EPISTAR

EPISTAR CORPORATION
2018 Annual General Shareholders' Meeting
MINUTES
(Translation)

Time：9:00 a.m., Thursday, June 21, 2018

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

Attendants: All shareholders and their proxy holders, representing 822,500,112 shares (amongst them, 574,101,793 shares voted via electronic transmission), or 75.72% of the total 1,086,136,655 outstanding shares (2,564,755 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, Wei-Min Sheng, Feng-Shang Wu and Chi-Yen Liang.

Attendees: Ya-Huei Cheng CPA & Chin-Cheng Hsieh 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 2017 Business Report. (see Attachment 1)
(Acknowledged)

(2) Audit committee's report of 2017 audited financial report. (see Attachment 2)
(Acknowledged)

(3) 2017 distributable compensation for directors and employees.

Explanation:

Pursuant to the article 20-1 of the Company's Articles of Incorporation and the approved proposal from the Board of Directors' Meeting on 15 March 2018, It is resolved, on the basis of 2017 Profit, to allocate 15% and 2% of the profit as employees' compensation and directors' compensation respectively; the employee's compensation is NT$312,528,484 and director's compensation is NT$41,672,490, both shall be distributed in the form of Cash.
(Acknowledged)

(4) Implementation Report on the Issuance of the Common Stocks through Private Placement which approved by the 2017 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 15 March, 2018 due to lack of qualified strategic investor can be found before the expiry date on 20 June, 2018.

(Acknowledged)

(5) Status of Endorsements and Guarantees as of the End of 2017.

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$42,000,000 and RMB$40,000,000 as of December 31, 2017.

B. The Company provided endorsements and guarantees for the finance of its 77.5% owned subsidiary, Jiangsu Canyang Optoelectronics Ltd. The balance of endorsements and guarantees amounted to US$36,000,000 as of December 31, 2017.

C. The Company provided endorsements and guarantees for the finance of its wholly owned subsidiary, Ecoled Venture Co., Limited. The balance of endorsements and guarantees amounted to US$3,000,000 as of December 31, 2017.

D. The Company provided endorsements and guarantees for the finance of its wholly owned subsidiary, Yen-Rich Opto (Hong Kong) Limited. The balance of endorsements and guarantees amounted to US$5,000,000 as of December 31, 2017.

(Acknowledged)

Ⅳ. Approval Items

(1) 2017 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Explanation:

A. The 2017 Business Report and Financial Statements were approved by the Board of Directors’ Meeting on March 15, 2018 and reviewed by the Audit Committee. The Audit Committee’s report was issued accordingly.

B. The 2017 Business Report, Audit Report from the Certified Public Accountant (CPA) and Financial Statements are attached hereto as Attachments 1 and 3.

Voting Results:

Shares represented at the time of voting: 822,500,112

Voting Results		% of the total represented share present
Votes in favor:	633,833,833 votes (385,558,254 votes)	77.06%

Voting Results		% of the total represented share present
Votes against:	42,613 votes (42,613 votes)	0.01%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	188,623,666 votes (188,500,926 votes)	22.93%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(2) Distribution of 2017 profits.

(Proposed by the Board of Directors)

Explanation:

A. The Profit Allocation Table is attached hereto as Attachment 4.

B. It is proposed to distribute NT$749,196,302 to be as shareholders' cash dividend, approximately NT$0.6881559 per share which is the after-tax surplus of year 2017 of the company after making up for previous year's losses and after 10% of statutory surplus reserve and special surplus reserve. The dividend is distributed pursuant to shares of each shareholder registered in the shareholders roster subject to Ex-dividend date. The dividend is calculated up to the nearest NT Dollar by unconditional rounding and the total undistributed dividend which less than one NT Dollar will be allocated to other income of the company.

C. It is proposed that shareholders meeting resolve to authorize chairman to set up the date of ex-dividends and other relevant issues. If the dividend ratio is affected by the change of the numbers of outstanding shares of the company, the chairman of the Board of Directors is fully authorized to conduct necessary process.

Voting Results:

Shares represented at the time of voting: 822,500,112

Voting Results		% of the total represented share present
Votes in favor:	636,866,252 votes (388,590,673 votes)	77.43%
Votes against:	45,156 votes (45,156 votes)	0.01%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	185,588,704 votes (185,465,964 votes)	22.56%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

V. Discussion Items

(1) Cash Distribution of the Capital Surplus to Shareholders.

(Proposed by the Board of Directors)

Explanation:

A. Pursuant to Article 241 of the Company Act, the Company plans to distribute NT$121,764,829 as dividend in cash. It shall be allocated from the capital surplus derived from the capital increase in which the new shares were issued with the amount exceeding the par value. It shall be distributed in accordance with the share amounts held by the shareholders as registered in the roster of shareholders on the record date of the dividend distribution. The distribution calculation shall be rounded up to the nearest NT dollar.

B. As calculated on the basis of the number of shares issued by the Company as of May 3, 2018, eligible share for distribution was 1,088,701,410 in total, the cash dividend shall be NT$0.1118441 per share. To sum up, it's proposed to distribute NT$0.6881559 per share from earnings, the total amount for distribution per share will be NT$0.8 and it will be paid by cash.

C. It is proposed that shareholders meeting resolve to authorize chairman to set up the date of ex-dividends and other relevant issues. If the dividend ratio is affected by the change of the numbers of outstanding shares of the company, the chairman of the Board of Directors is fully authorized to conduct necessary process.

Voting Results:

Shares represented at the time of voting: 822,500,112

Voting Results		% of the total represented share present
Votes in favor:	636,801,720 votes (388,526,141 votes)	77.42%
Votes against:	42,606 votes (42,606 votes)	0.01%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	185,655,786 votes (185,533,046 votes)	22.57%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(2) 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 Shareholders' Meeting convened on 21 June 2017 are not executed within 12 months from the date of approval on the last Annual General Shareholders' Meeting, the plan of fundraising is canceled. The Company proposes the plan of fundraising to be approved at Annual General Shareholders' Meeting in 2018.

B. In order to purchase machines and equipment, repay 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 160,000,000 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 160,000,000 common shares represents 14.70% of the total issued shares and 12.81% 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 160,000,000 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 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 160,000,000 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 12.81% 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 160,000,000 shares.

b. Par 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 LED chip market suffered from oversupply and it has affected our sales performance, the Company will launch new business such as VCSEL, GaN on Si and Mini-LED this year and will consider forming strategic cooperation with downstream industry players. 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.

In addition, the Company expects to expand its product marketing channel and benefit its business growth by introducing strategic investors.

The purpose of each share 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 strategic plan will support the Company to develop new products and eventually improve the Company's margin and financial position.

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 160,000,000 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 12.81% 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.

Voting Results:

Shares represented at the time of voting: 822,500,112

Voting Results		% of the total represented share present
Votes in favor:	587,380,235 votes (339,104,656 votes)	71.41%
Votes against:	45,243,311 votes (45,243,311 votes)	5.50%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	189,876,566 votes (189,753,826 votes)	23.09%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

(3) 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 5, and to release from non-competition restrictions.

Voting Results:

Shares represented at the time of voting: 822,500,112

Voting Results		% of the total represented share present
Votes in favor:	609,913,575 votes (361,637,996 votes)	74.15%
Votes against:	177,931 votes (177,931 votes)	0.02%
Votes invalid:	0 votes (0 votes)	0.00%
Votes abstained:	212,408,606 votes (212,285,866 votes)	25.83%

* 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 9:26 am

Attachment 1

Epistar Corporation
2017 Business Report

In the 2nd half of 2016, global nitride-based LED supply and demand has slightly improved, however other companies in the LED business has completed expansion of their production capacity during the 4th quarter of 2017, causing an increase of competition in the market.

Although the operation environment has been bearish, our entire staff and workforce never gave up on turning from loss to profit as our ultimate goal and we put in all our effort into lowering operating costs and increasing product mix optimization.

Our Net Operating Revenue decreased 6.35% from 2016, however in 2017 our Net Operating Income was NTD1.608 billion and Net Profit after tax was NTD1.65 billion.

Not only have we successfully showed the turn from loss to profit, our profit greatly increased and which exceeded our estimated target. Many thanks to our entire staff and workforce, we showed powerful teamwork and held the excellent attitude to never give up until we reached our goal.

In order to accommodate the launch of new products, upgrade product specification, and improve competitiveness, we acquired new process equipment, clean room, RD equipment, and equipment upgrades. We also invested in increasing environmental protection and work safety facilities; therefore this year's capital expenditure is around NTD1.5 billion.

Our company continues to invest in research and development. In 2017 our research and development cost was NTD1.529 billion, which were primarily invested to develop new products and increase cost-performance ratio, all with good results. Asides from winning the 2017 Taiwan International Lighting Show (TILS) Innovative Product award, we also have considerable progress in acquiring of patents. We acquired 566 patents last year and now have a total of 3,752 patents. Our company has earned recognition in implementation of corporate social responsibility. In addition to "The British Standards Association CSR certification statement" issued to us, we also obtained the 2017 Taiwan Enterprise Sustainability Report Award.

Prospecting the upcoming year 2018 of the LED industry, the market is still over supplied and competition is fierce. However due to global issues on energy-saving and emphasis on environmental protection, as well as luminous efficiency has improved over the years and Miniaturization of LED chips, many more new applications of LED are emerging. Therefore the LED market has potential to continue to grow, for example LED High efficiency tube and filament LED light bulb demand has grown over the years, and LED application in lighting and automobile and other applications has continued to permeate throughout other fields of applications. LED application in Horticulture has gradually gained importance and IR LED in security control, smart phone sensor, Mini LED application in various kinds of display, and so on.

In 2018 our expected shipment of LED chip is estimated at 562,998 million pcs.

Regarding VCSEL OEM sales and market promotion, asides from significant increase of sales of data transfer VCESL epitaxy wafer, this year we will start to promote VCSEL in sensor device products.

In reaction to end application demand towards intelligence and price–performance ratio in the upcoming future, we still need to constantly put our effort in research and development, improve our technique and lower our costs. Our company will continue to launch new products, improve efficiency of resource operations, increase product’s additional value and product mix optimization and compete for more high quality orders in order to increase shareholders return on equity.

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 2018

The board of directors has prepared and submitted the Company's 2017 Business Report, Financial Statements and Proposal for allocation of profit. Ya-Huei Cheng CPA and Chin-Cheng Hsieh CPA of PricewaterhouseCoopers have also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements and Proposal for 2017 allocation of profit 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 15, 2018

Attachment 3

Report of independent accountants translated from Chinese.

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR17000340

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, 2017 and 2016, 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, 2017 and 2016, 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 reports of 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 judgement, 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.

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2017 are outlined as follows:

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, 2017, the balances of property, plant and equipment, and goodwill were NT$24,348,881 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 after disposal the disposal costs, and of 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 independent valuers 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$5,488,266 thousand and NT$672,888 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 obsolete inventories and their respective net realizable values are subject to management's judgement, 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 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 2017 and 2016 financial statements of certain consolidated subsidiaries. Total assets of those consolidated subsidiaries amounted to NT$1,045,560 thousand and NT$1,408,852 thousand, constituting 1.56% and 2.04% of the consolidated total assets as at December 31, 2017 and 2016, respectively, and total operating revenues of $0 and NT$74,744 thousand , constituting 0% and 0.29% of the consolidated total operating revenues for the years then ended. Furthermore, we did not audit the 2017 and 2016 financial statements of certain equity investments accounted for under the equity method. These equity investments amounted to NT$802,377 thousand and NT$650,836 thousand, representing 1.19% and 0.94% of the consolidated total assets as of December 31, 2017 and 2016, 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$485,632 thousand and NT$525,096 thousand, representing (33.58%) and 10.91% of the consolidated comprehensive income for the years then ended. The financial statements of the aforementioned subsidiaries and investees 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 subsidiaries and investments, is based solely on the reports of the other independent accountants.

We have audited and expressed an unmodified opinion on the parent company only financial statements of Epistar Corporation as at and for the years ended December 31, 2017 and 2016.

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 judgement 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.

Cheng, Ya-Huei Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2018

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets				
1100	Cash and cash equivalents	$ 6,836,697	10	$ 6,001,430	9
1110	Financial assets at fair value through profit or loss - current	410,766	1	694,057	1
1150	Notes receivable, net	1,886,532	3	892,562	1
1170	Accounts receivable, net	6,623,059	10	6,831,210	10
1180	Accounts receivable - related parties, net	2,779,105	4	2,753,269	4
1200	Other receivables	823,277	1	1,137,658	2
1210	Other receivables - related parties	24,785	-	62,821	-
130X	Inventories, net	4,815,378	7	4,354,837	6
1410	Prepayments	1,192,436	2	1,277,849	2
1460	Non-current assets held for sale - net	468,142	1	627,398	1
1470	Other current assets	183,474	-	165,173	-
11XX	**Current Assets**	26,043,651	39	24,798,264	36
	Non-current assets				
1523	Available-for-sale financial assets - non-current	1,957,093	3	2,151,349	3
1550	Investments accounted for under equity method	2,819,665	4	2,743,054	4
1600	Property, plant and equipment, net	24,348,881	36	27,286,631	39
1780	Intangible assets	7,846,962	12	8,007,219	12
1840	Deferred income tax assets	3,021,330	5	2,714,882	4
1900	Other non-current assets	948,087	1	1,396,035	2
15XX	**Non-current assets**	40,942,018	61	44,299,170	64
1XXX	**Total assets**	$ 66,985,669	100	$ 69,097,434	100

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities				
2100	Short-term borrowings	$ 700,000	1	$ 2,161,250	3
2110	Short-term notes and bills payable	376,791	1	69,836	-
2150	Notes payable	74,172	-	35,185	-
2170	Accounts payable	2,413,925	4	2,411,249	4
2180	Accounts payable - related parties	754,847	1	735,181	1
2200	Other payables	4,037,486	6	3,943,714	6
2230	Current income tax liabilities	168,527	-	45,727	-
2320	Long-term liabilities, current portion	977,277	1	615,841	1
2399	Other current liabilities - others	165,789	-	196,087	-
21XX	**Current Liabilities**	9,668,814	14	10,214,070	15
	Non-current liabilities				
2540	Long-term borrowings	2,120,859	3	5,737,866	8
2570	Deferred income tax liabilities	1,097,797	2	949,502	1
2600	Other non-current liabilities	1,114,287	2	1,212,000	2
25XX	**Non-current liabilities**	4,332,943	7	7,899,368	11
2XXX	**Total Liabilities**	14,001,757	21	18,113,438	26
	Equity attributable to owners of parent company				
	Share capital				
3110	Share capital - common stock	10,887,014	16	10,915,492	16
	Capital surplus				
3200	Capital surplus	39,970,967	59	43,016,259	61
	Retained earnings				
3310	Legal reserve	-	-	241,512	-
3350	Unappropriated retained earnings (accumulated deficit)	1,614,226	3	(3,545,028)	(5)
	Other equity interest				
3400	Other equity interest	(684,243)	(1)	(505,370)	-
3500	**Treasury stocks**	(408,783)	-	(848,721)	(1)
31XX	**Equity attributable to owners of the parent**	51,379,181	77	49,274,144	71
36XX	**Non-controlling interest**	1,604,731	2	1,709,852	3
3XXX	**Total equity**	52,983,912	79	50,983,996	74
3X2X	**Total liabilities and equity**	$ 66,985,669	100	$ 69,097,434	100

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

		Years ended December 31			
		2017		2016	
	Items	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	$ 25,270,616	100	$ 25,539,163	100
5000	**Operating costs**	(19,786,497)	(79)	(23,626,125)	(93)
5900	**Operating margin**	5,484,119	21	1,913,038	7
5910	Unrealized loss (profit) from sales	(21,083)	-	2,409	-
5920	Realized profit from sales	(2,409)	-	563	-
5950	**Net operating margin**	5,460,627	21	1,916,010	7
	Operating expenses				
6100	Selling expenses	(231,959)	(1)	(289,926)	(1)
6200	General and administrative expenses	(1,559,394)	(6)	(1,604,835)	(6)
6300	Research and development expenses	(1,576,283)	(6)	(1,532,888)	(6)
6000	**Total operating expenses**	(3,367,636)	(13)	(3,427,649)	(13)
6500	**Other income and expenses - net**	214,159	1	255,863	1
6900	**Operating loss**	2,307,150	9	(1,255,776)	(5)
	Non-operating income and expenses				
7010	Other income	252,335	1	244,673	1
7011	Insurances income from disaster	400,000	2	1,200,000	5
7020	Other gains and losses	(729,284)	(3)	(2,252,180)	(8)
7021	Net gain on valuation of put options, call options and conversion rights of bonds	-	-	56,931	-
7022	Loss on call of corporate bonds	-	-	(199,386)	(1)
7023	Disaster loss	(57,172)	-	(463,846)	(2)
7050	Finance costs	(198,788)	(1)	(403,915)	(2)
7060	Share of loss of associates and joint ventures accounted for under equity method	(50,851)	-	(681,415)	(3)
7000	**Total non-operating income and expenses**	(383,760)	(1)	(2,499,138)	(10)
7900	**Profit (loss) before income tax**	1,923,390	8	(3,754,914)	(15)
7950	Income tax expense	(237,177)	(1)	(257,838)	(1)
8200	**Profit (loss) for the year**	$ 1,686,213	7	($ 4,012,752)	(16)

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

		Years ended December 31			
		2017		2016	
	Items	AMOUNT	%	AMOUNT	%
	Other comprehensive income				
8311	Gains (losses) on remeasurements of defined benefit plans	($ 42,790)	-	$ 1,968	-
8320	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	(171)	-	(107)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	7,274	-	(335)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**	(35,687)	-	1,526	-
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Cumulative translation differences of foreign operations	(206,586)	(1)	(853,572)	(3)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	(66,753)	-	42,966	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	24,125	-	(101,475)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	44,743	-	109,120	-
8300	**Other comprehensive loss for the year**	($ 240,158)	(1)	($ 801,435)	(3)
8500	**Total comprehensive (loss) income for the year**	$ 1,446,055	6	($ 4,814,187)	(19)
	Profit (loss), attributable to:				
8610	Equity holders of the parent company	$ 1,649,913	7	($ 3,546,045)	(14)
8620	Non-controlling interest	$ 36,300	-	($ 466,707)	(2)
	Comprehensive (loss) income attributable to:				
8710	Equity holders of the parent company	$ 1,435,353	6	($ 4,193,030)	(17)
8720	Non-controlling interest	$ 10,702	-	($ 621,157)	(2)
	Basic earnings (loss) per share				
9750	**Total basic earnings (loss) per share**	$	1.55	($	3.33)
	Diluted earnings (loss) per share				
9850	**Total diluted earnings (loss) per share**	$	1.53	($	3.33)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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	Unappropriated retained earnings (accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	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
Appropriation of 2015 earnings										
Legal reserve used to offset accumulated deficit	-	-	(1,306,352)	1,306,352	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method 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 share	(3,309)	(17,503)	-	-	-	-	20,812	-	-	-
Treasury stock sold by subsidiary	-	7,578	-	(509)	-	-	50,556	57,625	63,718	121,343
Capital reduction of subsidiary	-	-	-	-	-	-	-	-	(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

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EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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	Unappropriated retained earnings (accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total
2017										
Balance at January 1, 2017	$ 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
Appropriations of 2016										
Legal reserve used to offset accumulated deficit	-	-	(241,512)	241,512	-	-	-	-	-	-
Capital surplus used to offset accumulated deficit	-	(3,303,516)	-	3,303,516	-	-	-	-	-	-
Change in investees interest accounted for under equity method	-	168,908	-	-	-	-	-	168,908	-	168,908
Difference between consideration and carrying amount of subsidiaries acquired and disposed	-	105,930	-	-	-	-	-	105,930	(178,366)	(72,436)
Treasury stock transferred to employees	-	110,919	-	-	-	-	257,681	368,600	-	368,600
Compensation cost of share-based payments	-	27,906	-	-	-	-	-	27,906	-	27,906
Retirement of treasury share	(28,478)	(153,779)	-	-	-	-	182,257	-	-	-
Cash paid for acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	60,883	60,883
Changes in ownership interests in subsidiaries accounted for using equity method	-	(1,660)	-	-	-	-	-	(1,660)	1,660	-
Loss for the year	-	-	-	1,649,913	-	-	-	1,649,913	36,300	1,686,213
Other comprehensive income (loss) for the year	-	-	-	(35,687)	(187,423)	8,550	-	(214,560)	(25,598)	(240,158)
Balance at December 31, 2017	$ 10,887,014	$ 39,970,967	$ -	$ 1,614,226	($ 415,950)	($ 268,293)	($ 408,783)	$ 51,379,181	$ 1,604,731	$ 52,983,912

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	$ 1,923,390	($ 3,754,914)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	4,839,803	5,373,296
Amortization(long-term prepaid rents)	360,721	384,871
Provision for doubtful accounts	(18,534)	59,414
Net (gain) loss on financial assets at fair value through profit or loss	(99,581)	13,427
Net loss on financial liability at fair value through profit or loss	6,572	-
Net gain on valuation of put options, call options and conversion rights of bonds	-	(56,931)
Interest expense	234,607	392,302
Interest income	(56,221)	(74,979)
Dividend income	(1,448)	(11,685)
Compensation cost of share-based payment	27,906	-
Effect of exchange rate on bonds payable and long-term loans	(49,210)	(178,176)
Share of loss of associates and joint ventures accounted for under the equity method	50,851	681,415
Impairment loss on non-financial assets	377,682	987,848
(Loss) gain on disposal of property, plant and equipment	(9,766)	501,237
Gain on disposal of intangible assets	-	(849)
Gain on disposal of investments	(32,015)	(74,492)
Other income from recognition of long-term deferred revenues	(166,205)	(168,358)
Loss on redemption corporate bonds	-	199,386
Impairment loss of financial assets	16,651	395,482
Property, plant and equipment transferred to expenses	7,017	10,636
Intangible assets transferred to expenses	410	2,074
Payable on machinery and equipment transferred to other income	(121,680)	-
Prepayment for business facilities transferred to other disbursements	8,524	-
Realized loss (profit) from sales	2,409	(563)
Unrealized profit (loss) from sales	21,083	(2,409)
Disaster loss	57,172	463,846
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets held for trading	381,518	159,630
Notes receivable	(992,632)	716,218
Accounts receivable	202,942	(427,427)
Other receivables	706,642	(755,235)
Inventories	(548,599)	1,956,706
Prepayments	85,413	388,364
Other non-current assets	(40,577)	210,278
Changes in operating liabilities		
Notes payable	38,732	(143,020)
Accounts payable	58,459	349,061
Other payables	171,732	(274,795)
Other current liabilities	(30,298)	(129,291)
Other non-current liabilities	(36,628)	(15,135)
Cash inflow generated from operations	7,376,842	7,177,232
Income tax paid	(245,836)	(40,593)
Interest received	54,674	95,528
Interest paid	(229,498)	(322,489)
Dividend received	13,959	37,324
Net cash flows from operating activities	6,970,141	6,947,002

(Continued)

EPISTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in other financial assets	($ 18,301)	$ 1,024,926
Acquisition of available-for-sale financial assets	(2,045)	(390,953)
Proceeds from disposal of available-for-sale financial assets	125,425	208,166
Acquisition of investments accounted for under the equity method	(70,312)	(2,445)
Proceeds from liquidation of investment accounted for using equity method	14,631	-
Net cash from disposal of subsidiaries	-	35,604
Acquisition for property, plant and equipment	(2,206,021)	(2,622,908)
Proceeds from disposal of property, plant and equipment	153,690	1,930,988
Acquisition of intangible assets	(228,929)	(492,787)
Proceeds from disposal of intangible assets	-	849
Decrease in refundable deposits paid	1,702	23,185
Net cash flows used in investing activities	(2,230,160)	(285,375)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(1,456,318)	(1,495,211)
Increase (decrease) in short-term notes and bill payable	304,287	(135,631)
Repayment of long-term loans	(8,518,326)	(6,658,834)
Proceeds from long-term loans	5,300,000	7,776,673
Repayments of convertible bonds	-	(7,667,042)
Redemption of convertible bonds payable	-	(223,609)
Increase in guarantee deposits received	45,467	258
Proceed from treasury share transferred to employees	260,930	-
Increase in cash paid for acquisition of non-controlling interests	60,883	-
Capital reduction of subsidiary	-	(98,490)
Treasury stock sold by subsidiary company	-	121,343
Net cash flows used in financing activities	(4,003,077)	(8,380,543)
Effects of foreign currency exchange	98,363	157,215
Net increase (decrease) in cash and cash equivalents	835,267	(1,561,701)
Cash and cash equivalents at beginning of year	6,001,430	7,563,131
Cash and cash equivalents at end of year	$ 6,836,697	$ 6,001,430

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, 2017 and 2016, 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, 2017 and 2016, 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 reports of 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 judgement, 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.

Key audit matters for the Company’s non-consolidated financial statements of the current period are stated as follows:

Evaluation of Impairment Losses of Property, Plant and Equipment, and Intangible assets

<u>Description</u>

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, 2017, the balances of property, plant and equipment, and intangible assets were NT$17,010,006 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 intangible assets 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.

<u>How our audit addressed the matter</u>

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 intangible assets, 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 execution 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, 2017, the balances of inventories and the allowance for valuation loss were NT$3,732,030 thousand and NT$486,675 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 judgement, 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 obsolate 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 2017 and 2016 financial statements of certain consolidated subsidiaries and equity investments accounted for under the equity method. These equity investments amounted to NT$1,422,275 thousand and NT$1,395,693 thousand, representing 2.30% and 2.15% of the total assets as at December 31, 2017 and 2016, 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$92,972 thousand and NT$1,183,267 thousand, representing 6.48% and 28.22% of the comprehensive income (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 judgement 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.

Cheng, Ya-Huei Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2018

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
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
Current assets				
Cash and cash equivalents	$ 5,310,043	9	$ 3,632,418	6
Financial assets at fair value through profit or loss - current	-	-	150,009	-
Notes receivable, net	195,064	-	34,427	-
Accounts receivable, net	4,136,510	7	4,818,320	7
Accounts receivable - related parties	4,502,953	7	6,060,195	9
Other receivables	563,629	1	995,883	2
Other receivables - related parties	1,093,895	2	1,253,168	2
Inventories,net	3,245,355	5	2,859,356	4
Prepayments	340,814	-	415,595	1
Non-current assets held for sale - net	468,142	1	627,398	1
Other current assets	97,166	-	68,228	-
Current Assets	19,953,571	32	20,914,997	32
Non-current assets				
Available-for-sale financial assets - noncurrent	1,183,025	2	1,254,447	2
Investments accounted for under equity method	12,878,833	21	12,446,544	19
Property, plant and equipment,net	17,010,006	27	19,174,184	30
Intangible assets	7,684,157	12	7,813,856	12
Deferred income tax assets	2,873,564	5	2,604,001	4
Other non-current assets	385,518	1	644,901	1
Non-current assets	42,015,103	68	43,937,933	68
Total assets	$ 61,968,674	100	$ 64,852,930	100

(Continued)

EPISTAR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
Current liabilities				
Short-term borrowings	$ 700,000	1	$ 2,000,000	3
Notes payable	24,793	-	22,941	-
Accounts payable	1,679,044	3	1,718,022	3
Accounts payable - related parties	858,269	2	1,596,756	2
Other payables	3,040,775	5	3,062,157	5
Current income tax liabilities	125,287	-	-	-
Long-term liabilities, current portion	863,928	1	523,928	1
Other current liabilities - others	107,843	-	166,922	-
Current Liabilities	7,399,939	12	9,090,726	14
Non-current liabilities				
Long-term borrowings	1,781,905	3	5,249,544	8
Deferred income tax liabilities	1,065,314	2	916,268	1
Other non-current liabilities	342,335	-	322,248	1
Non-current liabilities	3,189,554	5	6,488,060	10
Total Liabilities	10,589,493	17	15,578,786	24
Equity				
Share capital				
Share capital - common stock	10,887,014	18	10,915,492	17
Capital surplus				
Capital surplus	39,970,967	64	43,016,259	66
Retained earnings				
Legal reserve	-	-	241,512	-
Unappropriated retained earnings (accumulated deficit)	1,614,226	3	(3,545,028)	(6)
Other equity interest				
Other equity interest	(684,243)	(1)	(505,370)	-
Treasury stocks	(408,783)	(1)	(848,721)	(1)
Total equity	51,379,181	83	49,274,144	76
Total liabilities and equity	$ 61,968,674	100	$ 64,852,930	100

EPISTAR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Years ended December 31			
	2017		2016	
Items	AMOUNT	%	AMOUNT	%
Sales revenue	$ 21,954,472	100	$ 23,442,193	100
Operating costs	(17,589,165)	(80)	(21,158,040)	(91)
Net operating margin	4,365,307	20	2,284,153	9
Unrealized profit from sales	(29,111)	-	(28,104)	-
Realized profit (loss) on from sales	28,104	-	(44,850)	-
Net operating margin	4,364,300	20	2,211,199	9
Operating expenses				
Selling expenses	(221,065)	(1)	(262,343)	(1)
General and administrative expenses	(1,162,016)	(5)	(1,037,228)	(4)
Research and development expenses	(1,529,115)	(7)	(1,373,214)	(6)
Total operating expenses	(2,912,196)	(13)	(2,672,785)	(11)
Other income and expenses - net	155,687	-	209,076	1
Operating loss	1,607,791	7	(252,510)	(1)
Non-operating income and expenses				
Other income	269,803	1	258,327	1
Disaster insurance compensation revenue	400,000	2	1,200,000	5
Other gains and losses	(598,273)	(3)	(1,277,811)	(5)
Net gain on valuation of put options, call options and conversion rights of bonds	-	-	56,931	-
Loss on call of corporate bonds	-	-	(199,386)	(1)
Disaster loss	(57,172)	-	(463,846)	(2)
Finance costs	(97,359)	-	(71,722)	-
Share of gain (loss) of associates and joint ventures accounted for using equity method, net	204,619	1	(3,410,587)	(15)
Total non-operating revenue and expenses	121,618	1	(3,908,094)	(17)
Profit (loss) before income tax	1,729,409	8	(4,160,604)	(18)
Income tax expense	(79,496)	-	614,559	3
Profit (loss) for the year	$ 1,649,913	8	($ 3,546,045)	(15)
Other comprehensive income				
Gains (loss) on remeasurements of defined benefit plans	($ 42,790)	-	$ 1,968	-
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	(171)	-	(107)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	7,274	-	(335)	-
Components of other comprehensive income that will not be reclassified to profit or loss	(35,687)	-	1,526	-
Other comprehensive income, before tax, available-for-sale financial assets	(23,168)	-	85,237	-
Total Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(200,448)	(1)	(842,868)	(4)
Income tax relating to the components of other comprehensive income	44,743	-	109,120	1
Components of other comprehensive loss that will be reclassified to profit or loss	(178,873)	(1)	(648,511)	(3)
Other comprehensive loss for the year	($ 214,560)	(1)	($ 646,985)	(3)
Total comprehensive income (loss) for the year	$ 1,435,353	7	($ 4,193,030)	(18)
Basic earnings per share				
Total basic earnings (loss) per share	$ 1.55		($ 3.33)	
Total diluted earnings (loss) per share	$ 1.53		($ 3.33)	

EPISTAR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

			Retained earnings		Other equity interest			
	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Amount
For the year ended December 31, 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								
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 share	(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
For the year ended December 31, 2017								
Balance at January 1, 2017	$ 10,915,492	$ 43,016,259	$ 241,512	($ 3,545,028)	($ 228,527)	($ 276,843)	($ 848,721)	$49,274,144
Appropriations of 2016 earnings								
Legal reserve used to offset accumulated deficit	-	-	(241,512)	241,512	-	-	-	-
Additional paid-in capital used to offset accumulated deficit	-	(3,303,516)	-	3,303,516	-	-	-	-
Change in investees interest accounted for under equity method	-	168,908	-	-	-	-	-	168,908
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	105,930	-	-	-	-	-	105,930
Treasury shares transferred to employees	-	110,919	-	-	-	-	257,681	368,600
Share-based payment of remuneration costs	-	27,906	-	-	-	-	-	27,906
Retirement of treasury share	(28,478)	(153,779)	-	-	-	-	182,257	-
Change in investees interest accounted by subsidiaries	-	(1,660)	-	-	-	-	-	(1,660)
Profit for the year	-	-	-	1,649,913	-	-	-	1,649,913
Other comprehensive income (loss)	-	-	-	(35,687)	(187,423)	8,550	-	(214,560)
Balance at December 31, 2017	$ 10,887,014	$ 39,970,967	$ -	$ 1,614,226	($ 415,950)	($ 268,293)	($ 408,783)	$51,379,181

EPISTAR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Years ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	$ 1,729,409	($ 4,160,604)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	3,488,145	2,816,000
Amortization	334,510	331,622
Provision for doubtful accounts	(21,198)	10,569
Net gain on financial assets at fair value through profit or loss	(1,063)	(1,142)
Net gain on financial liabilities at fair value through profit or loss	-	(56,931)
Interest expense	97,359	198,335
Interest income	(58,751)	(53,412)
Dividend income	(161)	(177)
Compensation cost of share-based payment	27,906	-
Effect of exchange rate on bonds payable and long-term loans	-	(117,190)
Share of (gain) loss of subsidiaries and associates accounted for under the equity method	(204,619)	3,410,587
Impairment loss on non-financial assets	104,963	543,740
Loss on disposal of property, plant and equipment	3,658	177,399
Gain on disposal of investments	(30,442)	(2,341)
Other income from recognition of long-term deferred revenues	(24,494)	(16,883)
Loss on call of corporate bonds	-	199,386
Impairment loss of financial assets	8,774	366,563
Property, plant and equipment transferred to expenses	2,584	2,745
Intangible assets transferred to expenses	410	-
Prepayment transferred to expenses	8,524	-
Realized (profit) loss from sales	(28,104)	44,850
Unrealized profit from sales	29,111	28,104
Disaster loss	57,172	463,846
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets held for trading	151,074	290,039
Notes receivable	(154,614)	(6,079)
Accounts receivable	2,254,227	(548)
Other receivables	721,909	(1,135,812)
Other financial assets - current	(28,938)	(4,621)
Inventories	(424,269)	765,394
Prepayments	74,782	36,882
Other non-current assets	(2,923)	(115)
Changes in operating liabilities		
Notes payable	1,851	8,282
Accounts payable	(777,464)	(419,097)
Other payables	242,296	248,823
Other current liabilities	(59,079)	(114,278)
Other non-current liabilities	40,514	10,472
Cash inflow generated from operations	7,563,059	3,864,408
Income tax paid	(22,711)	(16,600)
Interest received	59,934	54,737
Interest paid	(88,606)	(106,203)
Dividend received	10,340	22,318
Net cash flows from operating activities	7,522,016	3,818,660

(Continued)

EPISTAR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Years ended December 31	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other receivables - related parties	($ 873,770)	($ 918,575)
Decrease in other receivables - related parties	873,770	918,575
Proceeds from disposal of available-for-sale financial assets	70,017	78,776
Acquisition of investments accounted for under the equity method	(179,616)	(216,164)
Effect on initial consolidation of subsidiaries	-	310,255
Proceeds from disposal of investments accounted for using equity method	14,631	-
Shares returned by subsidiaries	-	549,993
Acquisition for property, plant and equipment	(1,499,565)	(2,232,237)
Proceeds from disposal of property, plant and equipment	146,667	1,839,553
Acquisition of intangible assets	(228,103)	(479,777)
(Decrease)increase in refundable deposits paid	1,331	(4,740)
Net cash flows used in investing activities	(1,674,638)	(154,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(1,300,000)	1,800,000
Repayment of long-term loans	(8,433,928)	(3,797,339)
Proceeds from long-term loans	5,300,000	6,450,000
Reacquisition of convertible bonds payable	-	(7,719,990)
Repayment of convertible bonds payable	-	(223,609)
Increase in guarantee deposits received	3,245	311
Proceeds from issuance of treasury stocks for employee	260,930	-
Net cash flows used in financing activities	(4,169,753)	(3,490,627)
Net increase in cash and cash equivalents	1,677,625	173,692
Cash and cash equivalents at beginning of year	3,632,418	3,458,726
Cash and cash equivalents at end of year	$ 5,310,043	$ 3,632,418

Attachment 4

EPISTAR CORPORATION
Profit Allocation Proposal
Year 2017

Unit: NTD

Item	Amount	
	Subtotal	Total
Deficit yet to be compensated at January 1, 2017		0
Other comprehensive income adjustments		(35,686,313)
Adjusted Deficit yet to be compensated		(35,686,313)
After-tax profit of 2017	1,649,912,528	
Less: Allocated legal reserve	(161,422,622)	
Less: Special Reserve	(703,607,291)	
Retained Earnings in 2017 Available for Distribution		784,882,615
Retained Earnings Available for Distribution as of December 31, 2017		749,196,302
Distribution Item:		
Cash dividends (NT$0.6881559 per share)	(749,196,302)	
Distribution Amounts		(749,196,302)
Unappropriated Retained Earnings		0

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

Attachment 5

EPISTAR CORPORATION
List of releasing the directors from non-competition restrictions

Name	Positions in Other Companies	Engage Business	Place of establishment	Relationship between the Company and the Competitive Entities
Ming-Jiunn Jou	The director of GaN Ventures Co., Limited	Investment & sales of electronic components.	Hong Kong	To increase the penetration rate of LED products in various application markets, EPISTAR deploy LED industrial cooperation strategies from upstream to downstream; the joint venture company founded with strategic partners as listed in left column who may be involved in the same or similar businesses to aforesaid joint venture companies of EPISTAR; Nevertheless, it will not have a major impact on EPISTAR due to Strategic Partners relationship.
	The Chairman of GV Semiconductor Inc.	Research and design of Semiconductors and seller of technology components	America	
Nan-Yang Wu (Yi Te Optoelectronics Co., Ltd. Rep)	The director of GaN Ventures Co., Limited	Investment & sales of electronic components.	Hong Kong	Yi Te Optoelectronics Co., Ltd. is belonged to Yi-Far holding system and is one of the long-standing shareholders of EPISTAR; Director Nan-Yang Wu is a senior deputy GM of Yi-Far holding system; To increase the penetration rate of LED products in various application markets, EPISTAR deploy LED industrial cooperation strategies from upstream to downstream; the joint venture company founded with strategic partners as listed in left column who may be involved in the same or similar businesses to aforesaid joint venture companies of EPISTAR; Nevertheless, it will not have a major impact on EPISTAR due to Strategic Partners relationship.
	The director of GV Semiconductor Inc.	Research and design of Semiconductors and seller of technology components.	America	
	The director of APT Electronics Co Ltd.	R&D, production, sell of Light emitting diode (LED) and Lighting system .	China	

(Continued)

EPISTAR CORPORATION

List of releasing the directors from non-competition restrictions

Name	Positions in Other Companies	Engage Business	Place of establishment	Relationship between the Company and the Competitive Entities
Shan-Chieh Chien (United Microelectronics Corp. Rep)	The director and General Manager of UMC	IC OEM/ODM/Foundry	Taiwan	UMC is one of the long-standing shareholders of EPISTAR. Shan-Chieh Chien 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.
	The director of WAVETEK Technology Co., Ltd.	Pure-play III-V & Silicon-based CMOS semiconductor foundry.	Taiwan	