EPISTAR

EPISTAR CORPORATION
2017 Annual General Shareholders' Meeting
MINUTES
(Translation)

Time：9:00 a.m., Wednesday, June 21, 2017

Place: Conference Room 101, Association of Industries in Hsinchu Science Park, No.2, Zhanye 1st Rd., Hsinchu City 300, Taiwan (R.O.C.).

Attendants: All shareholders and their proxy holders, representing 768,368,348 shares (amongst them, 374,805,145 shares voted via electronic transmission), or 72.07% of the total 1,066,136,655 outstanding shares (25,412,535 non-voting shares have been deducted according to the second paragraph of Section 179 in Company Act).

Board Members Present: Biing-Jye Lee, Ming-Jiunn Jou, Chih-Yuan Chen, Nan Yang Wu, Wei-Min Sheng and Feng-Shang Wu.

Attendees: Fang-Yu Wen CPA of PricewaterhouseCoopers, Taiwan, Li, Lin- Cheng Attorney of Lee Hsu & Wang Attorney-at-Law

Chairperson: Biing-Jye Lee Chairman Minute Recorder: Belle Lu

Ⅰ. Chairman announced commencement.

Ⅱ. Chairman's Address (omitted)

Ⅲ. Report Items

(1) The 2016 Business Report. (see Attachment 1)
(Acknowledged)

(2) Audit committee's report of 2016 audited financial report. (see Attachment 2)
(Acknowledged)

(3) Implementation Report on the Issuance of the Common Stocks through Private Placement which Approved by the 2016 Annual General Shareholders' Meeting.
Explanation：
Capital injection by issuance of 165 million shares of common stocks through private placement had been terminated by the resolution of the Board of directors meeting on 3 May 2017 due to lack of qualified strategic investor can be found before the expiry date at 16 June 2017.
(Acknowledged)

(4) The Implementation report of the simple merge between the Company and its subsidiaries HUGA Optotech Inc. & Formosa Epitaxy Incorporation.

Explanation：

A. Approved by each of the Board of director's meeting of Epistar Corporation, Huga Optotech Inc and Formosa Epitaxy Incorporation at 23 June, 2016 and pursuant to article 19 of Business Mergers And Acquisitions Act, Epistar corporation had conducted a simple merger with both HUGA Optotech Inc. & Formosa Epitaxy Incorporation. Epistar corporation is existing company after merger process completed with the same new name of "Epistar corporation". The merger record date is on September 29, 2016.

B. The purpose of the M&A is to enhance synergy within Group and would not impact the rights of Shareholders.

(Acknowledged)

(5) Status of Endorsements and Guarantees as of the End of 2016.

Explanation:

A. The Company provided endorsements and guarantees for the finance of its wholly owned subsidiary, Episky Corporation (Xiamen) Ltd. The balance of endorsements and guarantees amounted to US$53,000,000 and RMB$40,000,000 as of December 31, 2016.

B. The Company provided endorsements and guarantees for the finance of its 63.53% owned subsidiary, Jiangsu Canyang Optoelectronics Ltd. The balance of endorsements and guarantees amounted to US$28,000,000 as of December 31, 2016.

(Acknowledged)

Ⅳ. Approval Items

(1) Adoption of the 2016 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Explanation:

A. The 2016 Business Report and Financial Statements were approved by the March 16, 2017 Board of Directors' Meeting and reviewed by the Audit Committee. The Audit Committee's report was issued accordingly.

B. The 2016 Business Report, Audit Report from the Certified Public Accountant (CPA) and Financial Statements are attached hereto as Attachments 1 and 3.

C. Please accept the above-mentioned Business Report and Financial Statements.

Voting Results:

Shares represented at the time of voting: 768,595,692

Voting Results		% of the total represented share present
Votes in favor:	690,943,296 votes (297,425,399 votes)	89.90%
Votes against:	89,913 votes (89,913 votes)	0.01%

Voting Results		% of the total represented share present
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	77,562,483 votes (77,289,833 votes)	10.09%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(2) Proposal for 2016 Deficit Compensation.

(Proposed by the Board of Directors)

Explanation:

A. The 2016 net loss after tax was approximately NT$ 3,546,045 thousand. The Deficit Compensation Statement is attached hereto as Attachment 4.

B. Please accept the above-mentioned Loss Allocation Proposal.

Voting Results:

Shares represented at the time of voting: 768,595,692

Voting Results		% of the total represented share present
Votes in favor:	693,029,832 votes (299,511,935 votes)	90.17%
Votes against:	69,686 votes (69,686 votes)	0.01%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	75,496,174 votes (75,223,524 votes)	9.82%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

V. Discussion Items

(1) To approve issuance of new common shares for cash to sponsor issuance of the global depositary receipt and/or issuance of new common shares for cash in private placement. (Proposed by the Board of Directors)

Explanation:

A. Because the issuance of new common shares for cash to sponsor DR Offering and/or Issue Private Placement Shares which are approved by Annual General Meeting convened on 17 June 2016 are not executed within 12 months from the date of approval on the last Annual General Meeting, the plan of fundraising is canceled. The Company proposes the plan of fundraising to be approved at Annual General Meeting on 2017.

B. In order to purchase machines and equipment, repay outstanding convertible bonds and/or bank loans, enrich working capital, have sound financial structure and/or finance the Company's long term development plans, the Company plans to introduce strategic investors and diversify its fund-raising channels so as to achieve financial flexibility, by taking into account the capital market condition, timeliness and feasibility of fundraising, issuance cost, and/or the development of the Company. It is hereby proposed at the shareholders' meeting to authorize the Board of Directors ("Board"), within the limit of 165,000,000 common shares in total, depending on the market conditions and the Company's capital needs, to choose appropriate timing and fund raising method(s):

Ⅰ. To issue new common shares for cash to sponsor DR Offering and/or

Ⅱ. To issue Private Placement Shares

The number of 165,000,000 common shares represents 15.12% of the total issued shares and 13.13% of the enlarged share capital.

C. If the method of issuing new common shares for cash to sponsor DR Offering is adopted:

Ⅰ. It will be proposed at the shareholders' meeting to authorize the Board, within the limit of 165,000,000 common shares, depending on the market conditions, to choose appropriate timing and fund raising method(s), to issue new commons shares for cash to sponsor DR Offering and/or issue Private Placement Shares.

Ⅱ. Except for 10% of the new common shares which shall be allocated for the employees' subscription in accordance with the applicable law, it is proposed at the shareholders' meeting to approve the waiver of current shareholders' rights on subscribing the remaining shares and such remaining shares will be offered to the public under Article 28-1 of the Securities and Exchange Law as the underlying shares of the global depositary shares to be sold in the DR Offering. Any new common shares not subscribed by employees of the Company shall be determined by the Chairman, depending on the market needs, to be allocated as underlying shares of the global depositary shares or to be subscribed by the designated person(s).

Ⅲ. The actual issue price of the new common shares for cash to sponsor DR Offering will be decided in accordance with the relevant provisions of the Chinese Securities Association Regulations Governing Underwriters' assistance in Offering and Issuance of Securities by Issuing Companies. The price shall not be less than 90% of the reference price (The average of the closing price of the Company's common shares for either 1, 3 or 5 consecutive trading days prior to the pricing date after adjustment for bonus shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends). If the relevant domestic laws and regulations are changed, the pricing mechanism will be adjusted accordingly. In view of the fluctuant share prices in the domestic stock market, the actual issue price of the common shares in accordance with the preceding set mode, will be determined by the chairman by taking reference to international practice, international capital markets, the domestic market price and the purchase situation summary circle etc., and by discussion with the underwriters.

Ⅳ. The common stock issuance through new commons shares for cash to sponsor DR Offering and/or Private Placement Shares are planned to be no more than 165,000,000 shares. If the new common share issuance for cash to sponsor DR Offering and/or Private Placement Shares is conducted, the maximum of issued shares will amount for 13.13% of the enlarged share capital. The share issuance is expected to improve the Company's competitiveness which will then increase shareholders' value. Because the issue price of the new common shares will be decided with reference to fair market value of the common shares in the form of centralized domestic market as the basis, the existing shareholders will be able to purchase common shares in the domestic stock market with the price close to the issue price of the GDR without bearing exchange rate risk and liquidity risk. It should not cause a significant impact on the existing shareholders' value.

Ⅴ. After the shareholders meeting approves the resolution of issuance of new common shares to sponsor the DR Offering, it is proposed at the shareholders' meeting to authorize the Board to determine and amend, at the Board's sole discretion, the terms and condition of the new common shares to be issued for the DR Offering, the plan for the use of proceeds, the schedule and projected benefits and all matters in connection therewith, in accordance with the Company's actual needs, market conditions and relevant regulations and if any amendment thereto is required by the regulatory changes or required by the regulator's instruction or based on the Company's operation evaluation or change of the market conditions, the Board is authorized to make the required amendments at the Board's sole discretion.

Ⅵ. To complete the fund raising, the Chairman or the Chairman's designee is authorized, on behalf of the Company, to handle all matters relating to, and sign all agreements and documents in connection with, issuance of the new common shares to sponsor the DR Offering.

Ⅶ. The Board is authorized to handle all matters which are not addressed herein in accordance with the applicable laws and regulations.

D. If the method of issuing Private Placement Shares is adopted:

Ⅰ. In accordance with Article 43-6 of the Securities and Exchange Act, the company proposes to process capital increase in cash to issue common stocks through private placement at appropriate timing. On the basis of the following principles and the actual fundraising status, the Board of Directors requests to be authorized to process the common stock issuance through private placement. The issuance shall be processed in one or two installments within twelve months after the resolution is approved at the Annual General Shareholders' Meeting. The Board of Directors will be authorized to determine the issuance amounts in each installment.

Ⅱ. The upper limit of the common share issuance through Private Placement

a. Shares issued through new commons shares for cash to sponsor DR Offering and/or Private Placement: The number of issued shares shall not exceed 165,000,000 shares.
b. Face value per share: NT$10.
c. Total private placement amounts: To be calculated according to the final share issue price.

Ⅲ. The Pricing Basis of Private Placement and its Reasonableness

The private placement price of the Company shall be no less than 80% of the higher of the following two calculation bases prior to the price determination date:

a. The simple average closing price of the common stock of either the one, three or five consecutive business day period immediately before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
b. The simple average closing price of the common stock of the thirty consecutive business day period immediately before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

The determination of the actual price determination date and common stock prices through private placement is to be authorized to the Board of Directors. The actual price shall be no less than the price set by the resolution proposed at the Annual General Shareholders' Meeting, and in accordance with the future market status. The determination of the price is to be reasonable, and have no significant influence on the value of shareholders' equities.

Ⅳ. Selection of Specific Investors

The Board of Directors proposes to be authorized the sole discretion to handle the selection process by the Annual General Shareholders’ Meeting.

a. Selection Method

   The premise of the selection of common share subscribers is to be in compliance with Article 43-6 of the Securities and Exchange Act and related letter issued by the Financial Supervisory Commission, R.O.C., and the share issuance will not cause significant changes on the management control of the company. The common share subscriber shall meet the abovementioned criteria and shall be a strategic investor who is able to benefit the Company on business development.

b. Selection Purpose

   The selection purpose is in order to upgrade technology, expand the company's business as its main purpose.

c. Necessity and Effects

   To enhance competitiveness and develop long-term operation capacities, it is necessary for the Company to adopt strategic investors. The Company expects to expand its product marketing channel and benefit its business growth by introducing strategic investors.

The company will select the strategic investors who could bring synergies to the company.

Ⅴ. Reasons for the Necessity of the Private Placement

The Company's major product, InGaN LED chip production, contributes to around 75% of the total revenue of the Company for the Fiscal Year of 2016. However, the LED chip market suffered from oversupply and it has affected our sales performance, which leads to negative gross margin ratio of the product category in 2016. It may worsen the Company's financial position and consequently affect our shareholders' value.

The Company has noticed the abovementioned situation and will make internal review and develop strategies to improve the situation, including but not limited to do vertical integration and form strategic cooperation with downstream industry players. The Company believes that the strategic plan will support the Company to develop new products and eventually improve the Company's margin and financial position. As such, the Company requests shareholders' approval on the mandate of issuing shares by private placement so as to introduce strategic investors who can bring synergies to our product development and overall corporate growth. We believe that it is in the best interest of the shareholders of the Company.

a. Reasons for Conducting Non-public Offerings

   The company will take into account the capital market condition, timeliness and feasibility of fundraising, issuance cost, and/or the development of the company when introducing strategic investors. Because the lock-up limitation of transferring privately placed shares can ensure the long-term cooperation between the Company and the strategic investors, and strengthen the stability of the company's operation, the method of fundraising is proposed by private placement.

b. Purposes of the Private Placement Capital and Estimated Effects

   Common stock issuance through private placement is planned to be processed in one or two installments. The purpose of each issuance is to finance the collaboration on patent, technology, and business strategy, and strengthen working capital to meet the requirement of the company's operation needs. The proceeds of the fund will be used within three years after the completion of fundraising. The purpose of each installment is to achieve the business growth of the Company, lower the risk of running the Company, and increase the value of the shareholders' equities.

Ⅵ. The Company believes that the corporate governance structure of the Board is sufficient and comprehensive for overseeing the Company's substantial actions and protecting shareholders' value. The Company has established the Audit Committee which is exclusive for independent directors and the number of committee member should not be less than three. The Audit Committee is currently consisted of three independent directors. The independent directors have reviewed and agreed every resolution to be proposed at the upcoming Annual General Shareholders' Meeting, including the share issue resolution. The independent rate of the Board of the Company is 33%. We believe the Company has sufficient independence to reduce the potential risk of abuse of share issuance mandate by insiders to benefit themselves. The Audit Committee will review the qualifications of potential strategic investors and assess their capacities of creating synergies to the Company.

Ⅶ.Whether any material change in the Company's management control occurs after introducing strategic investors

The common stock issuance through new commons shares for cash to sponsor DR Offering and/or Private Placement Shares are planned to be no more than 165,000,000 shares. If the new common share issuance for cash to sponsor DR Offering and/or Private Placement Shares is conducted, the maximum of issued shares will amount for 13.13% of the enlarged share capital. In order to enhance the possibility of introducing diversified strategic investors, the Company plans to issue common stocks through private placement in two installments. The diversification of investors through this private placement will reduce the possibility of changing the management control and protect current shareholders' interests.

The Company will communicate with the potential share subscribers while seeking strategic investors in accordance with the principle of not causing significant changes in the Company's management control.

Ⅷ. Rights and obligations of the common stock through this private placement

Rights and obligations of common stocks through private placement are generally the same with common stocks issued by the Company. However, pursuant to Article 43-8 of the Securities and Exchange Act, with the exception of special conditions, common stocks issued through private placement will not be freely transferred until three years after the settlement date. An application for the public offering of common stocks through private placement and listing on the Taiwan Stock Exchange shall be made at least three years after the settlement date under related laws and regulations.

Ⅸ. Should any revision to major matters regarding common stocks through private placement be made due to a competent authority or a change of the objective circumstance, excluding the price determination ratio, but including the issuance terms and conditions, the issuance price, the issuance shares, the total raising capital, the project items and progress, the expected use of funds, the expected efficacy and any other related matters, it shall be fully authorized to the Board of Directors to deal with.

E. Submit for discussion.

Voting Results:

Shares represented at the time of voting: 768,595,692

Voting Results		% of the total represented share present
Votes in favor:	636,736,500 votes (243,218,603 votes)	82.84%
Votes against:	56,345,997 votes (56,345,997 votes)	7.33%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	75,513,195 votes (75,240,545 votes)	9.83%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(2) To amend "Procedures for Loaning Funds to Other Parties".
(Proposed by the Board of Directors)

Explanation:

A. To comply with article 3 of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, propose to amend few articles of “Epistar Corporation Procedures for Loaning Funds to Other Parties” as following reasons:

a. Paragraph 3 of Article 4 : To amend “….individual loan should not exceed Epistar’s net worth for each individual case…” from “1%” to “10%” to comply with Paragraph 3 of Article 5.

b. Article 6 : amendment proposal is “Each funding is limited in one year or one operating cycle (whichever is longer)” in according with Article 3 of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

c. Articles 7: amendment proposal is “…..Each extension is limited to 3 months and each creditor may only apply once and should comply with tenure limitation in Paragraph 1 Article 6.” to comply with Article 3 of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

B. Comparison Table for Amendments is attached hereto as Attachment 5.

C. Submit for discussion.

Voting Results:

Shares represented at the time of voting: 768,595,692

Voting Results		% of the total represented share present
Votes in favor:	581,099,585 votes (187,581,688 votes)	75.61%

Voting Results		% of the total represented share present
Votes against:	73,668,477 votes (73,668,477 votes)	9.58%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	113,827,630 votes (113,554,980 votes)	14.81%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(3) To amend "Acquisition or Disposal Procedures of Asset".
(Proposed by the Board of Directors)

Explanation:

A. The amendment is based on the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by SFC on February 9, 2017 (Ref. 1060001296)

B. The Company hereby proposes to amend the Acquisition or Disposal Procedures of Assets. Comparison Table for Amendments is attached hereto as Attachment 6.

C. Submit for discussion.

Voting Results:

Shares represented at the time of voting: 768,595,692

Voting Results		% of the total represented share present
Votes in favor:	654,825,971 votes (261,308,074 votes)	85.20%
Votes against:	122,191 votes (122,191 votes)	0.02%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	113,647,530 votes (113,374,880 votes)	14.78%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(4) To release the Directors from non-competition restrictions.
(Proposed by the Board of Directors)

Explanation:

A. According to Article 209, Company Law.

B. Propose to approve the list of Company's directors is attached hereto as Attachment 7, and to release from non-competition restrictions.

C. Submit for discussion.

Voting Results:

Shares represented at the time of voting: 768,595,692

Voting Results		% of the total represented share present
Votes in favor:	632,391,601 votes (239,910,704 votes)	82.28%
Votes against:	975,841 votes (975,841 votes)	0.13%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	135,228,250 votes (133,918,600 votes)	17.59%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

Ⅵ. **Extemporary Motions:** None.

Ⅶ. **Adjournment:** Meeting ended at 9:30 am

Attachment 1

Epistar Corporation
2016 Business Report

In 2016, the company individual net operating income is about NTD $23.442 billion, only increased 0.3% compared with 2015, mainly due to LED industry is still in a state of overcapacity in 2016 which leads to our product prices continue to fall.

Although business cycle is in poor stage but with the contribution of all colleagues, operating margin was NTD $2,211 billion, increased NTD $2,127 billion over the same period of previous year and net operating loss is about NTD $253 million also reduced 89% from last year.

Operating result is in uptrend by quarterly basis and the company major business has turned losses into profit in the second half of 2016.However, non-operating losses after-tax is about NTD $ 3.546 billion which is consequence from the integration of plant resources within the group and the necessity of reducing production costs in the form of centralized production equipment.

In order to response the expansion together with higher specifications requirement from lighting application market and to enhance our competitiveness in the business, our capital expenditure in 2016 is around NTD $2.232 billion to increasing capacity of advanced process and machine upgrades, also investing in strengthening environmental protection and safety of facilities.

The company continues to invest on Research and Development. In 2016, Research and Development costs is about NTD $1.373 billion which focusing on the development of new products and strengthening the value of existing products and so on, our above acts then achieved favorable results.

Except the “Outstanding manufacturers of innovative products Award in 2016 in Central Science and Technology Park”, the company has made a good progress in the patent acquirement such as the number of patent certificates increased by 1,397 (2016) and the total number of patent certificates has reached 3,186.

The Company has also been affirmed in the implementation of corporate social responsibility. In addition to the British Standards Association issued a CSR certification statement, the company received the 2016 Taiwan Enterprise Sustainability Report Award.

In 2017 outlook, the global economic situation is still in the doldrums and industry competition is fierce, but because of the global issues on energy-saving and environmental protection are critical, along with luminous efficiency been gradually improved, that making more and more new applications to be realized to bring out the LED market still contains potential opportunities for more development. Such as the growth in applications of LED lighting and automotive when penetration rate continues to rise in both sector, or in the growth of application area like LED plant lighting gradually being valued up and infrared (IR) LED been applied in the security control area or smart phone sensing ... etc. therefore, the expected shipment of LED chip is 599,001 million pcs in 2017.

In view of the future demand from end-use application is toward to tendency of intelligent and cost-effective, therefore continuing to invest in Research and Development to improve technical ability and to reduce costs are vital.

In the third quarter of last year, the Company has completed a simple merger with HUGA Optotech Inc. and Formosa Epitaxy Incorporation who both were 100% owned subsidiary of the Company in order to consolidate Group's resources and to reduce operating costs. The above acts have gradually produced synergies within group. In addition to invest resource for engineer, research and development, the Company may also strengthen patent portfolio. Total number of patent certificates has reached 3,186, and the Company cooperates with TOYOTA, GOSEI and PHILIPS for Portfolio Cross-Licensing. The above acts should be able to acceleration of new products and key technology development. The company should be able to achieve the goal of turning losses into profits in this year through promoting organizational changes, intensifying the efficiency of resource utilization, improving the added value of products and optimizing the product portfolio.

Chairman Biing-Jye Lee

General Manager Ming-Jiunn Jou

Accounting Personnel Shih-Shien Chang

Attachment 2

Audit Committee's Review Report

To: Epistar Corporation Annual General Shareholders' Meeting of 2017

The board of directors has prepared and submitted the Company's 2016 Business Report, Financial Statements and Proposal for 2016 Deficit Compensation. Fang-Yu Wen CPA and Ya-Huei Cheng CPA of PricewaterhouseCoopers have also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements and Proposal for 2016 Deficit Compensation have been reviewed and determined to be correct and accurate by the Audit Committee members of Epistar Corporation. According to article 14-4 of the Securities and Exchange act and Article 219 of the Company Law, we hereby submit the report.

Epistar Corporation
Chairman of the Audit Committee: Mr. Wei-Min Sheng
Date: March 16, 2017

Attachment 3

Report of independent accountants translated from Chinese.

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR16000267

To the Board of Directors and Shareholders of EPISTAR CORPORATION

Opinion

We have audited the accompanying consolidated balance sheets of Epistar Corporation and its subsidiaries (the "Epistar Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Epistar Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Evaluation of Impairment Losses of Property, Plant and Equipment, and Goodwill

Description

Please refer to Note 6(11) of the consolidated financial statements for the explanations regarding impairment losses on non-financial assets. As of December 31, 2016, the balances of property, plant and equipment, and goodwill were NT$27,286,631 thousand and NT$6,324,659 thousand, respectively.

Epistar Group evaluates the recoverable amounts of idle property, plant and equipment through assessing the fair values deducting the deposition costs, and property, plant and equipment, and intangible assets through value in use. Epistar Group evaluates whether impairment losses will be provided for property, plant and equipment, and goodwill utilizing the aforementioned recoverable amounts. The evaluation of value in use for operational property, plant and equipment and intangible assets consists of the estimation of future cash flows and the determination of discount rates. Since the assumptions adopted in the estimation of future cash flows and the results of the estimation would have significant impact on value in use of operational property, plant, and equipment, and intangible assets, it was identified as one of the key audit matters.

How our audit addressed the matter

We have obtained the appraisal report of idle property, plant and equipment prepared by external experts from Epistar Group and assessed the reasonableness of evaluation methods and fair values utilized. For value in use of operational property, plant and equipment, and goodwill, the following procedures were conducted:

1. Interviewed with management and obtained an understanding of Epistar Group's operational procedures in estimating future cash flows and verified the consistency to operation plans approved by the Board of Directors.

2. Discussed operation plans with management to understand the product strategies and their respective executions status.
3. Assessed the reasonableness for assumptions utilized in estimating future cash flows, including projected sales volumes, unit prices and unit costs. Assessed the parameters adopted in determining discount rates, including calculating and comparing the weighted average cost of capital at risk-free rates, the industrial risk premium and the long-term rates of returns.

Evaluation of Inventories

Description

Please refer to Note 6(6) of the consolidated financial statements for the explanations regarding Inventories. As of December 31, 2016, the balances of inventories and the allowance for valuation loss were NT$5,025,903 thousand and NT$671,066 thousand, respectively.

Epistar Group is primarily engaged in manufacturing and sales of LED wafers and chips. Due to rapid technological developments, short product lifespans and frequent fluctuations of market prices, the risk of decline in market value and obsolescence for inventories is high. Epistar Group evaluates net realized values for inventories which aged over a specific period of time and specific obsolete inventories in order to provide allowance for valuation loss. Since the identification of the above out-of-date inventories and their respective net realizable values are subject to management's judgment, it was identified as one of the key audit matters.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtained an understanding of Epistar Group's operations and the nature of its industry and interviewed with management to understand the probability of future sales for those out-of-date inventories and to evaluate the reasonableness of allowance for valuation loss.
2. Obtained and validated the accuracy of the detailed listings of inventories aged over a specific period of time and specific obsolete inventories. Validated information of historical sales and discounts for those out-of-date inventories to assess the reasonableness of policies in providing allowance for inventory valuation loss.

Other matter – Audited by other Independent Accountants

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the consolidated subsidiaries disclosed in Note 13 was based solely on the reports of other independent accountants. Total assets of those consolidated subsidiaries amounted to NT$1,408,852 thousand and NT$2,817,507 thousand, constituting 2.04% and 3.39% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenues of NT$74,744 thousand and NT$562,703 thousand, constituting 0.29% and 2.21% of the consolidated total operating revenues for the years then ended. Furthermore, we did not audit the 2016 and 2015 financial statements of certain equity investments accounted for under the equity method. Those financial statements were audited by other independent accountants whose reports thereon were furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and certain information disclosed in Note 13 relative to these investments, is based solely on the reports of the other independent accountants. These equity investments amounted to NT$650,836 thousand and NT$703,265 thousand, representing 0.94% and 0.85% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and their comprehensive loss (including share of loss of associates and joint ventures accounted for under equity method and share of other comprehensive income/(loss) of associates and joint ventures accounted for under equity method) amounted to NT$525,096 thousand and NT$77,211 thousand, representing 10.91% and 1.98% of the consolidated comprehensive income for the years then ended.

We have also and expressed an unmodified opinion on the parent company only financial statements of Epistar Corporation (not presented herein) as of and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Epistar Group's financial reporting process.

Independent Accountant's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Epistar Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Epistar Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause Epistar Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Epistar Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of Epistar group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Wen, Fang-Yu Cheng, Ya-Huei

for and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Assets	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
Current assets				
Cash and cash equivalents	$ 6,001,430	9	$ 7,563,131	9
Financial assets at fair value through profit or loss - current	694,057	1	867,113	1
Available-for-sale financial assets - current	-	-	13,958	-
Notes receivable, net	892,562	1	1,712,738	2
Accounts receivable, net	6,831,210	10	6,851,228	8
Accounts receivable - related parties, net	2,753,269	4	2,737,360	3
Other receivables	1,137,658	2	581,806	1
Other receivables - related parties	62,821	-	55,228	-
Inventories, net	4,354,837	6	6,572,783	8
Prepayments	1,277,849	2	1,666,213	2
Non-current assets held for sale - net	627,398	1	1,074,073	1
Other current assets	165,173	-	1,190,099	2
Current Assets	24,798,264	36	30,885,730	37
Non-current assets				
Available-for-sale financial assets - non-current	2,151,349	3	2,041,048	3
Investments accounted for under equity method	2,743,054	4	3,658,850	4
Property, plant and equipment, net	27,286,631	39	34,396,105	41
Intangible assets	8,007,219	12	7,994,637	10
Deferred income tax assets	2,714,882	4	2,966,461	4
Other non-current assets	1,396,035	2	1,189,093	1
Non-current assets	44,299,170	64	52,246,194	63
Total assets	$ 69,097,434	100	$ 83,131,924	100

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
Current liabilities				
Short-term borrowings	$ 2,161,250	3	$ 3,799,123	5
Short-term notes and bills payable	69,836	-	217,043	-
Financial liabilities at fair value through profit or loss - current	-	-	179,684	-
Notes payable	35,185	-	34,592	-
Accounts payable	2,411,249	4	2,972,850	4
Accounts payable - related parties	735,181	1	417,195	-
Other payables	3,943,714	6	4,111,686	5
Current income tax liabilities	45,727	-	9,577	-
Long-term liabilities, current portion	615,841	1	10,076,701	12
Other current liabilities - others	196,087	-	182,717	-
Current Liabilities	10,214,070	15	22,001,168	26
Non-current liabilities				
Long-term borrowings	5,737,866	8	2,820,137	4
Deferred income tax liabilities	949,502	1	1,144,634	1
Other non-current liabilities	1,212,000	2	1,521,228	2
Non-current liabilities	7,899,368	11	5,485,999	7
Total Liabilities	18,113,438	26	27,487,167	33
Equity attributable to owners of parent company				
Share capital				
Share capital - common stock	10,915,492	16	10,998,443	13
Capital surplus				
Capital surplus	43,016,259	61	42,810,893	51
Retained earnings				
Legal reserve	241,512	-	1,547,864	2
Accumulated deficit	(3,545,028)	(5)	(1,306,352)	(2)
Other equity interest				
Other equity interest	(505,370)	-	143,141	1
Treasury stocks	(848,721)	(1)	(920,089)	(1)
Equity attributable to owners of the parent	49,274,144	71	53,273,900	64
Non-controlling interest	1,709,852	3	2,370,857	3
Total equity	50,983,996	74	55,644,757	67
Total liabilities and equity	$ 69,097,434	100	$ 83,131,924	100

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

	Years ended December 31			
	2016		2015	
Items	AMOUNT	%	AMOUNT	%
Sales revenue	$ 25,539,163	100	$ 25,509,789	100
Operating costs	(23,626,125	(93)	(25,390,483)	(100)
Operating margin	1,913,038	7	119,306	-
Unrealized loss (profit) from sales	2,409	-	(563)	-
Realized profit from sales	563	-	4,756	-
Net operating margin	1,916,010	7	123,499	-
Operating expenses				
Selling expenses	(289,926)	(1)	(453,426)	(2)
General & administrative expenses	(1,604,835)	(6)	(1,903,685)	(7)
Research and development expenses	(1,532,888)	(6)	(1,538,714)	(6)
Total operating expenses	(3,427,649)	(13)	(3,895,825)	(15)
Other income and expenses - net	255,863	1	261,779	1
Operating loss	(1,255,776)	(5)	(3,510,547)	(14)
Non-operating income and expenses				
Other income	244,673	1	321,562	1
Disaster insurance compensation revenue	1,200,000	5	-	-
Other gains and losses	(2,252,180)	(8)	246,333	1
Net gain on valuation of put options, call options and conversion rights of bonds	56,931	-	1,043,176	4
Loss on call of corporate bobnds	(199,386	(1)	(65,631)	-
Disaster loss	(463,846)	(2)	-	-
Finance costs	(403,915)	(2)	(1,155,038)	(4)
Share of loss of associates and joint ventures accounted for under equity method	(681,415)	(3)	(500,727)	(2)
Total non-operating income and expenses	(2,499,138)	(10)	(110,325)	-
Loss before income tax	(3,754,914)	(15)	(3,620,872)	(14)
Income tax (expense) benefit	(257,838)	(1)	303,290	1
Loss for the year	($ 4,012,752)	(16)	($ 3,317,582)	(13)

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

	Year ended December 31			
	2016		2015	
Items	AMOUNT	%	AMOUNT	%
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	$ 1,968	-	($ 40,823)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(107)	-	(193)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(335)	-	6,940	-
Components of other comprehensive income (loss) that will not be reclassified to profit or loss	1,526	-	(34,076)	-
Components of other comprehensive income that will be reclassified to profit or loss				
Cumulative translation differences of foreign operations	(853,572)	(3)	(376,377)	(1)
Unrealized gain (loss) on valuation of available-for-sale financial assets	42,966	-	(137,261)	(1)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(101,475)	-	(69,786)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	109,120	-	26,959	-
Components of other comprehensive loss that will be reclassified to profit or loss	(802,961)	(3)	(556,465)	(2)
Other comprehensive loss for the year	($ 801,435)	(3)	($ 590,541)	(2)
Total comprehensive loss for the year	($ 4,814,187)	(19)	($ 3,908,123)	(15)
Profit (loss), attributable to:				
Equity holders of the parent company	($ 3,546,045)	(14)	($ 3,018,757)	(12)
Non-controlling interest	($ 466,707)	(2)	($ 298,825)	(1)
Comprehensive loss attributable to:				
Equity holders of the parent company	($ 4,193,030)	(17)	($ 3,400,444)	(13)
Non-controlling interest	($ 621,157)	(2)	($ 507,679)	(2)
Basic loss per share	($ 3.33)		($ 2.81)	
Diluted loss per share	($ 3.33)		($ 3.09)	

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
			Retained Earnings			Other equity interest						
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Other equity - others	Treasury stocks	Total	Non-controlling interest	Total
2015												
Balance at January 1, 2015	$ 11,031,787	$ 43,342,832	$ 1,366,831	$ 100,596	$ 2,737,708	$ 639,823	($ 149,071)	($ 346,915)	($ 461,200)	$ 58,262,391	$ 2,852,486	$ 61,114,877
Appropriations of 2014 earnings												
Legal reserve	-	-	181,033	-	(181,033)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(100,596)	100,596	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(910,000)	-	-	-	-	(910,000)	-	(910,000)
Amortization of employee restricted shares compensation cost	-	-	-	-	-	-	-	(204,664)	-	(204,664)	-	(204,664)
Change in investees interest accounted for under equity method	-	187,470	-	-	-	-	-	-	-	187,470	-	187,470
Difference between consideration and carrying amount of subsidiaries acquired and disposed	-	(86,051)	-	-	-	-	-	-	-	(86,051)	86,051	-
Retirement of restricted employee stock	(12,819)	12,819	-	-	-	-	-	-	-	-	-	-
Reversal of capital surplus from restricted stocks	-	(551,579)	-	-	-	-	-	551,579	-	-	-	-
Retirement of treasury shares	(21,320)	(100,062)	-	-	(790)	-	-	-	122,172	-	-	-
Conversion of corporate bonds of subsidiaries	795	5,464	-	-	-	-	-	-	-	6,259	(43,972)	(37,713)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(531,301)	(531,301)	-	(531,301)
Shares of parent company held by subsidiaries being transferred to treasury shares	-	-	-	-	-	-	-	-	(49,760)	(49,760)	(55,261)	(105,021)
Increases in non-controlling interests	-	-	-	-	-	-	-	-	-	-	39,232	39,232
Loss for the year	-	-	-	-	(3,018,757)	-	-	-	-	(3,018,757)	(298,825)	(3,317,582)
Other comprehensive loss for the year	-	-	-	-	(34,076)	(180,518)	(167,093)	-	-	(381,687)	(208,854)	(590,541)
Balance at December 31, 2015	$ 10,998,443	$ 42,810,893	$ 1,547,864	$ -	($ 1,306,352)	$ 459,305	($ 316,164)	$ -	($ 920,089)	$ 53,273,900	$ 2,370,857	$ 55,644,757

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
			Retained Earnings			Other equity interest						
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Other equity - others	Treasury stocks	Total	Non-controlling interest	Total
2016												
Balance at January 1, 2016	$ 10,998,443	$ 42,810,893	$ 1,547,864	$ -	($ 1,306,352)	$459,305	($316,164)	$ -	($920,089)	$ 53,273,900	$ 2,370,857	$ 55,644,757
Legal reserve used to offset accumulated deficit	-	-	(1,306,352)	-	1,306,352	-	-	-	-	-	-	-
Change in investees interest accounted for under equity method	-	135,972	-	-	-	-	-	-	-	135,972	-	135,972
Difference between consideration and carrying amount of subsidiaries acquired and disposed	-	(323)	-	-	-	-	-	-	-	(323)	(5,076)	(5,399)
Retirement of restricted employee stock	(79,642)	79,642	-	-	-	-	-	-	-	-	-	-
Retirement of treasury shares	(3,309)	(17,503)	-	-	-	-	-	-	20,812	-	-	-
Treasury stock sold by subsidiary company	-	7,578	-	-	(509)	-	-	-	50,556	57,625	63,718	121,343
Capital decrease of subsidiary company	-	-	-	-	-	-	-	-	-	-	(98,490)	(98,490)
Loss for the year	-	-	-	-	(3,546,045)	-	-	-	-	(3,546,045)	(466,707)	(4,012,752)
Other comprehensive income (loss) for the year	-	-	-	-	1,526	(687,832)	39,321	-	-	(646,985)	(154,450)	(801,435)
Balance at December 31, 2016	$ 10,915,492	$ 43,016,259	$ 241,512	$ -	($ 3,545,028)	($228,527)	($276,843)	$ -	($848,721)	$ 49,274,144	$ 1,709,852	$ 50,983,996

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	($ 3,754,914)	($ 3,620,872)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	5,373,296	5,680,667
Amortization(long-term prepaid rents)	384,871	385,387
Provision for doubtful accounts	59,414	27,023
Net loss on financial assets at fair value through profit or loss	13,427	104,381
Net gain on financial liabilities at fair value through profit or loss	-	(4,589)
Net gain on valuation of put options, call options and conversion rights of bonds	(56,931)	(1,043,176)
Interest expense	392,302	468,192
Interest income	(74,979)	(149,090)
Dividend income	(11,685)	(13,083)
Compensation cost of share-based payment	-	(204,664)
Effect of exchange rate on bonds payable and long-term loans	(178,176)	328,699
Share of loss of associates and joint ventures accounted for under the equity method	681,415	500,727
Loss (gain) on disposal of property, plant and equipment	501,237	(19,854)
Gain on disposal of intangible assets	(849)	(366)
Gain on disposal of investments	(74,492)	(38,320)
Other income from recognition of long-term deferred revenues	(168,358)	(205,820)
Loss on call of corporate bonds	199,386	65,631
Impairment loss of financial assets	395,482	351,857
Impairment loss on non-financial assets	987,848	31,558
Intangible assets transferred to expenses	2,074	-
Property, plant and equipment transferred to expenses	10,636	57,736
Property, plant and equipment transferred to other income	-	(12,816)
Non-current assets held for sale transferred to expenses	-	200
Gain on bargain purchase	-	(500,075)
Realized profit from sales	(563)	(4,756)
Unrealised (loss) profit from sales	(2,409)	563
Disaster loss	463,846	-
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets held for trading	159,630	285,481
Notes receivable	716,218	2,559,100
Accounts receivable	(427,427)	1,761,976
Other receivables	(755,235)	94,621
Inventories	1,956,706	(277,671)
Prepayments	388,364	(30,913)
Other non-current assets	210,278	489,676
Changes in operating liabilities		
Notes payable	(143,020)	33,069
Accounts payable	349,061	872
Other payables	(274,795)	(57,268)
Other current liabilities	(129,291)	(123,246)
Other non-current liabilities	(15,135)	(192,489)
Cash inflow generated from operations	7,177,232	6,728,348
Income tax paid	(40,593)	(36,339)
Interest received	95,528	158,026
Interest paid	(322,489)	(239,515)
Dividend received	37,324	34,563
Net cash flows from operating activities	6,947,002	6,645,083

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other financial assets	$ 1,024,926	$ 657,868
Acquisition of available-for-sale financial assets	(390,953)	(674,733)
Proceeds from disposal of available-for-sale financial assets	208,166	159,543
Acquisition of investments accounted for under the equity method	(2,445)	(81,145)
Acquisition for property, plant and equipment	(2,622,908)	(3,925,104)
Proceeds from disposal of property, plant and equipment	1,930,988	270,238
Acquisition of intangible assets	(492,787)	(479,145)
Net cash acquired (paid) in disposal of subsidiaries	35,604	(95,911)
Decrease (increase) in refundable deposits paid	23,185	(49,625)
Proceeds from disposal of intangible assets	849	1,496
Net cash paid in acquisition of subsidiaries	-	(824,358)
Net cash flows used in investing activities	(285,375)	(5,040,876)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(1,495,211)	(2,138,006)
(Decrease)increase in short-term notes and bill payable	(135,631)	217,043
Repayment of long-term loans	(6,658,834)	(2,161,597)
Proceeds from long-term loans	7,776,673	2,730,000
Redemption of convertible bonds payable	(7,667,042)	(925,850)
Reacquisition of convertible bonds payable	(223,609)	(644,207)
Guarantee deposits received	258	9,399
Payment of cash dividends	-	(910,000)
Purchase of treasury shares	-	(636,322)
Increase in non-controlling interests	-	105,500
Capital decrease of subsidiary company	(98,490)	-
Treasury stock sold by subsidiary company	121,343	-
Net cash flows used in financing activities	(8,380,543)	(4,354,040)
Effects of foreign currency exchange	157,215	(202,033)
Net decrease in cash and cash equivalents	(1,561,701)	(2,951,866)
Cash and cash equivalents at beginning of year	7,563,131	10,514,997
Cash and cash equivalents at end of year	$ 6,001,430	$ 7,563,131

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
EPISTAR CORPORATION

Opinion

We have audited the accompanying non-consolidated balance sheets of Epistar Corporation (the "Company") as at December 31, 2016 and 2015, and the related non-consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the *Other matters* section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the company as at December 31, 2016 and 2015, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers."

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Accountant's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of Epistar Corporation in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of the other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Evaluation of Impairment Losses of Property, Plant and Equipment, and Goodwill

Description

Please refer to Note 6(10) of the non-consolidated financial statements for the explanations regarding impairment losses on non-financial assets. As of December 31, 2016, the balances of property, plant and equipment, and goodwill were NT$19,174,184 thousand and NT$6,324,659 thousand, respectively.

The Company evaluates the recoverable amounts of idle property, plant and equipment through assessing the fair values after deducting the disposal costs, and of property, plant and equipment, and intangible assets through value in use. The Company evaluates whether impairment losses will be provided for property, plant and equipment, and goodwill utilizing the aforementioned recoverable amounts. The evaluation of value in use for operational property, plant and equipment and intangible assets consists of the estimation of future cash flows and the determination of discount rates. Since the assumptions adopted in the estimation of future cash flows and the results of the estimation would have significant impact on value in use of operational property, plant, and equipment, and intangible assets, it was identified as one of the key audit matters.

How our audit addressed the matter

We have obtained the appraisal report of idle property, plant and equipment prepared by independent valuers from the Company and assessed the reasonableness of evaluation methods and fair values utilized. For value in use of operational property, plant and equipment, and goodwill, the following procedures were conducted:

1. Interviewed with management and obtained an understanding of the Company’s operational procedures in estimating future cash flows and verified the consistency to operation plans approved by the Board of Directors.

2. Discussed operation plans with management to understand the product strategies and their respective executions status.
3. Assessed the reasonableness for assumptions utilized in estimating future cash flows, including projected sales volumes, unit prices and unit costs. Assessed the parameters adopted in determining discount rates, including calculating and comparing the weighted average cost of capital at risk-free rates, the industrial risk premium and the long-term rates of returns.

Evaluation of Inventories

Description

Please refer to Note 6(6) of the non-consolidated financial statements for the explanations regarding inventories. As of December 31, 2016, the balances of inventories and the allowance for valuation loss were NT$3,366,156 thousand and NT$506,800 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of LED wafers and chips. Due to rapid technological developments, short product lifespans and frequent fluctuations of market prices, the risk of decline in market value and obsolescence for inventories is high. The Company evaluates net realized values for inventories which aged over a specific period of time and specific obsolete inventories in order to provide allowance for valuation loss. Since the identification of the above obsolete inventories and their respective net realizable values are subject to management's judgment, it was identified as one of the key audit matters.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:
1. Obtained an understanding of the Company's operations and the nature of its industry and interviewed with management to understand the probability of future sales for those out-of-date inventories and to evaluate the reasonableness of allowance for valuation loss.
2. Obtained and validated the accuracy of the detailed listings of inventories aged over a specific period of time and specific obsolete inventories. Validated information of historical sales and discounts for those obsolete inventories to assess the reasonableness of policies in providing allowance for inventory valuation loss.

Other matter – Audited by other Independent Accountants

We did not audit the financial statements of certain consolidated subsidiaries and equity investments accounted for under the equity method. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information disclosed in Note 13 was based solely on the reports of other independent accountants. These equity investments amounted to NT$1,395,693 thousand and NT$2,106,292 thousand, representing 2.15% and 2.92% of the total assets as at December 31, 2016 and 2015, respectively, and their comprehensive loss (including share of loss of subsidiaries, associates and joint ventures accounted for under equity method and share of other comprehensive income/(loss) of subsidiaries, associates and joint ventures accounted for under equity method) amounted to NT$1,183,267 thousand and NT$264,170 thousand, representing 28.22% and 7.77% of the comprehensive loss for the years then ended.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

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

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

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

Independent accountant's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 ROC GAAS 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 non-consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the Company 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 non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Wen, Fang-Yu Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

EPISTAR CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets				
1100	Cash and cash equivalents	$ 3,632,418	6	$ 3,458,726	5
1110	Financial assets at fair value through profit or loss - current	150,009	-	438,906	1
1150	Notes receivable, net	34,427	-	27,367	-
1170	Accounts receivable, net	4,818,320	7	3,449,620	5
1180	Accounts receivable - related parties, net	6,060,195	9	7,403,868	10
1200	Other receivables	995,883	2	70,422	-
1210	Other receivables - related parties	1,253,168	2	242,450	-
130X	Inventories, net	2,859,356	4	3,203,970	4
1410	Prepayments	415,595	1	400,397	1
1460	Non-current assets held for sale - net	627,398	1	1,070,011	2
1470	Other current assets	68,228	-	55,689	-
11XX	**Current Assets**	20,914,997	32	19,821,426	28
	Non-current assets				
1523	Available-for-sale financial assets – non-current	1,254,447	2	1,257,400	2
1550	Investments accounted for under equity method	12,446,544	19	31,724,052	44
1600	Property, plant and equipment, net	19,174,184	30	15,764,303	22
1780	Intangible assets	7,813,856	12	1,339,452	2
1840	Deferred income tax assets	2,604,001	4	1,881,786	2
1900	Other non-current assets	644,901	1	239,327	-
15XX	**Non-current assets**	43,937,933	68	52,206,320	72
1XXX	**Total assets**	$ 64,852,930	100	$ 72,027,746	100

(Continued)

EPISTAR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	AMOUNT	%	AMOUNT	%
	Current liabilities				
2100	Short-term borrowings	$ 2,000,000	3	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	-	-	179,684	-
2150	Notes payable	22,941	-	10,060	-
2170	Accounts payable	1,718,022	3	1,246,443	2
2180	Accounts payable - related parties	1,596,756	2	2,318,703	3
2200	Other payables	3,062,157	5	3,660,226	5
2320	Long-term liabilities, current portion	523,928	1	7,798,436	11
2399	Other current liabilities - others	166,922	-	270,238	-
21XX	**Current Liabilities**	9,090,726	14	15,483,790	21
	Non-current liabilities				
2540	Long-term borrowings	5,249,544	8	1,780,557	2
2570	Deferred income tax liabilities	916,268	1	1,096,912	2
2600	Other non-current liabilities	322,248	1	392,587	1
25XX	**Non-current liabilities**	6,488,060	10	3,270,056	5
2XXX	**Total Liabilities**	15,578,786	24	18,753,846	26
	Equity				
	Share capital				
3110	Share capital - common stock	10,915,492	17	10,998,443	15
	Capital surplus				
3200	Capital surplus	43,016,259	66	42,810,893	59
	Retained earnings				
3310	Legal reserve	241,512	-	1,547,864	2
3350	Accumulated deficit	(3,545,028)	(6)	(1,306,352)	(2)
	Other equity interest				
3400	Other equity interest	(505,370)	-	143,141	1
3500	**Treasury stocks**	(848,721)	(1)	(920,089)	(1)
3XXX	**Total equity**	49,274,144	76	53,273,900	74
3X2X	**Total liabilities and equity**	$ 64,852,930	100	$ 72,027,746	100

EPISTAR CORPORATION
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

	Items	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**Sales revenue**	$ 23,442,193	100	$ 23,376,051	100
5000	**Operating costs**	(21,158,040)	(91)	(23,391,933)	(100)
5900	**Operating margin**	2,284,153	9	(15,882)	-
5910	Unrealized (profit) loss from sales	(28,104)	-	44,850	-
5920	Realized (loss) profit on from sales	(44,850)	-	54,735	-
5950	**Net operating margin**	2,211,199	9	83,703	-
	Operating expenses				
6100	Selling expenses	(262,343)	(1)	(270,513)	(1)
6200	General & administrative expenses	(1,037,228)	(4)	(1,169,698)	(5)
6300	Research and development expenses	(1,373,214)	(6)	(1,253,426)	(5)
6000	**Total operating expenses**	(2,672,785)	(11)	(2,693,637)	(11)
6500	**Other income and expenses - net**	209,076	1	236,681	1
6900	**Operating loss**	(252,510)	(1)	(2,373,253)	(10)
	Non-operating income and expenses				
7010	Other income	258,327	1	100,535	-
7011	Disaster insurance compensation revenue	1,200,000	5	-	-
7020	Other gains and losses	(1,277,811)	(5)	639,057	3
7021	Net gain on valuation of put options, call options and conversion rights of bonds	56,931	-	1,038,889	4
7022	Loss on call of corporate bonds	(199,386)	(1)	(15,201)	-
7023	Disaster loss	(463,846)	(2)	-	-
7050	Finance costs	(71,722)	-	(490,883)	(2)
7070	Share of loss of associates and joint ventures accounted for using equity method, net	(3,410,587)	(15)	(2,190,706)	(9)
7000	**Total non-operating income and expenses**	(3,908,094)	(17)	(918,309)	(4)
7900	**Loss before income tax**	(4,160,604)	(18)	(3,291,562)	(14)
7950	Income tax benefit	614,559	3	272,805	1
8200	**Loss for the year**	($ 3,546,045)	(15)	($ 3,018,757)	(13)
	Other comprehensive income				
8311	Gains(losses) on remeasurements of defined benefit plans	$ 1,968	-	($ 38,014)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(107)	-	(3,002)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(335)	-	6,940	-
8310	**Components of other comprehensive income(loss) that will not be reclassified to profit or loss**	1,526	-	(34,076)	-
8362	Unrealized gain on valuation of available-for-sale financial assets	85,237	-	96,304	-
8380	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(842,868)	(4)	(470,874)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	109,120	1	26,959	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**	(648,511)	(3)	(347,611)	(2)
8300	**Other comprehensive loss for the year**	($ 646,985)	(3)	($ 381,687)	(2)
8500	**Total comprehensive loss for the year**	($ 4,193,030)	(18)	($ 3,400,444)	(15)
9750	**Basic loss per share**	($ 3.33)		($ 2.81)	
9850	**Diluted loss per share**	($ 3.33)		($ 3.09)	

EPISTAR CORPORATION
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

			Retained Earnings			Other equity interest				
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Other equity - others	Treasury stocks	Amount
2015										
Balance at January 1, 2015	$ 11,031,787	$43,342,832	$1,366,831	$ 100,596	$ 2,737,708	$ 639,823	($ 149,071)	($ 346,915)	($ 461,200)	$58,262,391
Appropriations of 2014 earnings (Note)										
Legal reserve	-	-	181,033	-	(181,033)	-	-	-	-	-
Reversal of special reserve	-	-	-	(100,596)	100,596	-	-	-	-	-
Cash dividends	-	-	-	-	(910,000)	-	-	-	-	(910,000)
Amortization of employee restricted shares compensation cost	-	-	-	-	-	-	-	(204,664)	-	(204,664)
Change in investees interest accounted for under equity method	-	187,470	-	-	-	-	-	-	-	187,470
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(86,051)	-	-	-	-	-	-	-	(86,051)
Retirement of restricted employee stock	(12,819)	12,819	-	-	-	-	-	-	-	-
Reversal of capital surplus from restricted stocks	-	(551,579)	-	-	-	-	-	551,579	-	-
Retirement of treasury shares	(21,320)	(100,062)	-	-	(790)	-	-	-	122,172	-
Conversion of corporate bonds of subsidiaries	795	5,464	-	-	-	-	-	-	-	6,259
Purchase of treasury shares	-	-	-	-	-	-	-	-	(531,301)	(531,301)
Shares of parent company held by subsidiaries being transferred to treasury shares	-	-	-	-	-	-	-	-	(49,760)	(49,760)
Loss for the year	-	-	-	-	(3,018,757)	-	-	-	-	(3,018,757)
Other comprehensive loss for the year	-	-	-	-	(34,076)	(180,518)	(167,093)	-	-	(381,687)
Balance at December 31, 2015	$ 10,998,443	$42,810,893	$1,547,864	$ -	($ 1,306,352)	$ 459,305	($316,164)	$ -	($ 920,089)	$53,273,900
2016										
Balance at January 1, 2016	$ 10,998,443	$42,810,893	$1,547,864	$ -	($ 1,306,352)	$ 459,305	($ 316,164)	$ -	($ 920,089)	$53,273,900
Appropriations of 2015 earnings										
Legal reserve used to offset accumulated deficit	-	-	(1,306,352)	-	1,306,352	-	-	-	-	-
Change in investees interest accounted for under equity method	-	135,972	-	-	-	-	-	-	-	135,972
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(323)	-	-	-	-	-	-	-	(323)
Retirement of restricted employee stock	(79,642)	79,642	-	-	-	-	-	-	-	-
Retirement of treasury shares	(3,309)	(17,503)	-	-	-	-	-	-	20,812	-
Treasury stock sold by subsidiary company	-	7,578	-	-	(509)	-	-	-	50,556	57,625
Loss for the year	-	-	-	-	(3,546,045)	-	-	-	-	(3,546,045)
Other comprehensive income (loss) for the year	-	-	-	-	1,526	(687,832)	39,321	-	-	(646,985)
Balance at December 31, 2016	$ 10,915,492	$43,016,259	$ 241,512	$ -	($ 3,545,028)	($ 228,527)	($276,843)	$ -	($ 848,721)	$49,274,144

Note : The employees' bonus of $244,617 and directors' and supervisors' remuneration of $34,598 in 2014 have been deducted from the statements of comprehensive income.

EPISTAR CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	($ 4,160,604)	($ 3,291,562)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	2,816,000	2,618,128
Amortization	331,622	295,491
Provision for doubtful accounts	10,569	407
Disaster loss	463,846	-
Net gain on financial assets at fair value through profit or loss	(1,142)	(625)
Net gain on valuation of put options, call options and conversion rights of bonds	(56,931)	(1,038,889)
Interest expense	198,335	189,320
Interest income	(53,412)	(56,252)
Dividend income	(177)	(1,127)
(Reversal of) compensation cost of share-based payment	-	(185,967)
Effect of exchange rate on bonds payable and long-term loans	(117,190)	295,941
Share of loss of subsidiaries and associates accounted for under the equity method	3,410,587	2,190,706
Loss (gain) on disposal of property, plant and equipment	177,399	(13,815)
Gain on disposal of investments	(2,341)	-
Other income from recognition of long-term deferred revenues	(16,883)	(38,651)
Loss on call of corporate bonds	199,386	15,201
Impairment loss on non-financial assets	543,740	39,179
Impairment loss of financial assets	366,563	212,768
Property, plant and equipment transferred to other income	-	(12,816)
Property, plant and equipment transferred to expenses	2,745	8,020
Non-current assets held for sale transferred to expenses	-	200
Gain on bargain purchase	-	(500,075)
Realized loss (profit) from sales	44,850	(54,735)
Unrealized profit (loss) from sales	28,104	(44,850)
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets held for trading	290,039	(110,733)
Notes receivable	(6,079)	(16,202)
Accounts receivable	(548)	1,266,258
Other receivables	(1,135,812)	14,114
Other financial assets - current	(4,621)	(29,834)
Inventories	765,394	(110,036)
Prepayments	36,882	(98,779)
Other non-current assets	(115)	762
Changes in operating liabilities		
Notes payable	8,282	9,978
Accounts payable	(419,097)	1,017,812
Other payables	248,823	(468,097)
Other current liabilities	(114,278)	143,826
Other non-current liabilities	10,472	13,698
Cash inflow generated from operations	3,864,408	2,258,764
Income tax paid	(16,600)	(19,351)
Interest received	54,737	57,004
Interest paid	(106,203)	(12,415)
Dividend received	22,318	488,351
Net cash flows from operating activities	3,818,660	2,772,353

(Continued)

EPISTAR CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ -	($ 512,787)
Acquisition of investments accounted for under the equity method	(216,164)	(1,420,481)
Acquisition for property, plant and equipment	(2,232,237)	(2,458,986)
Proceeds from disposal of property, plant and equipment	1,839,553	226,243
Acquisition of intangible assets	(479,777)	(466,901)
(Increase) decrease in refundable deposits paid	(4,740)	4,528
Effect on initial consolidation of subsidiaries	310,255	42,358
Proceeds from disposal of available-for-sale financial assets	78,776	-
Shares returned by subsidiaries	549,993	-
Increase in other receivables - related parties	(918,575)	-
Decrease in other receivables - related parties	918,575	-
Net cash flows used in investing activities	(154,341)	(4,586,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	1,800,000	(348,150)
Proceeds from long-term loans	6,450,000	1,880,000
Increase (decrease) in guarantee deposits received	311	(73)
Reacquisition of convertible bonds payable	(7,719,990)	(644,207)
Repayment of convertible bonds payable	(223,609)	-
Repayment of long-term loans	(3,797,339)	-
Payment of cash dividends	-	(910,000)
Purchase of treasury shares	-	(531,301)
Net cash flows used in financing activities	(3,490,627)	(553,731)
Net increase (decrease) in cash and cash equivalents	173,692	(2,367,404)
Cash and cash equivalents at beginning of year	3,458,726	5,826,130
Cash and cash equivalents at end of year	$ 3,632,418	$ 3,458,726

Attachment 4

EPISTAR CORPORATION
Deficit Compensation Statement
Year 2016

Unit: NTD

Item	Amount	
	Subtotal	Total
Unappropriated Retained Earnings of previous years		0
Other comprehensive income adjustments		1,526,935
Treasury stock sold by subsidiary company adjustments		(509,476)
Adjusted unappropriated Retained Earnings		1,017,459
Less : 2016 net loss	(3,546,045,266)	
Deficit yet to be compensated – at the end of 2016		(3,545,027,807)
Items for compensating deficit:		
Legal reserve	241,513,012	
Capital surplus-treasury share transactions	1,584,892	
Capital surplus-difference between consideration and carrying amount of subsidiaries acquired or disposed	13,674,386	
Capital surplus-employee stock warrants	10,965,649	
Capital surplus-share premium	3,277,289,868	
To make up for the amount Subtotal		3,545,027,807
Deficit yet to be compensated		0

Chairman: Biing-Jye Lee   President: Ming-Jiunn Jou   Accounting Supervisor: Shih-Shien Chang

Attachment 5

Epistar Corporation
Procedures for Loaning Funds to Other Parties
Comparison Table for Amendments

Article No.	Original Articles	Amended Articles	Reasons for Amendments
Article 4	Limit of total facility of loan and individual target The total facility of Epistar to other companies or firms should be limited to 30% of the net worth of Epistar; however, in the case of loans to other companies or firms with the necessity of short-term financing demand, Epistar should only approve loans up to 10% of Epistar's net worth. For companies or firms having business relationship with Epistar, the individual loan should not exceed the total transaction amount between both parties in the most recent year. The so-called "total transaction amount" refers to purchase or sales amount, whichever is higher. For companies or firms with the necessity of short-term financing, Epistar should not loan more than <u>1%</u> of Epistar's net worth for each individual case.	Limit of total facility of loan and individual target The total facility of Epistar to other companies or firms should be limited to 30% of the net worth of Epistar; however, in the case of loans to other companies or firms with the necessity of short-term financing demand, Epistar should only approve loans up to 10% of Epistar's net worth. For companies or firms having business relationship with Epistar, the individual loan should not exceed the total transaction amount between both parties in the most recent year. The so-called "total transaction amount" refers to purchase or sales amount, whichever is higher. For companies or firms with the necessity of short-term financing, Epistar should not loan more than <u>10%</u> of Epistar's net worth for each individual case.	To Comply with the limitation in Paragraph 3 article 5.
Article 6	Tenure and interest calculation Each funding is limited<u> to (excluding) 12 months unless otherwise approved by the BOD for any special cases, and the BOD is entitled to extend the tenure based on status quo</u>. The loan interest should not be lower than the highest interest for Epistar's short-term finance to financial institutes. The payment of interest is on a monthly basis unless otherwise approved by the BOD for adjustment based on status quo.	Tenure and interest calculation Each funding is limited<u> in one year or one operating cycle (whichever is longer) .</u> The loan interest should not be lower than the highest interest for Epistar's short-term finance to financial institutes. The payment of interest is on a monthly basis unless otherwise approved by the BOD for adjustment based on status quo.	To comply with the amendment Article 3 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"

Article No.	Original Articles	Amended Articles	Reasons for Amendments
Article 7	Post-debt management and procedures of overdue loan After loan drawdown, Epistar should monitor the financial and business status, as well as related credit updates of the credit and guarantor. For those providing collaterals, Epistar should keep track of any changes to the value of them. In case of any major variation, the Chairman should be notified immediately and observe his/her instructions. Upon maturity date of the loan or complete pay-off prior to maturity date, Epistar should calculate the interest payable and settle the principal before canceling the loans by commercial papers or canceling mortgages. Before maturity date, the creditor should repay all interests, or apply for extension of payment in advance, which should be reviewed and approved by the BOD. Each extension is limited to 3 months and each creditor may only apply once. Otherwise Epistar is entitled to impose punishment or compensation from the collaterals or guarantor(s) of the creditor.	Post-debt management and procedures of overdue loan After loan drawdown, Epistar should monitor the financial and business status, as well as related credit updates of the credit and guarantor. For those providing collaterals, Epistar should keep track of any changes to the value of them. In case of any major variation, the Chairman should be notified immediately and observe his/her instructions. Upon maturity date of the loan or complete pay-off prior to maturity date, Epistar should calculate the interest payable and settle the principal before canceling the loans by commercial papers or canceling mortgages. Before maturity date, the creditor should repay all interests, or apply for extension of payment in advance, which should be reviewed and approved by the BOD. Each extension is limited to 3 months and each creditor may only apply once and should comply with tenure limitation in Paragraph 1 Article 6. Otherwise Epistar is entitled to impose punishment or compensation from the collaterals or guarantor(s) of the creditor.	To comply with the amendment Article 3 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"

Attachment 6

Epistar Corporation
Acquisition or Disposal Procedures of Assets
Comparison Table for Amendments

Article No.	Original Articles	Amended Articles	Reasons for Amendments
Article 3	Decision-making approaches on pricing and references 1. Securities Other than complying with the following regulations when acquiring or disposing securities, Epistar should receive the most recent audited CPA report/financial statement from the target company as the reference for evaluating trading price before the day of occurrence. Moreover, any trading exceeding 20% of the paid-in capital or above NT$300 million requires CPAs' comment on the rationality of trading price. before the day of occurrence. If it is necessary for the CPAs to adopt the professional report, SAS No. 20 issued by the ROC Accounting Research and Development Foundation (ARDF)has to be followed: (1) <u>Securities </u>acquired by cash as a result of initiation or collection. (2) Securities issued at par with the participation of the target company via capital injection by cash based on related regulations. (3) Securities issued by the 100% invested company	Decision-making approaches on pricing and references 1. Securities Other than complying with the following regulations when acquiring or disposing securities, Epistar should receive the most recent audited CPA report/financial statement from the target company as the reference for evaluating trading price before the day of occurrence. Moreover, any trading exceeding 20% of the paid-in capital or above NT$300 million requires CPAs' comment on the rationality of trading price. before the day of occurrence. If it is necessary for the CPAs to adopt the professional report, SAS No. 20 issued by the ROC Accounting Research and Development Foundation (ARDF)has to be followed: (1) In compliance with <u>"Company Act", Securities </u>acquired by cash as a result of initiation or collection<u>, which should make the recognition of rights equivalent to the proportion of contribution.</u> (2) Securities issued at par with the participation of the target company via capital injection by cash based on related regulations. (3) Securities issued by the 100% invested company	Revised in accordance with partial amendment of the "Rules of Acquisition or Disposal Procedures of Asset" issued by Financial Supervisory Commission.

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	participating in the subscription via recapitalization in cash. (4) Securities traded in the security exchange house or listed/OTC securities in business areas of security companies (5) Government bonds and repo/resell bonds. (6) Domestic and offshore funds (7) Acquired or disposed stocks of listed/OTC companies based on the regulations of subscribing to securities stipulated by stock exchange house, subscription rules of OTC center, or policies related to selling stocks. (8) Securities acquired via participating the recapitalization (and not via private placement) in cash of listed companies. (9) Subscribed Mutual funds based on Paragraph 1 Article 11 in Securities Investment Trust and Consulting Act and petition number chin-kuan-cheng-4-tzu-ti-0930005249 dated Nov 1 2004.	participating in the subscription via recapitalization in cash. (4) Securities traded in the security exchange house or listed/OTC securities in business areas of security companies (5) Government bonds and repo/resell bonds. (6) Domestic and offshore mutual funds. (7) Acquired or disposed stocks of listed/OTC companies based on the regulations of subscribing to securities stipulated by stock exchange house, subscription rules of OTC center, or policies related to selling stocks. (8) Securities acquired via participating the recapitalization or via domestic Corporate bonds (including Bank Debentures) and not via private placement in cash of listed companies. (9) According to Paragraph 1 Article 11 of the "Securities Investment Trust and Consulting Act", Subscribed domestic private Mutual funds prior to establishment of the funds , or purchased domestic private placement funds, including those with the same investment scope with public placement funds except definitive description in the trust contract stating that investment strategy has excluded trading for security credit and related	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	(10) <u>Subscribed or purchased domestic private placement funds, including (for example) those with the same investment scope with public placement funds except definitive description in the trust contract stating that investment strategy has excluded trading for security credit and related position of uncovered securities.</u> 2. Real estate or equipment. Before the day of occurrence, any real estate or equipment acquired or disposed by Epistar with trading value more than 20% of paid-in capital or above NT$300 million are required to obtain the quotation from professionals except trading with government sectors, outsourcing construction projects for self-owned/rented properties, or acquiring/disposing equipment/facilities for business use. And the following regulations must be followed: (1) Any transaction requiring a limited price, specific or special price as reference for any special reason should be submitted to the Board of Directors(the "BOD") for review and approval. Any change in the conditions for such cases should also be approved by the BOD. (2) Any case above NT$1 billion is required to request more than 2 professional agencies for appraisal. (3) An appraisal report is	position of uncovered securities. 2. Real estate or equipment. Before the day of occurrence, any real estate or equipment acquired or disposed by Epistar with trading value more than 20% of paid-in capital or above NT$300 million are required to obtain the quotation from professionals except trading with government sectors, outsourcing construction projects for self-owned/rented properties, or acquiring/disposing equipment/facilities for business use. And the following regulations must be followed: (1) Any transaction requiring a limited price, specific or special price as reference for any special reason should be submitted to the Board of Directors(the "BOD") for review and approval. Any change in the conditions for such cases should also be approved by the BOD. (2) Any case above NT$1 billion is required to request more than 2 professional agencies for appraisal. (3) An appraisal report is	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	required to state the following contents: A. All the items required by the rules of appraising real estate. B. Related items for the appraiser and professional. (a) The name, total capital, organization structure and employment structure of the professional appraising company. (b) The appraiser's name, age, education (with related evidence), the number of years working in appraisal and period, number of cases undertaken by the appraiser. (c) The relationship between the professional appraising company, the appraiser and outsourced company. (d) A statement of "No fraud or concealment in any statement of the appraisal report". (e) The date of issuing the report. C. The basic profile of the appraised target should at least include the name, feature, location and area etc. D. An actual case compared with other real estate in the same area of the target. E. For cases with limited or specific price range, the appraiser should evaluate whether the current	required to state the following contents: A. All the items required by the rules of appraising real estate. B. Related items for the appraiser and professional. (a) The name, total capital, organization structure and employment structure of the professional appraising company. (b) The appraiser's name, age, education (with related evidence), the number of years working in appraisal and period, number of cases undertaken by the appraiser. (c) The relationship between the professional appraising company, the appraiser and outsourced company. (d) A statement of "No fraud or concealment in any statement of the appraisal report". (e) The date of issuing the report. C. The basic profile of the appraised target should at least include the name, feature, location and area etc. D. An actual case compared with other real estate in the same area of the target. E. For cases with limited or specific price range, the appraiser should evaluate whether the current	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	conditions are still consistent with such limitation. The appraiser is also required to state the rationales and reasonability of the difference between the target and normal price, and comment on whether the limited/specific price is rationale to be the basis for transaction price. F. If the target is a contract of joint construction, the reasonable proportion of both parties should be noted. G. Estimate the value-added tax for lands. H. When the same appraiser concludes a price with more than 20% difference of the same period, whether the appraiser complies with Article 41 of Real Estate Appraisal Act is required to be investigated. I. The attachments should include the details of the appraisal, registration information of ownership, a copy of situated area, a brief summary of urban renewal, the map of the target where it is located, the usage certificate of different sections of the land, the photos of the current status of the target. (4) Except for all of the evaluation results of acquired asset made by the professional appraisers are higher than the trading value or all of the evaluation	conditions are still consistent with such limitation. The appraiser is also required to state the rationales and reasonability of the difference between the target and normal price, and comment on whether the limited/specific price is rationale to be the basis for transaction price. F. If the target is a contract of joint construction, the reasonable proportion of both parties should be noted. G. Estimate the value-added tax for lands. H. When the same appraiser concludes a price with more than 20% difference of the same period, whether the appraiser complies with Article 41 of Real Estate Appraisal Act is required to be investigated. I. The attachments should include the details of the appraisal, registration information of ownership, a copy of situated area, a brief summary of urban renewal, the map of the target where it is located, the usage certificate of different sections of the land, the photos of the current status of the target. (4) Except for all of the evaluation results of acquired asset made by the professional appraisers are higher than the trading value or all of the evaluation	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	results of disposed asset made by the professional appraisers are lower than the trading value. If a professional appraiser comes up with any of the following result, the Company should consult with CPAs and study SFAS No. 20 prorogated by Accounting Research and Development Foundation. The CPAs should issue definitive comments on the reasons of the difference and reasonability of the transaction price: A. The appraisal result has more than 20% difference from the actual transaction price. B. The appraisal price from 2 professional appraising companies has more than 10% difference. (5) The issue date of the report made by professional appraisers should not be more than three months ahead of the contract date. However, if the publicly announced land value of the target is applicable within 6 months, the original professional appraiser may still issue a letter of comments. The "professional appraisers" refer to real estate appraiser, or other appraisers permitted by law to conduct appraising for real estate and equipment. 3. Membership certificates or intangible assets When Epistar acquires or disposes membership	results of disposed asset made by the professional appraisers are lower than the trading value. If a professional appraiser comes up with any of the following result, the Company should consult with CPAs and study SFAS No. 20 prorogated by Accounting Research and Development Foundation. The CPAs should issue definitive comments on the reasons of the difference and reasonability of the transaction price: A. The appraisal result has more than 20% difference from the actual transaction price. B. The appraisal price from 2 professional appraising companies has more than 10% difference. (5) The issue date of the report made by professional appraisers should not be more than three months ahead of the contract date. However, if the publicly announced land value of the target is applicable within 6 months, the original professional appraiser may still issue a letter of comments. The "professional appraisers" refer to real estate appraiser, or other appraisers permitted by law to conduct appraising for real estate and equipment. 3. Membership certificates or intangible assets When Epistar acquires or disposes membership	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	certificates or intangible assets above 20% of the paid-in capital or NT$300 million or more, except in transactions with a government agency, Epistar should engage CPAs to issue comments on the rationality of the transaction price before the day of occurrence. Accordingly, the CPAs should comply with the regulations in SFAS No. 20 prorogated by Accounting Research and Development Foundation. 4. The calculation of the trading amount in the first three paragraphs should be proceeded according to the regulations stated in the paragraph 2 of Act. 6. It is not necessary to be recognized if the appraisal report made by the professional appraiser or the CPAs' comments is provided within one year after the occurrence date. 5. Derivatives Comply with related regulations of Section 3 in " Acquisition or Disposal Procedures of Assets" by the Company.. 6.Assets acquired or disposed based on legal merging, division, procurement or receiving stocks Assets acquired or disposed as a result of legal merging, spin-off, acquisition or transfer of shares should comply with related regulations of Section 4 in " Acquisition or Disposal Procedures of Assets" by the Company. Any professional appraising company and their appraisers, any	certificates or intangible assets above 20% of the paid-in capital or NT$300 million or more, except in transactions with a government agency, Epistar should engage CPAs to issue comments on the rationality of the transaction price before the day of occurrence. Accordingly, the CPAs should comply with the regulations in SFAS No. 20 prorogated by Accounting Research and Development Foundation. 4. The calculation of the trading amount in the first three paragraphs should be proceeded according to the regulations stated in the paragraph 2 of Act. 6. It is not necessary to be recognized if the appraisal report made by the professional appraiser or the CPAs' comments is provided within one year after the occurrence date. 5. Derivatives Comply with related regulations of Section 3 in " Acquisition or Disposal Procedures of Assets" by the Company.. 6.Assets acquired or disposed based on legal merging, division, procurement or receiving stocks Assets acquired or disposed as a result of legal merging, spin-off, acquisition or transfer of shares should comply with related regulations of Section 4 in " Acquisition or Disposal Procedures of Assets" by the Company. Any professional appraising company and their appraisers, any	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	accountants, legal consults, or security underwriters and transaction counterparties issuing comments or appraisal report should not be the related parties of the clients pertinent to the transaction. When acquiring or disposing assets by means of the auction procedure of the court house, Epistar may provide documents of the court house to substitute the appraisal report or CPA's comments.	accountants, legal consults, or security underwriters and transaction counterparties issuing comments or appraisal report should not be the related parties of the clients pertinent to the transaction. When acquiring or disposing assets by means of the auction procedure of the court house, Epistar may provide documents of the court house to substitute the appraisal report or CPA's comments.	
Article 4	Transaction cap 1. If the asset acquired or disposed by Epistar and any subsidiary belongs to lands, <u>factories</u> and equipment for business use, there will not be any limitation on the cap of transaction. 2. For all real estate for non business use purchased by Epistar and any subsidiary, the transaction amount should not exceed 20% of paid-in capital. 3. Any long-term and short-term investment of Epistar and subsidiaries shall be subject to the "Rules of Management for long-term and short-term investments".	Transaction cap 1. If the asset acquired or disposed by Epistar and any subsidiary belongs to lands, <u>real estate</u> and equipment for business use, there will not be any limitation on the cap of transaction. 2. For all real estate for non business use purchased by Epistar and any subsidiary, the transaction amount should not exceed 20% of paid-in capital. 3. Any long-term and short-term investment of Epistar and subsidiaries shall be subject to the "Rules of Management for long-term and short-term investments".	Revised in accordance with partial amendment of the "Rules of Acquisition or Disposal Procedures of Asset" issued by Financial Supervisory Commission.
Article 6	Procedure of promulgation and declaration Epistar is liable to announce and declare on websites appointed by regulators in regulated format within 2 days after the occurrence of any of the following incident (hereinafter "the occurrence date") when acquiring or disposing assets: 1. Obtain or dispose real estate from related parties; obtain or dispose the assets not aside from real estate with trading value of 20% of the Company's	Procedure of promulgation and declaration Epistar is liable to announce and declare on websites appointed by regulators in regulated format within 2 days after the occurrence of any of the following incident (hereinafter "the occurrence date") when acquiring or disposing assets: 1. Obtain or dispose real estate from related parties; obtain or dispose the assets not aside from real estate with trading value of 20% of the Company's	Revised in accordance with partial amendment of the "Rules of Acquisition or Disposal Procedures of Asset" issued by Financial Supervisory Commission.

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	paid-in capital or that of 10% of total asset or more than NT$300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds. 2. Merge with other companies, divide the company, procure assets or sell stocks. 3. The loss incurred from derivatives transaction exceeds the loss cap of the entire or individual contract based on rules in the procedures. 4. Other than the above 3 types of transactions or investment in China, or any other cases worth more than 20% paid-in capital of the Company or NT$300	paid-in capital or that of 10% of total asset or more than NT$300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds which is issued by domestic security investment trust entity. 2. Merge with other companies, divide the company, procure assets or sell stocks. 3. The loss incurred from derivatives transaction exceeds the loss cap of the entire or individual contract based on rules in the procedures. 4. Acquire or dispose equipment which for business use and Trading partner is not related parties, transaction amount is to one of the following requirements: (1) Epistar paid-in capital is below NTD Ten (10) billion, transaction amount is above NTD five hundred (500) million. (2) Epistar paid-up capital is above NTD Ten (10) billion, transaction amount is above NTD one (1) billion. 5. Epistar acquires real estate via outsourcing construction on self-owned lands or outsourcing construction on leased lands, or joint construction and separate the building/profit/sales with estimate investment above NT$500 million. 6. Other than the above 5 types of transactions or investment in China, or any other cases worth more than 20% paid-in capital of the Company or NT$300	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	million, the following situations shall not be applicable: (1)Trading of government bonds. (2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. <u>(3)Acquired or disposed assets belong to equipment for business use and the counterparty is not a related party with transaction value under NT$500 million.</u> <u>(4)Epistar acquires real estate via outsourcing construction on self-owned lands or outsourcing construction on leased lands, or joint construction and separate the building/profit/sales with estimate investment under NT$500 million by Epistar.</u> Each of the above-stated transaction value is calculated by any of the following formula: 1. Total of each individual transaction 2. The transaction total of the same person accumulated in one year from acquiring or disposing the same type of targets 3. The transaction total accumulated in one year from acquiring or disposing (separately) on the same project to develop real estate 4. The transaction total accumulated in one year from acquiring or disposing (separately) the same security. The above-stated "investment in	million, the following situations shall not be applicable: (1)Trading of government bonds. (2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds<u> which is issued by domestic security investment trust entity.</u> Each of the above-stated transaction value is calculated by any of the following formula: 1. Total of each individual transaction 2. The transaction total of the same person accumulated in one year from acquiring or disposing the same type of targets 3. The transaction total accumulated in one year from acquiring or disposing (separately) on the same project to develop real estate 4. The transaction total accumulated in one year from acquiring or disposing (separately) the same security. The above-stated "investment in	

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	China" stated in first Paragraph of this Article refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area. The above-stated "the occurrence date" stated in first Paragraph of this Article, in principle, refers to the contract signature date of transactions, payment date, engaged transaction date, transmission date, resolution date of the BOD, or the date confirming other transaction counterparties or transaction price, whichever occurs first. However, for the investments requiring regulators' approval, "the occurrence date" refers to any of the above dates or the date receiving regulator's approval, whichever happens first. The "within one year" mentioned in Paragraph B refers to the one year before "the occurrence date". The dates already announced may be exempt from the calculation. Epistar should update the status of derivatives transaction of Epistar, and subsidiaries of non-listed companies in Taiwan as of last month end to website appointed by regulators in regulated format prior to 10th of every month.	China" stated in first Paragraph of this Article refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area. The above-stated "the occurrence date" stated in first Paragraph of this Article, in principle, refers to the contract signature date of transactions, payment date, engaged transaction date, transmission date, resolution date of the BOD, or the date confirming other transaction counterparties or transaction price, whichever occurs first. However, for the investments requiring regulators' approval, "the occurrence date" refers to any of the above dates or the date receiving regulator's approval, whichever happens first. The "within one year" mentioned in Paragraph B refers to the one year before "the occurrence date". The dates already announced may be exempt from the calculation. Epistar should update the status of derivatives transaction of Epistar, and subsidiaries of non-listed companies in Taiwan as of last month end to website appointed by regulators in regulated format prior to 10th of every month.	
Article 9	Correction of announcement / declaration When Epistar needs to make correction for any announcement items based on Article 6, Epistar is required to make promulgation for the entire content again.	Correction of announcement / declaration When Epistar needs to make correction for any announcement items based on Article 6, Epistar is required to make promulgation for the entire content again.	Revised in accordance with partial amendment of the "Rules of Acquisition or Disposal

Article No.	Original Articles	Amended Articles	Reasons for Amendments
	After declaring transactions based on Article 6, Epistar is required to announce and declare on websites appointed by regulators in regulated format in 2 days after the occurrence of any of the following incident (hereinafter "the occurrence date") 1. Any change/termination/ cancellation of the contracts related to the original transaction contract 2. Any merging, division, procurement, or share selling is not completed by the due date subject to the contract. 3. Any changes in the announced content.	After declaring transactions based on Article 6, Epistar is required to announce and declare on websites appointed by regulators in regulated format within 2 days from the date on which known for the occurrence of any of the following incident (hereinafter "the occurrence date") 1. Any change/termination/ cancellation of the contracts related to the original transaction contract 2. Any merging, division, procurement, or share selling is not completed by the due date subject to the contract. 3. Any changes in the announced content.	Procedures of Asset" issued by Financial Supervisory Commission.
Article 24	For any corporate mergers, spin-off, acquisition or transfer of shares, Epistar should engage accountants, lawyers or security underwriters to comment on the rationality on the proportion of equity swap, transaction price, cash dividend to the shareholders or other properties before BOD meeting. And these comments should be submitted to the BOD for discussion and approval.	For any corporate mergers, spin-off, acquisition or transfer of shares, Epistar should engage accountants, lawyers or security underwriters to comment on the rationality on the proportion of equity swap, transaction price, cash dividend to the shareholders or other properties before BOD meeting. And these comments should be submitted to the BOD for discussion and approval. But Epistar mergers the subsidiary which issued shares or capital is directly or indirectly 100% be holded by Epistar, or mergers between subsidiaries which Epistar separately holds 100% issued shares or capital, the provision above do not apply.	Revised in accordance with partial amendment of the "Rules of Acquisition or Disposal Procedures of Asset" issued by Financial Supervisory Commission.

Attachment 7

Epistar Corporation
List of releasing the directors from non-competition restrictions

Name	Positions in Other Companies	Engage Business	Relationship between the Company and the Competitive Entities
Po-Wen Yen (United Microelectronics Corp. Rep)	The director and CEO of UMC	IC OEM/ODM/Foundry	UMC is one of the long-term shareholders of Epistar. Po-Wen Yen is the director and CEO of UMC, because of its range of Subsidiary, Joint Venture or reinvestment between Epistar and UMC may involve the same or similar business with Epistar's upstream and downstream companies, and UMC's business has no competitive relationship with Epistar.
Yin-Fu Yeh (Everlight Electronics Co., Ltd. Rep)	The Chairman & General Manager of Everlight Electronics Co., Ltd.	Light-emitting & Sensor Components, LED Product Manufacturing & Sales	Everlight Electronics Co., Ltd. is the long-term shareholder and important client of Epistar.
	The Chairman & General Manager of Tekcore Co., Ltd.	GaN LED Chips/Dies Manufacturing & Sales	Epistar and Everlight Electronics Co., Ltd. are the major shareholders of Tekcore Co., Ltd.
	The Chairman & General Manager of Evervision Electronics Co., Ltd.	LED Display, Reticle/Mask Manufacturing, and LED Backend OEM Services	Evervision Electronics Co., Ltd. is 63.48% Joint reinvestment Subsidiary of Everlight Electronics Co., Ltd. and its Subsidiary, engaging business in LED Backend OEM Services.
	The director of Everlight Americas, Inc.	LED Component Sales	Everlight Americas, Inc. is 99% reinvestment Subsidiary of Everlight Electronics Co., Ltd., engaging business in LED Component Sales of Everlight Electronics Co., Ltd. in America.