All of them are indirectly held by Global Wafer, in which MEMC JAPAN and Taisil were transferred from SSBV and SSHBV to GWJ and Global Wafer respectively in 2017/10.

Note 8: The above related transactions have been written off when preparing the consolidated financial report.

Sino-American Silicon Products Inc. and its subsidiaries
The overview of the investments in Mainland China and the limitations of the investments in Mainland China
From January 1 to December 31, 2017

Attachment XIII

(I) Information of investments in Mainland China

Unit: NT\$ Thousand

Names of investees in Mainland China	Main Business	Paid-in Capital	Investment Method	The cumulative amount of investment remitted from Taiwan as of the period began	Current remitted or recovered amount of investment		The cumulative amount of investment remitted from Taiwan as of the period began	Net income (loss) of the invested company	The shareholding ratio of Sino-American Silicon Products Inc. in the direct or indirect investments	Investment Profit or Loss for Current Period (Note 4)	Ending investment carrying amount	The investment income received as of the current period
					outbound remittance	Recovered						
KUNSHAN SINO SILICON TECHNOLOGY CO., LTD.	Silicon rods and silicon wafer processing and trade	769,177 (Note7)	(Note1)	713,300 (USD21,729)	-	-	713,300 (USD21,729)	120,249	100%	120,249	1,018,559	-
SunEdison Shanghai	Trading business	7,527 (RMB1,500)	(Note2)	(Note2)	-	-	(Note2)	39	100%	39	9,382	-
Shanghai Ge Luohe	Sales and marketing business	9,756 (RMB2,000)	(Note3)	-	-	-	-	6,370	60%	3,822	8,886	-

(II) The limitations of reinvestments in Mainland China

By company	The cumulative amount of investment remitted from Taiwan to Mainland China as of the period ended	Investment amount approved by the Investment Commission MOEAIC	Investment amount approved by the Investment Commission MOEAIC
Globalwafers Co., Ltd.	713,300 (USD21,729)	818,233 (USD25,000)(Note5)	20,432,644 (Note6)

Note 1: Investments in China through GSI

Note 2: Investments in China through SSBV

Note 3: Shanghai Ge Luohe Department through the Kunshan Zhongcheng its own funds to set up investment, no money from Taiwan, it is not included in the investment limit calculation.

Note 4: Investment gains and losses are recognized in accordance with the audited financial statements.

Note 5: Converted in accordance with the historical exchange rates.

Note 6: It is calculated by having the 60% limit stipulated in the “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China” by the Investment Commission MOEA on August 29, 2008 multiplied by the net worth of Globalwafers Co., Ltd. on December 31, 2017.

Note 7: It included capitalization from earnings.