

## **Neo Solar Power Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2016 and 2015 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Neo Solar Power Corporation

By:



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CHUM SAM HONG  
Chairman

March 31, 2017

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Neo Solar Power Corp.

### **Opinion**

We have audited the accompanying financial statements of Neo Solar Power Corp. and its subsidiaries (collectively referred to as the Corporation), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter section of this report), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of 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 Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

#### Revenue recognition

The Corporation's major income source is solar cell and module sales. In 2016, revenue from the sale of solar cells and modules decreased 22.12% observably compared with the last year's corresponding period (refer to Note 27 to the accompanying consolidated financial statements for details on revenue). Also, the customer

base of the Corporation changed significantly this year. Thus, regarding revenue recognition, there may be a high risk that revenue did not occur.

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

1. Understood and tested the design and operating effectiveness of the internal controls over revenue recognition to assess whether revenue recognition had been approved appropriately and the rights and risks of ownership had already been transferred.
2. Confirmed the accuracy of the amounts and timing of revenue recognition by selecting samples and obtaining relevant evidence.
3. Confirmed the authenticity of the background information for the 10 largest new customers.

#### Assessment of impairment losses on receivables

The amounts of accounts receivable and installment accounts receivable of the Corporation were significant. The assessment of impairment losses on receivables by key management personnel was related to estimations of future cash flows and the identification of rates for recognizing impairment losses. Therefore, the assessment of impairment losses on receivables is a key audit matter. Accounting policies on impairment losses on receivables can be found in Notes 4n and 5c to the accompanying consolidated financial statements. For the description of impairment losses on receivables, refer to Note 11 of the consolidated financial statements.

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

1. Assessed the reasonableness of key management personnel's method of recognizing impairment losses; the reasonableness of information, assumptions and formulas; and whether the methodology has been adopted consistently, while also reviewing relevant calculations.
2. Tested the accuracy and completeness of aging classifications from the receivables aging report which was used for calculating the allowance for impairment loss.
3. Performed confirmation procedures for customers with significant receivable closing balances, and requested sales evidence for each non-response customer to prove the reasonability of the closing balance.
4. Selected samples of the closing balances of receivables to perform a test on receivables received in the subsequent period, which proved the recoverability of the receivables.

#### Assessment of impairment losses on tangible assets and goodwill

The Corporation plans to reduce its current productivity as well as implement a reorganization and reconstruction, since there is intense competition in the solar industry. Accordingly, there are indications of impairment losses on tangible assets and goodwill. The impairment losses are dependent on estimations of the future cash flows expected to arise from cash-generating units and the suitable discount rate used in order to calculate the present value. The assessments of the impairment losses, income and expenses that may occur in the future, and independent cash flows for particular asset groups are based on subjective judgment related to asset usage patterns and industry-specific characteristics. Therefore, the assessment of impairment losses on tangible assets and goodwill is a key audit matter. Accounting policies on impairment losses on tangible assets and goodwill can be found in Notes 4j, 4l, 5a and 5d to the accompanying consolidated financial statements, while the description of impairment losses on tangible assets and goodwill can be found in Notes 17 and 18, respectively, to the consolidated financial statements.

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

1. Assessed the reasonableness of key management personnel's method of recognizing impairment losses.
2. Assessed the reasonableness of information, assumptions and formulas used for recognizing impairment losses.
3. Assessed whether the methodology for the assessment of impairment loss has been adopted consistently by key management personnel.
4. Reviewed relevant calculations.

#### **Other Matter**

Some subsidiaries included in the Corporation's consolidated financial statements were audited by other auditors. The amounts within the consolidated financial statements for those subsidiaries were based solely on the report from other auditors. As of December 31, 2016 and 2015, total assets of the aforementioned subsidiaries were 23.84% and 17.38% of the consolidated total assets, respectively. For the years ended December 31, 2016 and 2015, the operating revenue of these subsidiaries were 4.02% and 4.71% of the consolidated total operating revenue, respectively.

The financial statements of some investee companies accounted for using the equity method as of and for the years ended December 31, 2016 and 2015 were audited by other auditors. The amounts within the consolidated financial statements for those investee companies were based solely on the report from other auditors. As of December 31, 2016 and 2015, the aforementioned investments accounted for using the equity method were NT\$68,889 thousand and NT\$65,824 thousand, respectively. For the years ended December 31, 2016 and 2015, there was a gain of NT\$11,363 thousand and a loss of NT\$8,064 thousand, respectively, from the aforesaid investments accounted for using the equity method.

Some subsidiaries included in the Corporation's consolidated financial statements as of and for the year ended December 31, 2016, which are based on a different framework of the accompanying consolidated financial statements and which we have not audited, were audited by other auditors in accordance with different auditing standards. We have performed compulsory audit procedures for transferring adjustments of the reports to be in accord with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The consolidated financial statement amounts for the aforementioned subsidiaries were based on the report of other auditors and the result of additional audit procedures enacted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. As of December 31, 2016, total assets of the aforementioned subsidiaries were 1.60% of the consolidated total assets. For the years ended December 31, 2016, the operating revenue of these subsidiaries was 0.26% of the consolidated total operating revenue.

The financial statements of some investee companies accounted for using the equity method as of and for the year ended December 31, 2016, which are based on a different framework of the accompanying consolidated financial statements and which we have not audited, were audited by other auditors in accordance with different auditing standards. We have performed compulsory audit procedures for transferring adjustments of the reports to be in accord with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The consolidated financial statement amounts for the aforementioned investee companies were based on the report of other auditors and the result of additional audit procedures enacted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. As of December 31, 2016, the aforesaid investments accounted for using the equity method were NT\$1,297,472 thousand. For the year ended December 31, 2016, gains on the aforesaid investment accounted for using the equity method were NT\$33,184 thousand.

We have also audited the parent company only financial statements of the Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unqualified opinion with Other Matters and an unqualified-modified opinion, respectively.

### **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 Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chih Lin and Shu-Chieh Huang.

Deloitte & Touche  
Hsinchu, Taiwan  
Republic of China

March 31, 2017

#### Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and consolidated the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

| ASSETS                                                                              | 2016                 |            | 2015                 |            |
|-------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
|                                                                                     | Amount               | %          | Amount               | %          |
| CURRENT ASSETS                                                                      |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 ,6, 32, 33 and 37)                               | \$ 8,007,136         | 22         | \$ 8,498,752         | 22         |
| Financial assets at fair value through profit or loss - current (Notes 4, 7 and 37) | 11,889               | -          | 29                   | -          |
| Debt investments with no active market - current (Notes 4, 10, 37 and 38)           | 145,256              | 1          | -                    | -          |
| Notes and accounts receivable, net (Notes 4, 5, 11 and 37)                          | 2,581,479            | 7          | 4,605,189            | 12         |
| Installment accounts receivable (Notes 4, 5, 11 and 37)                             | -                    | -          | 18,717               | -          |
| Accounts receivable from related parties (Notes 4, 5, 11, 37 and 38)                | 101,322              | -          | 340,460              | 1          |
| Finance lease receivables (Notes 4, 5, 12, 14, 17, 37 and 39)                       | 98,585               | -          | 90,727               | -          |
| Other receivables (Notes 4, 11 and 37)                                              | 117,546              | -          | 67,345               | -          |
| Other receivables from related parties (Notes 4, 10, 11, 37 and 38)                 | 900,012              | 3          | 476,099              | 1          |
| Current tax assets (Notes 4, 5 and 29)                                              | 8,031                | -          | 9,532                | -          |
| Inventory (Notes 4, 5, 13, 38 and 39)                                               | 4,883,357            | 13         | 4,253,107            | 11         |
| Prepayments (Notes 4, 5, 19, 20 and 40)                                             | 404,262              | 1          | 635,751              | 1          |
| Noncurrent assets held for sale (Notes 4, 14, 17 and 39)                            | 39,881               | -          | 2,876                | -          |
| Other current assets (Notes 20, 37 and 39)                                          | <u>349,795</u>       | <u>1</u>   | <u>303,406</u>       | <u>1</u>   |
| Total current assets                                                                | <u>17,648,551</u>    | <u>48</u>  | <u>19,301,990</u>    | <u>49</u>  |
| NONCURRENT ASSETS                                                                   |                      |            |                      |            |
| Available-for-sale financial assets - noncurrent (Notes 4, 5, 8 and 37)             | 127,688              | -          | 109,873              | -          |
| Financial assets carried at cost - noncurrent (Notes 4, 5, 9 and 37)                | 54,595               | -          | 54,611               | -          |
| Debt investments with no active market - noncurrent (Notes 4, 10, 37 and 38)        | 161,395              | -          | 310,103              | 1          |
| Investments accounted for using the equity method (Notes 4 and 16)                  | 2,029,759            | 6          | 65,824               | -          |
| Property, plant and equipment (Notes 4, 5, 14, 17, 38 and 39)                       | 12,097,204           | 33         | 12,924,354           | 33         |
| Intangible assets (Notes 4, 5, 18 and 32)                                           | 314,879              | 1          | 620,471              | 2          |
| Deferred tax assets (Notes 4, 5 and 29)                                             | 45,430               | -          | 18,377               | -          |
| Long-term installment accounts receivable (Notes 4, 5, 11 and 37)                   | -                    | -          | 338,686              | 1          |
| Finance lease receivables - noncurrent (Notes 4, 5, 12, 14, 17, 37 and 39)          | 1,640,449            | 5          | 1,915,008            | 5          |
| Prepayments - noncurrent (Notes 17, 19, 20 and 40)                                  | 1,383,917            | 4          | 1,516,406            | 4          |
| Refundable deposits (Notes 4, 35, 37, 38 and 39)                                    | 438,095              | 1          | 342,150              | 1          |
| Other receivables from related parties - noncurrent (Notes 4, 11, 37 and 38)        | 36,798               | -          | 65,967               | -          |
| Prepayments for leases (Notes 4 and 19)                                             | 22,165               | -          | 23,587               | -          |
| Other noncurrent assets (Notes 4, 20 and 39)                                        | <u>853,893</u>       | <u>2</u>   | <u>1,494,092</u>     | <u>4</u>   |
| Total noncurrent assets                                                             | <u>19,206,267</u>    | <u>52</u>  | <u>19,799,509</u>    | <u>51</u>  |
| TOTAL                                                                               | <u>\$ 36,854,818</u> | <u>100</u> | <u>\$ 39,101,499</u> | <u>100</u> |

| LIABILITIES AND EQUITY                                                                                                | 2016                 |            | 2015                 |            |
|-----------------------------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
|                                                                                                                       | Amount               | %          | Amount               | %          |
| CURRENT LIABILITIES                                                                                                   |                      |            |                      |            |
| Short-term bank loans (Notes 21, 37 and 39)                                                                           | \$ 7,541,551         | 21         | \$ 6,448,680         | 16         |
| Short-term bills payable (Notes 21 and 37)                                                                            | 249,839              | 1          | 49,912               | -          |
| Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 37)                              | 1,912                | -          | 6,102                | -          |
| Notes and accounts payable (Note 37)                                                                                  | 1,178,638            | 3          | 2,005,779            | 5          |
| Accounts payable - related parties (Notes 37 and 38)                                                                  | 185,322              | 1          | 557                  | -          |
| Bonuses payable to employees and directors (Note 28)                                                                  | 2,649                | -          | 2,649                | -          |
| Payables to contractors and equipment suppliers (Notes 37 and 38)                                                     | 408,513              | 1          | 680,695              | 2          |
| Accrued expenses (Notes 4, 23, 37 and 38)                                                                             | 1,640,534            | 4          | 1,441,569            | 4          |
| Current tax liabilities (Notes 4, 5 and 29)                                                                           | 3,943                | -          | 640                  | -          |
| Provisions - current (Notes 4 and 24)                                                                                 | 4,890                | -          | -                    | -          |
| Receipts in advance (Note 38)                                                                                         | 90,788               | -          | 134,319              | -          |
| Current portion of long-term bank loans, bonds payables and preference share liabilities (Notes 4, 21, 22, 37 and 39) | 1,430,815            | 4          | 1,796,303            | 5          |
| Other current liabilities (Notes 4 and 23)                                                                            | <u>93,748</u>        | <u>-</u>   | <u>56,622</u>        | <u>-</u>   |
| Total current liabilities                                                                                             | <u>12,833,142</u>    | <u>35</u>  | <u>12,623,827</u>    | <u>32</u>  |
| NONCURRENT LIABILITIES                                                                                                |                      |            |                      |            |
| Bonds payable (Notes 4, 22, 37 and 39)                                                                                | 3,616,038            | 10         | 3,461,799            | 9          |
| Long-term bank loans (Notes 21, 37 and 39)                                                                            | 3,214,092            | 9          | 1,588,351            | 4          |
| Provisions - noncurrent (Notes 4 and 24)                                                                              | 207,018              | -          | 291,688              | 1          |
| Deferred tax liabilities (Notes 4, 5 and 29)                                                                          | 42,085               | -          | 64,103               | -          |
| Preference share liabilities - noncurrent (Notes 21, 37 and 39)                                                       | -                    | -          | 470,000              | 1          |
| Guarantee deposits                                                                                                    | 39,569               | -          | 339                  | -          |
| Other noncurrent liabilities (Note 23)                                                                                | <u>223,292</u>       | <u>1</u>   | <u>245,542</u>       | <u>1</u>   |
| Total noncurrent liabilities                                                                                          | <u>7,342,094</u>     | <u>20</u>  | <u>6,121,822</u>     | <u>16</u>  |
| Total liabilities                                                                                                     | <u>20,175,236</u>    | <u>55</u>  | <u>18,745,649</u>    | <u>48</u>  |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4, 26, 28, 31 and 34)                                        |                      |            |                      |            |
| Common shares                                                                                                         | 10,176,152           | 28         | 8,581,617            | 22         |
| Capital surplus                                                                                                       | 12,345,346           | 33         | 12,211,474           | 31         |
| Retained earnings                                                                                                     |                      |            |                      |            |
| Legal reserve                                                                                                         | -                    | -          | 69,422               | -          |
| Accumulated deficit                                                                                                   | (6,309,786)          | (17)       | (1,238,096)          | (3)        |
| Other equity                                                                                                          | <u>(148,761)</u>     | <u>(1)</u> | <u>131,877</u>       | <u>-</u>   |
| Total equity attributable to shareholders of the parent                                                               | 16,062,951           | 43         | 19,756,294           | 50         |
| NONCONTROLLING INTERESTS (Notes 4 and 34)                                                                             | <u>616,631</u>       | <u>2</u>   | <u>599,556</u>       | <u>2</u>   |
| Total equity                                                                                                          | <u>16,679,582</u>    | <u>45</u>  | <u>20,355,850</u>    | <u>52</u>  |
| TOTAL                                                                                                                 | <u>\$ 36,854,818</u> | <u>100</u> | <u>\$ 39,101,499</u> | <u>100</u> |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors’ report dated March 31, 2017)

# NEO SOLAR POWER CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

|                                                                                    | 2016               |             | 2015               |            |
|------------------------------------------------------------------------------------|--------------------|-------------|--------------------|------------|
|                                                                                    | Amount             | %           | Amount             | %          |
| NET SALES (Notes 4, 27, 32, 38 and 40)                                             | \$ 16,537,125      | 100         | \$ 22,214,496      | 100        |
| COST OF SALES (Notes 4, 5, 13, 28, 38 and 40)                                      | <u>18,451,928</u>  | <u>112</u>  | <u>21,631,655</u>  | <u>97</u>  |
| GROSS (LOSS) PROFIT                                                                | (1,914,803)        | (12)        | 582,841            | 3          |
| REALIZED GAINS FROM SALES (Note 33)                                                | <u>2,430</u>       | <u>-</u>    | <u>42,335</u>      | <u>-</u>   |
| REALIZED GROSS (LOSS) PROFIT                                                       | <u>(1,912,373)</u> | <u>(12)</u> | <u>625,176</u>     | <u>3</u>   |
| OPERATING EXPENSES (Notes 28 and 38)                                               |                    |             |                    |            |
| Selling                                                                            | 912,759            | 6           | 893,323            | 4          |
| General and administrative                                                         | 787,980            | 5           | 665,111            | 3          |
| Research and development                                                           | <u>364,283</u>     | <u>2</u>    | <u>346,334</u>     | <u>2</u>   |
| Total operating expenses                                                           | <u>2,065,022</u>   | <u>13</u>   | <u>1,904,768</u>   | <u>9</u>   |
| OTHER INCOME AND EXPENSES (Notes 4, 5, 11, 14, 17 and 28)                          | <u>(2,373,564)</u> | <u>(14)</u> | <u>(20,477)</u>    | <u>-</u>   |
| LOSS FROM OPERATIONS                                                               | <u>(6,350,959)</u> | <u>(39)</u> | <u>(1,300,069)</u> | <u>(6)</u> |
| NON-OPERATING INCOME AND EXPENSES                                                  |                    |             |                    |            |
| Gain on financial instruments at fair value through profit or loss (Notes 4 and 7) | 191,484            | 1           | 38,652             | -          |
| Interest income (Notes 4, 10, 28 and 38)                                           | 103,757            | 1           | 25,595             | -          |
| Gain (loss) on disposal of investments                                             | 40,240             | -           | (955)              | -          |
| Other income (Notes 4, 28 and 38)                                                  | 33,750             | -           | 18,046             | -          |
| Gain on disposal of power facilities business (Note 12)                            | 19,830             | -           | -                  | -          |
| Share of profit (loss) of associates (Notes 4 and 16)                              | 10,754             | -           | (8,064)            | -          |
| Dividends income (Notes 4 and 38)                                                  | -                  | -           | 3,680              | -          |
| Gain from bargain purchases (Notes 4 and 32)                                       | -                  | -           | 1,082              | -          |
| Impairment loss on financial assets (Notes 4, 5, 8 and 9)                          | -                  | -           | (98,826)           | -          |
| Foreign exchange (loss) gain, net (Notes 4, 28 and 41)                             | (13,536)           | -           | 39,831             | -          |
| Other gains and losses                                                             | (19,864)           | -           | (9,485)            | -          |
| Finance costs (Note 28)                                                            | <u>(431,063)</u>   | <u>(2)</u>  | <u>(262,442)</u>   | <u>(1)</u> |
| Total non-operating income and expenses                                            | <u>(64,648)</u>    | <u>-</u>    | <u>(252,886)</u>   | <u>(1)</u> |

(Continued)

# NEO SOLAR POWER CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

|                                                                | 2016                  |             | 2015                  |            |
|----------------------------------------------------------------|-----------------------|-------------|-----------------------|------------|
|                                                                | Amount                | %           | Amount                | %          |
| LOSS BEFORE INCOME TAX                                         | \$ (6,415,607)        | (39)        | \$ (1,552,955)        | (7)        |
| INCOME TAX BENEFIT (Notes 4, 5 and 29)                         | <u>6,733</u>          | <u>-</u>    | <u>14,553</u>         | <u>-</u>   |
| NET LOSS FOR THE YEAR                                          | <u>(6,408,874)</u>    | <u>(39)</u> | <u>(1,538,402)</u>    | <u>(7)</u> |
| OTHER COMPREHENSIVE (LOSS) INCOME (Note 28)                    |                       |             |                       |            |
| Items that may be reclassified subsequently to profit or loss: |                       |             |                       |            |
| Exchange differences on translating foreign operations         | (364,154)             | (2)         | 60,217                | -          |
| Unrealized gains on available-for-sale financial assets        | <u>17,815</u>         | <u>-</u>    | <u>30,347</u>         | <u>-</u>   |
| Total other comprehensive (loss) income                        | <u>(346,339)</u>      | <u>(2)</u>  | <u>90,564</u>         | <u>-</u>   |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR                          | <u>\$ (6,755,213)</u> | <u>(41)</u> | <u>\$ (1,447,838)</u> | <u>(7)</u> |
| NET LOSS ATTRIBUTABLE TO:                                      |                       |             |                       |            |
| Shareholders of the parent                                     | \$ (6,309,786)        | (38)        | \$ (1,455,641)        | (7)        |
| Noncontrolling interests                                       | <u>(99,088)</u>       | <u>(1)</u>  | <u>(82,761)</u>       | <u>-</u>   |
|                                                                | <u>\$ (6,408,874)</u> | <u>(39)</u> | <u>\$ (1,538,402)</u> | <u>(7)</u> |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:                      |                       |             |                       |            |
| Shareholders of the parent                                     | \$ (6,622,416)        | (40)        | \$ (1,381,710)        | (6)        |
| Noncontrolling interests                                       | <u>(132,797)</u>      | <u>(1)</u>  | <u>(66,128)</u>       | <u>(1)</u> |
|                                                                | <u>\$ (6,755,213)</u> | <u>(41)</u> | <u>\$ (1,447,838)</u> | <u>(7)</u> |
| LOSS PER SHARE (Note 30)                                       |                       |             |                       |            |
| Basic loss per share                                           | <u>\$ (6.53)</u>      |             | <u>\$ (1.71)</u>      |            |
| Diluted loss per share                                         | <u>\$ (6.53)</u>      |             | <u>\$ (1.71)</u>      |            |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 31, 2017)

(Concluded)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

|                                                                                                            | Equity Attributable to Shareholders of the Parent |               |               |                                         |                                        |                                                                                                                                |                        |                                 |                   |                 |                                                |                                      |                                                                  |                             |               |                          |               |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------|---------------|-----------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------|-------------------|-----------------|------------------------------------------------|--------------------------------------|------------------------------------------------------------------|-----------------------------|---------------|--------------------------|---------------|
|                                                                                                            | Capital Surplus                                   |               |               |                                         |                                        |                                                                                                                                |                        |                                 |                   |                 |                                                |                                      |                                                                  |                             |               |                          |               |
|                                                                                                            | Common Shares                                     |               | Share Premium | Conversion Premium of Convertible Bonds | Conversion Option of Convertible Bonds | Difference between Consideration and Carrying Amounts Adjusted Arising from Changes in Percentage of Ownership in Subsidiaries | Employee Share Options | Restricted Shares for Employees | Retained Earnings |                 | Unappropriated Earnings (Accumulated Deficits) | Other Equity                         |                                                                  |                             | Total         | Noncontrolling Interests | Total Equity  |
|                                                                                                            |                                                   |               |               |                                         |                                        |                                                                                                                                |                        |                                 | Legal Reserve     | Special Reserve |                                                | Foreign Currency Translation Reserve | Unrealized (Losses) Gains on Available-for-sale Financial Assets | Unearned Employees Benefits |               |                          |               |
|                                                                                                            | (In Thousands)                                    | Common Shares |               |                                         |                                        |                                                                                                                                |                        |                                 |                   |                 |                                                |                                      |                                                                  |                             |               |                          |               |
| BALANCE AT JANUARY 1, 2015                                                                                 | 856,277                                           | \$ 8,562,770  | \$ 11,404,787 | \$ 507,846                              | \$ 156,427                             | \$ 13,416                                                                                                                      | \$ 3,022               | \$ 111,993                      | \$ 47,566         | \$ 18,928       | \$ 391,744                                     | \$ 196,025                           | \$ (101,421)                                                     | \$ (56,670)                 | \$ 21,256,433 | \$ 467,338               | \$ 21,723,771 |
| Issuance of shares upon exercise of employee share options                                                 | 275                                               | 2,750         | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | 2,750         | -                        | 2,750         |
| Appropriation of 2014 earnings                                                                             |                                                   |               |               |                                         |                                        |                                                                                                                                |                        |                                 |                   |                 |                                                |                                      |                                                                  |                             |               |                          |               |
| Legal reserve                                                                                              | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | 21,856            | -               | (21,856)                                       | -                                    | -                                                                | -                           | -             | -                        | -             |
| Reversal of special reserve                                                                                | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | (18,928)        | 18,928                                         | -                                    | -                                                                | -                           | -             | -                        | -             |
| Cash dividends distributed by the Corporation                                                              | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | (171,271)                                      | -                                    | -                                                                | -                           | (171,271)     | -                        | (171,271)     |
| Cash dividends distributed by subsidiaries                                                                 | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | -             | (9,221)                  | (9,221)       |
| Cancellation of restricted shares for employees                                                            | (391)                                             | (3,903)       | -             | -                                       | -                                      | -                                                                                                                              | -                      | (6,532)                         | -                 | -               | -                                              | -                                    | -                                                                | 10,435                      | -             | -                        | -             |
| Issuance of restricted shares for employees                                                                | 2,000                                             | 20,000        | -             | -                                       | -                                      | -                                                                                                                              | -                      | 20,200                          | -                 | -               | -                                              | -                                    | -                                                                | (40,200)                    | -             | -                        | -             |
| Compensation costs of restricted shares for employees                                                      | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | 49,777                      | 49,777        | -                        | 49,777        |
| Acquisition of partially owned subsidiaries at a percentage different from an earlier ownership percentage | -                                                 | -             | -             | -                                       | -                                      | 315                                                                                                                            | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | 315           | 191,054                  | 191,369       |
| Noncontrolling interests                                                                                   | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | -             | 16,513                   | 16,513        |
| Net loss for the year ended December 31, 2015                                                              | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | (1,455,641)                                    | -                                    | -                                                                | -                           | (1,455,641)   | (82,761)                 | (1,538,402)   |
| Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax                  | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | 43,584                               | 30,347                                                           | -                           | 73,931        | 16,633                   | 90,564        |
| Total comprehensive income (loss) for the year ended December 31, 2015                                     | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | (1,455,641)                                    | 43,584                               | 30,347                                                           | -                           | (1,381,710)   | (66,128)                 | (1,447,838)   |
| BALANCE AT DECEMBER 31, 2015                                                                               | 858,161                                           | 8,581,617     | 11,404,787    | 507,846                                 | 156,427                                | 13,731                                                                                                                         | 3,022                  | 125,661                         | 69,422            | -               | (1,238,096)                                    | 239,609                              | (71,074)                                                         | (36,658)                    | 19,756,294    | 599,556                  | 20,355,850    |
| Offset of deficit against legal reserve                                                                    | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | (69,422)          | -               | 69,422                                         | -                                    | -                                                                | -                           | -             | -                        | -             |
| Offset of deficit against capital surplus                                                                  | -                                                 | -             | (1,168,674)   | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | 1,168,674                                      | -                                    | -                                                                | -                           | -             | -                        | -             |
| Issuance of common shares for cash                                                                         | 160,000                                           | 1,600,000     | 1,270,218     | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | 2,870,218     | -                        | 2,870,218     |
| Reclassification of conversion option expired for convertible bonds                                        | -                                                 | -             | 664,273       | (507,846)                               | (156,427)                              | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | -             | -                        | -             |
| Cancellation of restricted shares for employees                                                            | (546)                                             | (5,465)       | -             | -                                       | -                                      | -                                                                                                                              | -                      | (7,012)                         | -                 | -               | -                                              | -                                    | -                                                                | 12,477                      | -             | -                        | -             |
| Compensation costs of restricted shares for employees                                                      | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | 19,515                      | 19,515        | -                        | 19,515        |
| Compensation costs of employee share options                                                               | -                                                 | -             | 39,048        | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | 39,048        | 394                      | 39,442        |
| Acquisition of partially owned subsidiaries at a percentage different from an earlier ownership percentage | -                                                 | -             | -             | -                                       | -                                      | 292                                                                                                                            | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | 292           | 36,575                   | 36,867        |
| Noncontrolling interests                                                                                   | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | -                                    | -                                                                | -                           | -             | 112,903                  | 112,903       |
| Net loss for the year ended December 31, 2016                                                              | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | (6,309,786)                                    | -                                    | -                                                                | -                           | (6,309,786)   | (99,088)                 | (6,408,874)   |
| Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax                  | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | -                                              | (330,445)                            | 17,815                                                           | -                           | (312,630)     | (33,709)                 | (346,339)     |
| Total comprehensive income (loss) for the year ended December 31, 2016                                     | -                                                 | -             | -             | -                                       | -                                      | -                                                                                                                              | -                      | -                               | -                 | -               | (6,309,786)                                    | (330,445)                            | 17,815                                                           | -                           | (6,622,416)   | (132,797)                | (6,755,213)   |
| BALANCE AT DECEMBER 31, 2016                                                                               | 1,017,615                                         | \$ 10,176,152 | \$ 12,209,652 | \$ -                                    | \$ -                                   | \$ 14,023                                                                                                                      | \$ 3,022               | \$ 118,649                      | \$ -              | \$ -            | \$ (6,309,786)                                 | \$ (90,836)                          | \$ (53,259)                                                      | \$ (4,666)                  | \$ 16,062,951 | \$ 616,631               | \$ 16,679,582 |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 31, 2017).

# NEO SOLAR POWER CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

|                                                                                   | 2016               | 2015           |
|-----------------------------------------------------------------------------------|--------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                              |                    |                |
| Loss before income tax                                                            | \$ (6,415,607)     | \$ (1,552,955) |
| Adjustments for:                                                                  |                    |                |
| Depreciation                                                                      | 1,970,421          | 2,064,426      |
| Amortization                                                                      | 3,918              | 3,953          |
| Net gain on financial assets and liabilities at fair value through profit or loss | (190,786)          | (9,225)        |
| (Gain) loss on disposal of investments                                            | (40,240)           | 955            |
| Impairment loss recognized on accounts receivable                                 | 250,479            | 311,901        |
| (Reversal of allowance) allowance for loss on inventory                           | 252,198            | (35,544)       |
| Share of (gain) loss of associates                                                | (10,754)           | 8,064          |
| Impairment loss on financial assets                                               | 1,022,882          | 98,826         |
| Realized gain from associates                                                     | (2,430)            | (42,335)       |
| Reclassified from property, plant and equipment to expenses                       | 7,928              | 29             |
| Loss (gain) on disposal of property, plant and equipment                          | 474,984            | (15)           |
| Impairment loss on property, plant and equipment                                  | 355,235            | 13,544         |
| Impairment loss on intangible assets                                              | 512,440            | -              |
| Loss (gain) on disposal of noncurrent assets held for sale                        | 8,023              | (801)          |
| Impairment loss on noncurrent assets held for sale                                | -                  | 7,749          |
| Impairment loss on prepayments                                                    | 586,114            | 40,496         |
| Compensation costs of restricted shares for employees                             | 19,515             | 49,777         |
| Compensation costs of employee share options                                      | 39,442             | -              |
| Interest income                                                                   | (190,405)          | (100,230)      |
| Dividend income                                                                   | -                  | (3,680)        |
| Finance costs                                                                     | 431,063            | 262,442        |
| Gain from bargain purchase                                                        | -                  | (1,082)        |
| Gain on disposal of power facilities business                                     | (19,830)           | -              |
| Reversal of provisions                                                            | (126,632)          | -              |
| Net (gain) loss on foreign exchange                                               | (3,024)            | 20,023         |
| Changes in operating assets and liabilities:                                      |                    |                |
| Notes and accounts receivable                                                     | 1,644,100          | 212,001        |
| Accounts receivable from related parties                                          | 215,595            | (134,994)      |
| Other receivables                                                                 | (50,850)           | 7,630          |
| Other receivables from related parties                                            | (46,524)           | 173,897        |
| Inventory                                                                         | (898,773)          | (1,818,299)    |
| Prepayments (including noncurrent)                                                | (282,468)          | (114,068)      |
| Other current assets                                                              | (92,961)           | 1,147,156      |
| Notes and accounts payable                                                        | (792,385)          | 397,157        |
| Accounts payable - related parties                                                | 184,769            | (84,370)       |
| Bonuses payable to employees and directors                                        | -                  | (37,067)       |
| Accrued expenses                                                                  | (12,619)           | (55,077)       |
| Deferred revenue                                                                  | (24,412)           | (34,239)       |
| Receipts in advance                                                               | (43,531)           | (121,359)      |
| Other current liabilities                                                         | 41,614             | 24,024         |
| Provisions                                                                        | 47,248             | 66,398         |
| Income taxes (paid) refunded                                                      | <u>(37,531)</u>    | <u>6,161</u>   |
| Net cash (used in) generated from operating activities                            | <u>(1,213,794)</u> | <u>771,269</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES                                              |                    |                |
| Proceeds from sale of available-for-sale financial assets                         | -                  | 2,956          |
| Proceeds from sale of power facilities business                                   | 494,000            | -              |
| Purchase of debt investments with no active market                                | -                  | (310,103)      |
| Acquisition of financial assets carried at cost                                   | -                  | (8,850)        |
| Acquisition of investments accounted for using the equity method                  | (1,922,515)        | -              |
| Decrease (increase) in prepayments for investments                                | 3,632              | (70,022)       |
| Net cash inflow (outflow) on acquisition of subsidiaries                          | 18                 | (308,505)      |
| Net cash inflow on disposal of subsidiaries                                       | 21,050             | -              |

(Continued)

# NEO SOLAR POWER CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

|                                                              | 2016                | 2015                |
|--------------------------------------------------------------|---------------------|---------------------|
| Proceeds from sale of noncurrent assets held for sale        | \$ 2,889            | \$ 20,870           |
| Acquisition of property, plant and equipment                 | (3,375,000)         | (2,078,842)         |
| Proceeds from disposal of property, plant and equipment      | 9,177               | 15                  |
| Acquisition of intangible assets                             | -                   | (519)               |
| Decrease (increase) in restricted assets                     | 409,223             | (636,861)           |
| Decrease (increase) in pledged time deposits                 | 170,585             | (8,083)             |
| Decrease (increase) in pledged bank acceptances              | 50,744              | (50,744)            |
| Decrease in finance lease receivables                        | 76,980              | 71,761              |
| Increase in other receivables from related parties           | (394,549)           | -                   |
| Decrease in other receivables from related parties           | 21,466              | -                   |
| Interest received                                            | 176,368             | 100,593             |
| Dividends received                                           | -                   | 3,680               |
| Increase in refundable deposits                              | (178,997)           | (260,840)           |
| Decrease in refundable deposits                              | 71,970              | 143,345             |
| Increase in other noncurrent assets                          | -                   | (96,313)            |
| Decrease in other noncurrent assets                          | 14,617              | 24,916              |
| Net cash used in investing activities                        | <u>(4,348,342)</u>  | <u>(3,461,546)</u>  |
| CASH FLOWS FROM FINANCING ACTIVITIES                         |                     |                     |
| Increase in short-term bank loans                            | 25,425,431          | 18,596,916          |
| Decrease in short-term bank loans                            | (24,134,102)        | (15,387,775)        |
| Increase in short-term bills payable                         | 299,347             | 49,912              |
| Decrease in short-term bills payable                         | (100,000)           | -                   |
| Proceeds from issue of bonds                                 | 3,693,667           | -                   |
| Repayments of bonds payable                                  | (3,805,600)         | -                   |
| Proceeds from long-term bank loans                           | 3,969,618           | 1,323,056           |
| Repayments of long-term bank loans                           | (2,934,458)         | (2,002,149)         |
| Increase in guarantee deposits                               | 40,413              | -                   |
| Decrease in guarantee deposits                               | (1,206)             | (1,015)             |
| Dividends paid to owners of the parent                       | -                   | (171,271)           |
| Dividends paid to noncontrolling interest                    | -                   | (9,221)             |
| Proceeds from issuance of common shares for cash             | 2,870,218           | -                   |
| Proceeds from the exercise of employee share options         | -                   | 2,750               |
| Interest paid                                                | (233,818)           | (174,580)           |
| Increase in noncontrolling interests                         | 36,867              | 191,369             |
| Net cash generated from financing activities                 | <u>5,126,377</u>    | <u>2,417,992</u>    |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>(55,857)</u>     | <u>49,260</u>       |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                    | (491,616)           | (223,025)           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR             | <u>8,498,752</u>    | <u>8,721,777</u>    |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR                   | <u>\$ 8,007,136</u> | <u>\$ 8,498,752</u> |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 31, 2017)

(Concluded)

# NEO SOLAR POWER CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATION

Neo Solar Power Corp. (NSP) was incorporated in the Republic of China (the ROC) on August 26, 2005. NSP specializes in manufacturing high-quality solar cells, solar cell modules and wafers. NSP's main business activities include researching, developing, designing, manufacturing and selling solar cells as well as participating in other solar-related businesses. Its common shares have been listed on the Taiwan Stock Exchange (TWSE) since January 2009. For the main business activities of NSP and its subsidiaries (collectively referred to as "the Corporation"), refer to Notes 15 and 42.

The consolidated financial statements are presented in NSP's functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by NSP's board of directors on March 21, 2017.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

| <b>New, Amended or Revised Standards and Interpretations<br/>(the "New IFRSs")</b>                       | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2010-2012 Cycle                                                             | July 1, 2014 (Note 2)                                |
| Annual Improvements to IFRSs 2011-2013 Cycle                                                             | July 1, 2014                                         |
| Annual Improvements to IFRSs 2012-2014 Cycle                                                             | January 1, 2016 (Note 3)                             |
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities:<br>Applying the Consolidation Exception" | January 1, 2016                                      |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interests in<br>Joint Operations"                  | January 1, 2016                                      |
| Amendment to IAS 1 "Disclosure Initiative"                                                               | January 1, 2016                                      |
| Amendment to IAS 16 and IAS 38 "Clarification of Acceptable<br>Methods of Depreciation and Amortization" | January 1, 2016                                      |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"                                             | January 1, 2016                                      |
| Amendment to IAS 19 "Defined Benefit Plans: Employee<br>Contributions"                                   | July 1, 2014                                         |

(Continued)

| <b>New, Amended or Revised Standards and Interpretations<br/>(the “New IFRSs”)</b>                  | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets” | January 1, 2014                                      |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”                  | January 1, 2014                                      |
| IFRIC 21 “Levies”                                                                                   | January 1, 2014                                      |
|                                                                                                     | (Concluded)                                          |

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are applied retrospectively for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation’s accounting policies, except for the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which an impairment loss has been recognized or reversed is the fair value less costs of disposal, the Corporation is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations of the Corporation or another entity in the same Corporation (i.e. a non-market condition) or the market price of the equity instruments of the Corporation or another entity in the same Corporation (i.e. a market condition); that a performance target might relate either to the performance of all or a part of the Corporation (e.g. a division); and that the period for achieving a performance target must not go beyond the end of the service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Corporation but also those of entities other than the Corporation. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combinations with acquisition dates on or after January 1, 2017.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

### 3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a Corporation of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32. The Corporation entered into purchase contracts that could be settled net in cash. When the amended IFRS 13 becomes effective in 2017, the Corporation will elect to measure the fair value of those contracts on a net basis retrospectively.

### 4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization methods to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible assets are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which an intangible asset is expressed as a measure of revenue (for example, a contract that specifies that entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated.

#### 5) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between noncurrent assets (or a disposal group) “held for sale” and noncurrent assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

#### 6) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of the impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Corporation has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Corporation’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after a business combination and the expected benefit on the acquisition date.

The disclosures of related party transactions and the impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Corporation continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Corporation’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Corporation has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Corporation should apply IFRS 9 and 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

| <b>New, Amended or Revised Standards and Interpretations<br/>(the “New IFRSs”)</b>                                       | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2014-2016 Cycle                                                                             | Note 2                                               |
| Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”                                 | January 1, 2018                                      |
| IFRS 9 “Financial Instruments”                                                                                           | January 1, 2018                                      |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”                          | January 1, 2018                                      |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                             |
| IFRS 15 “Revenue from Contracts with Customers”                                                                          | January 1, 2018                                      |
| Amendment to IFRS 15 “Clarification of IFRS 15”                                                                          | January 1, 2018                                      |
| IFRS 16 “Leases”                                                                                                         | January 1, 2019                                      |
| Amendment to IAS 7 “Disclosure Initiative”                                                                               | January 1, 2017                                      |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”                                          | January 1, 2017                                      |
| Amendments to IAS 40 “Transfers of Investment Property”                                                                  | January 1, 2018                                      |
| IFRIC 22 “Foreign Currency Transactions and Advance Consideration”                                                       | January 1, 2018                                      |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

#### Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Loss Model”. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Corporation takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

#### Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and the restatement of prior periods is not required.

- 2) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture,

the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

### 3) IFRS 15 "Revenue from Contracts with Customers" and the related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- a) Identify the contract with the customer;
- b) Identify the performance obligations in the contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contract; and
- e) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and the related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

### 4) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation should present the depreciation expense charged on the right-of-use asset separately from the interest expense accrued on the lease liability; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability and cash payments for the interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation as lessor.

When IFRS 16 becomes effective, the Corporation may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

### 5) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

#### 6) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements should be in accordance with IFRS 12.

#### 7) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction to the foreign currency amount. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Corporation shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of NSP and the entities controlled by NSP (i.e. its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by NSP.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of NSP and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of NSP.

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any noncontrolling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Corporation accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under the cost on initial recognition of an investment in an associate.

See Note 15 and Table 7 following the Notes for the detailed information of subsidiaries, including the percentage of ownership and the main business of the subsidiaries.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree in excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value. Other types of noncontrolling interests are measured at fair value.

When a business combination is achieved in stages, the Corporation's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For purposes of presenting consolidated financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use a currency different from the currency of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income and attributed to the owners of NSP and noncontrolling interests as appropriate.

In relation to a partial disposal of a subsidiary that results in the Corporation losing control over the subsidiary, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to noncontrolling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventory

Inventory consist of raw materials, supplies, work-in-process, finished goods and construction in progress. Inventory are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventory less all estimated costs of completion and costs necessary to make the sale. Inventory are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

h. Investments in associates and joint ventures

An associate is an entity over which the Corporation has significant influence and is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Corporation uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate and joint venture. The Corporation also recognizes the changes in the Corporation's share of equity of associates and joint venture attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

If the fair value measurement of the identifiable assets and liabilities for associates and joint ventures is incomplete by the end of the reporting period in which the investment occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, to reflect new information obtained about facts and circumstances that existed as of the investment date that, if known, would have affected the amounts recognized as of that date.

When the Corporation subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate and joint venture. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of equity of associates and joint ventures, and the investment is accounted for using the equity method. If the Corporation's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from the investment accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate and joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an

investment in an associate, the Corporation continues to apply the equity method and does not remeasure the retained interest.

When a Corporation entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Corporation's consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Corporation.

i. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties under construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These properties are depreciated and classified to the appropriate categories of property, plant and equipment when they are completed and ready for their intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (CGU) or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU is acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first, to reduce the carrying amount of any goodwill allocated to the unit and then, to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill should not be reversed in subsequent periods.

If goodwill has been allocated to a CGU and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

k. Intangible assets

1) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, they are reported at cost less accumulated amortization and accumulated impairment loss.

Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

## 2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of CGUs on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### m. Noncurrent assets held for sale

Noncurrent assets are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

### n. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

### a) Measurement category

Financial assets are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

#### i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at their fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 37.

#### ii. Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that either are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

AFS financial assets are measured at fair value. Dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amounts of AFS financial assets are recognized in other comprehensive income and accumulated under other equity - unrealized gains (losses) on available-for-sale financial assets. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other equity - unrealized gains (losses) on available-for-sale financial assets is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

AFS equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income. Any impairment losses are recognized in profit or loss.

#### iii. Loans and receivables

Loans and receivables (including notes and accounts receivable, cash and cash equivalents and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are collectively assessed for impairment even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience in collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- i. Significant financial difficulty of the issuer or counterparty; or
- ii. Breach of contract, such as a default or delinquency in interest or principal payments; or
- iii. It becoming probable that the borrower will undergo bankruptcy or financial reorganization;  
or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

When an AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under unrealized gains or losses.

For financial assets that are carried at cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectable trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Corporation are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except in the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 37.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

#### 4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the fair value of similar nonconvertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished on conversion or on the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, and the balance recognized in equity will then be transferred to capital surplus - conversion of bonds. When the conversion option remains unexercised on bond maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

The ratios at which the transaction costs of the issue of convertible bonds are allocated to the liability and equity components of convertible bonds are the same as the ratios used in allocating the gross proceeds to the liability and equity components. Transaction costs on the equity component are recognized directly in equity and those on the liability component are included in the carrying amount of the liability component.

The conversion options component of the convertible bonds issued by the Corporation in 2016 that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Corporation's own equity instruments is classified as derivative financial liabilities.

On initial recognition, the derivative financial liabilities component of the convertible bonds is recognized at fair value, and the initial carrying amount of the component of non-derivative financial liabilities is determined by deducting the amount of derivative financial liabilities from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liabilities component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liabilities component is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the derivative financial liabilities component and the non-derivative financial liabilities component in proportion to their relative fair values. Transaction costs relating to the derivative financial liabilities component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liabilities component are included in the carrying amount of the liability component.

#### 5) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts and interest rate swap contracts to manage its exposure to foreign exchange rate and interest rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, but if the derivative is designated and effective as a hedging instrument, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is

positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

o. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products and at the Corporation management's best estimate of the expenditure required to settle the obligations.

p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and similar allowances. Allowance for sales returns and allowance and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

2) Revenue from the sale of power facilities construction

The revenue from the sale of power facilities construction is recognized in accordance with IAS 18 "Revenue".

3) Rendering of services

Service income is recognized when services are provided.

#### 4) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work and claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized deficits exceed progress billings, the surplus is shown as the gross amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized deficits, the surplus is shown as the gross amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet as a liability under other current liabilities. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

#### 5) Electricity charges are calculated based on the actual amount of consumption at applicable rates.

#### 6) Dividend and interest income

Dividend income from investments is recognized when the Corporation's right to receive payment has been established and if it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued over time by reference to the principal outstanding and the effective interest rate applicable.

#### q. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Because the Corporation entered into several electricity purchase agreements which were covered by IFRIC 4 "Determining Whether an Arrangement Contains a Lease", they were accounted for as finance leases.

##### 1) The Corporation as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease.

##### 2) The Corporation as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

r. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other than the situations stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attached to and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants receivable as compensation for expenses or losses already incurred or for immediate financial support, with no future related costs, are recognized as other income in profit or loss in the period in which they become receivable.

t. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

u. Share-based payment arrangements (Employee share options)

1) Employee share options and restricted shares for employees

The fair values at the grant date of the employee share options and restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. The whole amount of benefit is recognized as an expense at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized at the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration, and should be returned, they are recognized as payables. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options and restricted shares for employees expected to vest. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - restricted shares of employees.

## 2) Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Corporation's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The market-based measure of the replacement awards in excess of the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as a remuneration cost for post-combination service.

## v. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### 1) Current tax

Based on the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and in associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the Corporation's expectations, at the end of the reporting period, as to the manner by which the carrying amount of its assets and liabilities will be recovered or settled.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, but when these taxes pertain to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. If the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. If the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Estimated impairment of notes and accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are less than expected, a material impairment loss may arise.

d. Estimated impairment of assets other than goodwill

In assessing assets for impairment, income and expenses that may occur in the future, assets' useful lives, and independent cash flows for the particular asset group are based on subjective judgment in accordance with the asset's usage patterns and the industrial characteristics. Any change in the economic condition or in the estimation due to the Corporation's strategy may lead to a material impairment loss in the future.

e. Useful lives of property, plant and equipment

As described in Note 4(i) above, the Corporation reviews the estimated useful lives of property, plant and equipment at each balance sheet date. Based on an evaluation report by China Property Appraising Co., Ltd., which used industry meta-analysis, functional analysis and economic analysis, the actual useful lives of the NSP's equipment exceeded their original useful lives. Management thus determined that the useful lives of some machinery and equipment should be extended from 6 years to 8 or 11 years beginning from April 1, 2013.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is a decrease in the consolidated depreciation expense in the period from April 1, 2013 to December 31, 2013, and for the next three years, by the following amounts:

|                                    |            |
|------------------------------------|------------|
| April 1, 2013 to December 31, 2013 | \$ 544,302 |
| 2014                               | 586,140    |
| 2015                               | 371,989    |
| 2016                               | 155,779    |

f. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. The estimation of the net realizable value was based on current market conditions and historical experience with selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

g. Finance lease receivables

In assessing the amounts of finance lease receivables and revenue, management should consider the estimation of the Corporation's future cash flows and the discount rate used to determine the present value of minimum lease payments. Relevant assumptions include the expected operating rate of certain power-generating facilities and the economic lives and recoverable residual value of these facilities. If actual future cash flows are less than expected, a material impairment loss may arise. For further disclosures of finance lease receivables, refer to Note 12.

## 6. CASH AND CASH EQUIVALENTS

|                   | December 31         |                     |
|-------------------|---------------------|---------------------|
|                   | 2016                | 2015                |
| Demand deposits   | \$ 5,831,466        | \$ 7,085,212        |
| Checking accounts | 75,844              | 61,723              |
| Cash on hand      | 907                 | 4,254               |
| Cash equivalents  |                     |                     |
| Bank acceptances  | 21,561              | 284,763             |
| Time deposits     | <u>2,077,358</u>    | <u>1,062,800</u>    |
|                   | <u>\$ 8,007,136</u> | <u>\$ 8,498,752</u> |

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

|               | <b>December 31</b> |             |
|---------------|--------------------|-------------|
|               | <b>2016</b>        | <b>2015</b> |
| Bank deposits | 0%-0.66%           | 0%-3.33%    |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                               | <b>December 31</b> |                 |
|---------------------------------------------------------------|--------------------|-----------------|
|                                                               | <b>2016</b>        | <b>2015</b>     |
| <u>Financial assets at FVTPL - Current</u>                    |                    |                 |
| Financial assets held for trading                             |                    |                 |
| Derivative financial assets (not under hedge accounting)      |                    |                 |
| Foreign exchange forward contracts (a)                        | <u>\$ 11,889</u>   | <u>\$ 29</u>    |
| <u>Financial liabilities at FVTPL- Current</u>                |                    |                 |
| Financial liabilities held for trading                        |                    |                 |
| Derivative financial liabilities (not under hedge accounting) |                    |                 |
| Foreign exchange forward contracts (a)                        | \$ 1,525           | \$ 5,968        |
| Redemption and conversion options (Note 22)                   | 387                | -               |
| Interest swap contracts (b)                                   | <u>-</u>           | <u>134</u>      |
|                                                               | <u>\$ 1,912</u>    | <u>\$ 6,102</u> |

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                          | <b>Currency</b>  | <b>Maturity Date</b> | <b>Contract Amount<br/>(In Thousands)</b> |
|--------------------------|------------------|----------------------|-------------------------------------------|
| <u>December 31, 2016</u> |                  |                      |                                           |
| Buy                      | Buy USD/Sell NTD | January 5, 2017      | USD 4,000/NTD 127,560                     |
| Buy                      | Buy USD/Sell NTD | January 9, 2017      | USD 5,000/NTD 159,950                     |
| Buy                      | Buy USD/Sell NTD | January 6, 2017      | USD 3,000/NTD 95,175                      |
| Buy                      | Buy USD/Sell NTD | January 6, 2017      | USD 3,000/NTD 95,160                      |
| Buy                      | Buy USD/Sell NTD | January 6, 2017      | USD 4,400/NTD 139,436                     |
| Buy                      | Buy USD/Sell NTD | January 9, 2017      | USD 2,500/NTD 79,550                      |
| Sell                     | Sell EUR/Buy USD | February 8, 2017     | EUR 2,779/USD 3,000                       |
| Sell                     | Sell EUR/Buy USD | January 13, 2017     | EUR 4,000/USD 4,233                       |
| Sell                     | Sell EUR/Buy USD | January 13, 2017     | EUR 4,000/USD 4,233                       |
| Buy                      | Sell GBP/Buy USD | January 26, 2017     | GBP 6,000/USD 7,323                       |

(Continued)

|                          | Currency         | Maturity Date     | Contract Amount<br>(In Thousands) |             |       |
|--------------------------|------------------|-------------------|-----------------------------------|-------------|-------|
| <u>December 31, 2015</u> |                  |                   |                                   |             |       |
| Sell                     | Sell EUR/Buy USD | February 8, 2016  | EUR                               | 2,000/USD   | 2,180 |
| Sell                     | Sell EUR/Buy USD | February 9, 2016  | EUR                               | 2,000/USD   | 2,171 |
| Sell                     | Sell EUR/Buy USD | March 10, 2016    | EUR                               | 2,000/USD   | 2,191 |
| Buy                      | Sell RMB/Buy USD | January 21, 2016  | RMB                               | 9,832/USD   | 1,500 |
| Buy                      | Sell JPY/Buy USD | February 26, 2016 | JPY                               | 300,000/USD | 2,451 |
| Buy                      | Sell JPY/Buy USD | March 1, 2016     | JPY                               | 300,000/USD | 2,455 |
| Buy                      | Sell JPY/Buy USD | March 1, 2016     | JPY                               | 300,000/USD | 2,455 |
| Buy                      | Sell JPY/Buy USD | March 11, 2016    | JPY                               | 200,000/USD | 1,632 |
| (Concluded)              |                  |                   |                                   |             |       |

The Corporation entered into derivative transactions during 2016 and 2015 to manage exposures of assets and liabilities denominated in foreign currency related to exchange rate changes.

- b. At the end of the reporting period, outstanding interest swap contracts consisted of the following:

| Contract Amount<br>(In Thousands) |        | Maturity Period           | Interest Rate -<br>Payments | Interest Rate -<br>Receipts |
|-----------------------------------|--------|---------------------------|-----------------------------|-----------------------------|
| \$                                | 25,700 | May 28, 2013-May 28, 2018 | 1.150%                      | 0.808% (floating)           |

The Corporation entered into interest swap contracts in 2015 to manage exposures of assets and liabilities to interest rate changes.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                                  | December 31       |                   |
|--------------------------------------------------|-------------------|-------------------|
|                                                  | 2016              | 2015              |
| <u>Noncurrent</u>                                |                   |                   |
| Domestic quoted shares                           |                   |                   |
| ThinTech Materials Technology Co., Ltd. ("TTMC") | \$ <u>127,688</u> | \$ <u>109,873</u> |

As of December 31, 2016 and 2015, the carrying amount of the Corporation's investment in TTMC's private-placement shares amounted to \$121,029 thousand and \$103,950 thousand, respectively. Under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

After an assessment, the Corporation recognized an impairment loss on the Corporation's investment in TTMC recorded under nonoperating income and expenses - impairment loss on financial assets in the amount of \$77,576 thousand for the year ended December 31, 2015.

Except that which is stated above, the AFS financial assets have not been pledged as security or for other purposes.

## 9. FINANCIAL ASSETS CARRIED AT COST

|                                                                | December 31      |                  |
|----------------------------------------------------------------|------------------|------------------|
|                                                                | 2016             | 2015             |
| <u>Noncurrent</u>                                              |                  |                  |
| Domestic unlisted common shares                                |                  |                  |
| EXOJET Technology Corporation (“EXOJET”)                       | \$ 30,100        | \$ 30,100        |
| Overseas unlisted common shares                                |                  |                  |
| SUN APPENNINO CORPORATION                                      | 22,590           | 22,590           |
| FICUS CAPITAL CORPORATION                                      | 1,259            | 1,259            |
| TG ENERGY SOLUTIONS LLC                                        | <u>646</u>       | <u>662</u>       |
|                                                                | <u>\$ 54,595</u> | <u>\$ 54,611</u> |
| Classified according to financial asset measurement categories |                  |                  |
| Available-for-sale financial assets                            | <u>\$ 54,595</u> | <u>\$ 54,611</u> |

Management believed that the above unlisted equity investments held by the Corporation had fair values that could not be reliably measured because the range of reasonable fair value estimates was significant; thus, these investments were measured at cost less impairment at the end of the reporting period.

The Corporation assessed the recoverable amount of the investment in EXOJET and recognized impairment losses under nonoperating income and expenses - impairment losses on financial assets in the amount of \$21,250 thousand for the year ended December 31, 2015.

The financial assets carried at cost have not been pledged as security or for other purposes.

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

|                                                                                     | December 31       |                   |
|-------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                     | 2016              | 2015              |
| Puttable preference shares (C-Share II) - Phanes Holding Inc.<br>(Phanes Holding)   | \$ 145,256        | \$ 146,453        |
| Puttable preference shares (C-Shares III) - Phanes Holding Inc.<br>(Phanes Holding) | <u>161,395</u>    | <u>163,650</u>    |
|                                                                                     | 306,651           | 310,103           |
| Less: Current portion                                                               | <u>(145,256)</u>  | <u>-</u>          |
|                                                                                     | <u>\$ 161,395</u> | <u>\$ 310,103</u> |

Phanes Holding Inc. (Phanes), a project developer, is an overseas unlisted company. The subsidiary, General Energy Solutions (GES), has successfully built several power facilities in the UK and the Dominican Republic through the cooperative relationship with Phanes. In order to build a long-term cooperative strategic relationship with Phanes, the subsidiary, GES, subscribed for the following preference shares issued by Phanes at par:

- 1) Two-year puttable preference shares (C-Shares II) for 4,500 shares amounting to US\$4,500 thousand (\$146,453 thousand) for 100% interest

- 2) Five-year puttable preference shares (C-Shares III) for 24,000 shares amounting to US\$5,000 thousand (\$163,650 thousand) for 100% interest

The above preference shares carried no voting rights and no dividend rights but carried preferential rights on dividends specified at 7% of the par value. The preference shares can be redeemed prior to or later than the maturity date under the agreement between GES and Phanes. The above current portion has been classified as a current asset.

For the years ended December 31, 2016 and 2015, the interest income of puttable preference shares was \$22,480 thousand and \$0 thousand, respectively. As of December 31, 2016 and 2015, interest receivable in the amount of \$22,230 thousand and \$0 thousand, respectively, was classified under other accounts receivable from related parties. The interest receivable was received on January 12, 2017.

Both debt investments, both with no active market, had not been pledged as security as of December 31, 2016 and 2015.

The registration of the puttable preference shares was completed in August 2016.

# **11. NOTES AND ACCOUNTS RECEIVABLE, INSTALLMENT ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

|                                       | <b>December 31</b>  |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>2016</b>         | <b>2015</b>         |
| <u>Notes and accounts receivable</u>  |                     |                     |
| Notes and accounts receivable         | \$ 3,127,189        | \$ 4,926,841        |
| Accounts receivable - related parties | 101,322             | 340,460             |
| Less: Allowance for impairment loss   | <u>(545,710)</u>    | <u>(321,652)</u>    |
|                                       | <u>\$ 2,682,801</u> | <u>\$ 4,945,649</u> |
| <u>Other receivables</u>              |                     |                     |
| Other receivables - related parties   | \$ 936,810          | \$ 542,066          |
| Sales tax refund receivable           | 53,520              | 57,511              |
| Others                                | 64,185              | 9,834               |
| Less: Allowance for impairment loss   | <u>(159)</u>        | <u>-</u>            |
|                                       | <u>\$ 1,054,356</u> | <u>\$ 609,411</u>   |

## **a. Notes and accounts receivable**

The credit periods for the sale of goods were (a) 30 to 60 days after the end of the month; (b) 15 to 365 days from the invoice date; and (c) 60 to 120 days for letters of credit, and the average credit periods for power facilities construction were 180 to 360 days. No interest was charged on account receivables. For overdue account receivables, interest was charged on the basis of management's judgment. In determining the recoverability of account receivables, the Corporation considered any change in the credit quality of the account receivables since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized on the basis of the irrecoverable amounts estimated through aging analyses, reference to past default of the counterparties and an assessment of the counterparties' current financial positions.

For the account receivables that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were considered recoverable. In addition, the Corporation had obtained proper collateral or other credit enhancements for these receivables. As of December 31, 2016 and 2015, the amounts of collateral or other credit enhancements for these receivables were \$120,415 thousand and \$89,565 thousand, respectively. The Corporation had no legal right to offset the receivables against any amounts owed by the Corporation to the counterparties.

The aging of receivables was as follows:

|                    | <b>December 31</b>  |                     |
|--------------------|---------------------|---------------------|
|                    | <b>2016</b>         | <b>2015</b>         |
| Up to 60 days      | \$ 2,483,904        | \$ 4,735,550        |
| 61-90 days         | 109,323             | 12,413              |
| 91-120 days        | 43,228              | 55,600              |
| More than 120 days | <u>592,056</u>      | <u>463,738</u>      |
| Total              | <u>\$ 3,228,511</u> | <u>\$ 5,267,301</u> |

The above analysis was based on the past-due date.

The aging of receivables that were past due but not impaired was as follows:

|                    | <b>December 31</b> |                   |
|--------------------|--------------------|-------------------|
|                    | <b>2016</b>        | <b>2015</b>       |
| Up to 60 days      | \$ 232,544         | \$ 486,868        |
| 61-90 days         | 98,142             | 12,413            |
| 91-120 days        | 14,745             | 55,600            |
| More than 120 days | <u>106,472</u>     | <u>142,085</u>    |
| Total              | <u>\$ 451,903</u>  | <u>\$ 696,966</u> |

The above analysis was based on the past-due date.

Movements in the allowance for impairment loss recognized on notes receivable and accounts receivable were as follows:

|                                                    | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>      |
|----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-------------------|
| Balance at January 1, 2015                         | \$ 7,463                                            | \$ -                                                | \$ 7,463          |
| Plus: Impairment loss recognized on<br>receivables | 311,901                                             | -                                                   | 311,901           |
| Translation adjustments                            | <u>2,288</u>                                        | <u>-</u>                                            | <u>2,288</u>      |
| Balance at December 31, 2015                       | <u>\$ 321,652</u>                                   | <u>\$ -</u>                                         | <u>\$ 321,652</u> |
| Balance at January 1, 2016                         | \$ 321,652                                          | \$ -                                                | \$ 321,652        |
| Plus: Impairment loss recognized on<br>receivables | 250,320                                             | -                                                   | 250,320           |
| Translation adjustments                            | <u>(26,262)</u>                                     | <u>-</u>                                            | <u>(26,262)</u>   |
| Balance at December 31, 2016                       | <u>\$ 545,710</u>                                   | <u>\$ -</u>                                         | <u>\$ 545,710</u> |

The allowance for impairment loss included individually impaired account receivables amounting to \$545,710 thousand and \$321,652 thousand as of December 31, 2016 and 2015, respectively. These amounts relate to the Corporation's risk control process involving customers with tight cash flows. The impairment recognized represents the difference between the carrying amount of these account receivables and the present value of the expected proceeds received from liquidation. The Corporation did not hold any collateral on these impaired receivables.

b. Installment accounts receivable and other receivables

|                                                 | <b>December 31</b>  |                   |
|-------------------------------------------------|---------------------|-------------------|
|                                                 | <b>2016</b>         | <b>2015</b>       |
| Gross amount of installment accounts receivable | \$ -                | \$ 399,408        |
| Unrealized interest revenue                     | -                   | (42,005)          |
| Total                                           | <u>\$ -</u>         | <u>\$ 357,403</u> |
| Other receivables - related parties             | \$ 936,810          | \$ 542,066        |
| Other receivables                               | 117,705             | 67,345            |
| Allowance for impairment loss                   | <u>(159)</u>        | <u>-</u>          |
|                                                 | <u>\$ 1,054,356</u> | <u>\$ 609,411</u> |

Installment accounts receivable from TS Solartech Sdn. Bhd., due to the disposal of machinery, were not recoverable after assessment, so the Corporation reclaimed those pieces of equipment in accordance with the contract. In 2016, the equipment were assessed to have carrying amounts exceeding their fair values; thus the assessment led to the recognition of an impairment loss of \$1,022,882 thousand which was recognized in other income and expenses - impairment loss on financial assets.

The credit period was 60 days after the end of the month. The allowance for impairment loss was recognized on the basis of estimated irrecoverable amounts determined by an aging analysis, reference to past default experience of the counterparties and an assessment of the counterparties' current financial positions.

The status of other receivables at the end of the reporting period is presented in the following table.

|                                                 | <b>December 31</b> |                  |
|-------------------------------------------------|--------------------|------------------|
|                                                 | <b>2016</b>        | <b>2015</b>      |
| Neither past due nor impaired                   | \$ 109,501         | \$ 12,585        |
| Past due but not impaired - 61 days to 90 days  | 211                | -                |
| Past due but not impaired - more than 120 days  | 7,834              | 54,760           |
| Both past due and impaired - more than 120 days | <u>159</u>         | <u>-</u>         |
| Total                                           | <u>\$ 117,705</u>  | <u>\$ 67,345</u> |

The above analysis was based on the past-due date.

The movements of the allowance for doubtful other receivables were as follows:

|                                                      | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>  |
|------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|---------------|
| Balance at January 1, 2016                           | \$ -                                                | \$ -                                                | \$ -          |
| Plus: Impairment losses recognized on<br>receivables | <u>159</u>                                          | <u>-</u>                                            | <u>159</u>    |
| Balance at December 31, 2016                         | <u>\$ 159</u>                                       | <u>\$ -</u>                                         | <u>\$ 159</u> |

## 12. FINANCE LEASE RECEIVABLES

|                                         | <b>December 31</b>  |                     |
|-----------------------------------------|---------------------|---------------------|
|                                         | <b>2016</b>         | <b>2015</b>         |
| <u>Gross investment in leases</u>       |                     |                     |
| Not later than one year                 | \$ 191,194          | \$ 201,477          |
| Over one year to five years             | 724,059             | 795,686             |
| Later than five years                   | <u>1,718,796</u>    | <u>2,136,843</u>    |
|                                         | 2,634,049           | 3,134,006           |
| Less: Unearned finance income           | <u>(895,015)</u>    | <u>(1,128,271)</u>  |
| Present value of minimum lease payments | <u>\$ 1,739,034</u> | <u>\$ 2,005,735</u> |

The Corporation entered into several electricity purchase agreements (refer to Note 40) for the Corporation to sell all electricity to Taiwan Power Company, Tokyo Electric Power Company, Inc., Good Energy Limited and Indianapolis Power & Light Company after the electricity generating facilities become operational with a distribution system. The average term of the finance leases entered into was 15 to 25 years. Since these agreements were covered by IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and IAS 17 "Leases," they were accounted for as finance leases.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The effective interest rate contracted was 3.02%-9.10% per annum.

For the year ended December 31, 2016, the Corporation sold part of its power facilities resulting in a disposal gain of \$19,830 thousand.

The amounts of finance lease receivables pledged as collateral for bank loans are shown in Note 39.

The finance lease receivables as of December 31, 2016 and 2015 were neither past due nor impaired.

### 13. INVENTORY

|                                           | December 31         |                     |
|-------------------------------------------|---------------------|---------------------|
|                                           | 2016                | 2015                |
| Finished goods                            | \$ 1,631,012        | \$ 1,010,463        |
| Work in progress                          | 99,309              | 302,321             |
| Raw materials                             | 576,764             | 1,043,390           |
| Power facilities construction in progress | <u>2,576,272</u>    | <u>1,896,933</u>    |
|                                           | <u>\$ 4,883,357</u> | <u>\$ 4,253,107</u> |

Power facilities construction in progress is the cost relevant to power facilities construction which will be sold in the near future. As of December 31, 2016 and 2015, the amount of interest capitalized due to borrowing costs were \$16,173 thousand and \$0 thousand, respectively.

Allowances for inventory losses were \$529,031 thousand and \$301,657 thousand as of December 31, 2016 and 2015, respectively.

In 2016, the cost of sales related to inventory was \$18,451,928 thousand, which included (1) unallocated fixed manufacturing overhead of \$870,203 thousand; (2) income of \$18,736 thousand from the sale of scraps; (3) losses on purchase contracts of \$245,006 thousand; and (4) allowance for losses on inventory amounting to \$252,198 thousand.

In 2015, the cost of sales related to inventory was \$21,631,655 thousand, which included (1) unallocated fixed manufacturing overhead of \$393,941 thousand; (2) income of \$26,785 thousand from the sale of scraps; and (3) a reversal of allowance for losses on inventory amounting to \$35,544 thousand. The reversal was due to the sale of obsolescent inventory and the decrease in the unit cost of products.

Refer to Note 39 for the carrying amount of inventory pledged by the Corporation to secure borrowings.

### 14. NONCURRENT ASSETS HELD FOR SALE

|                         | December 31      |                 |
|-------------------------|------------------|-----------------|
|                         | 2016             | 2015            |
| Power facilities        | \$ 39,881        | \$ -            |
| Machinery and equipment | <u>-</u>         | <u>2,876</u>    |
|                         | <u>\$ 39,881</u> | <u>\$ 2,876</u> |

In the fourth quarter of 2016, NSP intended to dispose of a parcel of power facilities and reclassified such assets to non-current assets classified as held for sale. The Corporation assessed that there were indications of impairment because their recoverable amount was estimated to be bigger than their carrying amount. No impairment loss was recognized on classification of the land as held for sale for the year ended December 31, 2016.

In the second quarter of 2015, NSP intended to dispose of a parcel of machinery and equipment and miscellaneous equipment and, therefore, reclassified such assets to non-current assets classified as held for sale. On November 10, 2015, NSP's board of directors approved of the disposal of the above assets to TS Solartech Sdn. Bhd. in installment payments. The first disposal was completed on November 27, 2015; the second disposal was expected to be completed in November 2016. However, installment accounts receivable from TS Solartech Sdn. Bhd., due to the disposal of machinery, were not recoverable after assessment, so the Corporation reclaimed those pieces of equipment in accordance with the contract, and that disposal group held for sale was reclassified to property, plant and equipment.

In 2014, the Corporation intended to proceed on an exchange of assets with some machinery and equipment through advance payments. Such transaction was expected to be completed in 2015. On the reclassification of such assets as held for sale, the Corporation assessed their recoverable amount as less than their carrying amount; and thus, an impairment loss of \$7,749 thousand was recognized during 2015, and the disposal was completed in April 2016.

## 15. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

| Investor                                                   | Investee                                                       | Main Business                             | % of Ownership<br>December 31 |        | Remark |
|------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------|-------------------------------|--------|--------|
|                                                            |                                                                |                                           | 2016                          | 2015   |        |
| NSP                                                        | General Energy Solutions Inc. ("General Energy Solutions")     | Electronic component manufacture and sale | 75.89                         | 75.89  | -      |
|                                                            | Prime Energy Corp. ("Prime Energy")                            | Electronic component manufacture and sale | 100.00                        | 100.00 | -      |
|                                                            | V5 Technology Ltd. ("V5 Technology")                           | Electronic component manufacture and sale | 60.85                         | 61.33  | -      |
|                                                            | New Ray Investment Corp. ("New Ray Investment")                | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | DelSolar Holding Singapore Pte. Ltd. ("DelSolar Singapore")    | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | DelSolar Holding (Cayman) Ltd. ("DelSolar Cayman")             | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | NSP Systems (BVI) Ltd. ("NSP BVI")                             | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | NSP UK Holding Limited ("NSP UK")                              | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | Best Power Service Corp. ("BPS")                               | Solar-related business                    | 60.00                         | 60.00  | -      |
|                                                            | NSP System Development Corp. ("NSP System")                    | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | New Castle Investment Corp. ("New Castle")                     | Investment company                        | 55.00                         | 55.00  | -      |
|                                                            | General Energy Solutions Inc. ("General Energy Solutions")     | Yong Liang Ltd. ("Yong Liang")            | 100.00                        | 100.00 | -      |
|                                                            | Yong Han Ltd. ("Yong Han")                                     | Solar-related business                    | 100.00                        | 100.00 | -      |
| General Energy Solutions Inc. ("General Energy Solutions") | Yong Zhou Ltd. ("Yong Zhou")                                   | Solar-related business                    | 100.00                        | 100.00 | -      |
|                                                            | Yun Yeh Energy Inc. ("Yun Yeh")                                | Solar-related business                    | 100.00                        | 100.00 | -      |
|                                                            | General Energy Solutions International Co., Ltd. ("GES Samoa") | Investment company                        | -                             | -      | 3      |
|                                                            | GES JAPAN CORPORATION ("GES JAPAN")                            | Investment company                        | -                             | -      | 3      |
|                                                            | Ever Lite Power Inc. ("Ever Lite")                             | Electronic component manufacture and sale | 100.00                        | -      | -      |
|                                                            | GES Global Co. Limited ("GES BVI")                             | Investment company                        | -                             | -      | 11     |
|                                                            | Canoga Limited ("Canoga")                                      | Investment company                        | -                             | -      | 5      |
|                                                            | General Energy Solutions UK Limited ("GES UK")                 | Investment company                        | 100.00                        | 100.00 | 3      |
|                                                            | GES Energy Middle East FZE ("GES ME")                          | Solar-related business                    | 100.00                        | -      | -      |
|                                                            | ELECTRONIC J.R.C. S.R.L. ("JRC")                               | Solar-related business                    | 1.00                          | -      | 7      |
|                                                            | Abacus Renewable One Japan Ltd. ("Abacus")                     | Solar-related business                    | 100.00                        | 100.00 | 5      |
|                                                            | General Energy Solutions USA, Inc. ("GES USA")                 | Investment company                        | 100.00                        | 100.00 | -      |
|                                                            | GENERAL ENERGY SOLUTIONS PHILIPPINES, INC. ("GES PH")          | Solar-related business                    | -                             | 100.00 | 6      |
| GES UK                                                     | GES JAPAN CORPORATION ("GES JAPAN")                            | Investment company                        | 100.00                        | 100.00 | 3      |
|                                                            | NCH Solar 1 Limited ("NCH Solar 1")                            | Solar-related business                    | 100.00                        | 100.00 | 4      |
|                                                            | GES Solar 2 Limited ("GES Solar 2")                            | Solar-related business                    | 100.00                        | 100.00 | -      |
|                                                            | GES Solar 3 Limited ("GES Solar 3")                            | Solar-related business                    | 100.00                        | 100.00 | -      |
|                                                            | GES Solar 4 Limited ("GES Solar 4")                            | Solar-related business                    | -                             | -      | 6      |

(Continued)

| Investor  | Investee                                                      | Main Business          | % of Ownership<br>December 31 |        | Remark  |
|-----------|---------------------------------------------------------------|------------------------|-------------------------------|--------|---------|
|           |                                                               |                        | 2016                          | 2015   |         |
| GES UK    | GES Solar 5 Limited (“GES Solar 5”)                           | Solar-related business | -                             | -      | 6       |
|           | GES Solar 6 Limited (“GES Solar 6”)                           | Solar-related business | -                             | -      | 6       |
|           | GES Solar 7 Limited (“GES Solar 7”)                           | Solar-related business | -                             | -      | 6       |
|           | GES Solar 8 Limited (“GES Solar 8”)                           | Solar-related business | -                             | -      | 6       |
|           | General Energy Solutions CANADA Inc. (“GES CANADA”)           | Investment company     | 100.00                        | 100.00 | -       |
| GES USA   | ET ENERGY SOLUTIONS LLC (“ET ENERGY”)                         | Solar-related business | 100.00                        | 100.00 | -       |
|           | TIPPING POINT ENERGY COC PPA SPE-1, LLC (“TIPPING POINT”)     | Solar-related business | 100.00                        | 100.00 | -       |
|           | GES MEGAONE, LLC (“MEGAONE”)                                  | Solar-related business | -                             | -      | 2       |
|           | MEGATWO, LLC (“MEGATWO”)                                      | Solar-related business | -                             | -      | 1       |
|           | GES MEGAFOUR, LLC (“MEGAFOUR”)                                | Solar-related business | -                             | -      | 2       |
|           | GES MEGAFIVE, LLC (“MEGAFIVE”)                                | Solar-related business | -                             | -      | 1       |
|           | GES MEGASIX, LLC (“MEGASIX”)                                  | Solar-related business | -                             | -      | 1       |
|           | GES MEGASEVEN, LLC (“MEGASEVEN”)                              | Solar-related business | -                             | -      | 1       |
|           | GES MEGAEIGHT, LLC (“MEGAEIGHT”)                              | Solar-related business | 100.00                        | -      | -       |
|           | GES MEGAELEVEN, LLC (“MEGAELEVEN”)                            | Solar-related business | -                             | -      | 1       |
|           | GES MEGATWELVE, LLC (“MEGATWELVE”)                            | Solar-related business | -                             | -      | 1       |
|           | GES MEGATHIRTEEN, LLC (“MEGATHIRTEEN”)                        | Solar-related business | -                             | -      | 1       |
|           | GES MEGAFOURTEEN, LLC (“MEGAFOURTEEN”)                        | Solar-related business | 55.00                         | -      | 10      |
|           | GES MEGAFIFTEEN, LLC (“MEGAFIFTEEN”)                          | Solar-related business | 55.00                         | -      | 10      |
|           | Heywood Solar PGS, LLC (“HEYWOOD”)                            | Solar-related business | -                             | -      | 1       |
|           | Schenectady Solar, LLC (“SCHENECTADY”)                        | Solar-related business | -                             | -      | 1       |
|           | GES ASSET ONE, LLC (“ASSET ONE”)                              | Solar-related business | 100.00                        | -      | -       |
|           | GES ASSET TWO, LLC (“ASSET TWO”)                              | Solar-related business | -                             | -      | 1       |
|           | GES ASSET THREE LLC (“ASSET THREE”)                           | Solar-related business | -                             | -      | 1       |
|           | GES ASSET FOUR LLC (“ASSET FOUR”)                             | Solar-related business | -                             | -      | 1       |
|           | Bulldog Energy Airport LLC (“BULLDOG”)                        | Solar-related business | -                             | -      | 2       |
|           | SEC Newco, LLC (“SEC Newco”)                                  | Solar-related business | -                             | -      | 2       |
|           | SH4 Solar LLC (“SH4”)                                         | Solar-related business | 100.00                        | -      | -       |
|           | CENERGY Portfolio LLC (“Cenergy”)                             | Solar-related business | -                             | -      | 1       |
|           | Cedar Falls Solar Farm, LLC (“CEDAR FALLS”)                   | Solar-related business | 100.00                        | -      | -       |
|           | SEG MI 57 LLC (“SEG”)                                         | Solar-related business | -                             | -      | 1       |
|           | Village of Coxsackie Municipal Solar Project One, LLC (“VOC”) | Solar-related business | -                             | -      | 1       |
| GES JAPAN | GES FUKUSHIMA CORPORATION (“GES FUKUSHIMA”)                   | Solar-related business | 100.00                        | 100.00 | -       |
| Cenergy   | Inashiki GK                                                   | Solar-related business | -                             | -      | 1       |
|           | Namegata GK                                                   | Solar-related business | -                             | -      | 1       |
| MEGATWO   | Munisol S.A.P.I. de C.V. (“MUNISOL”)                          | Solar-related business | -                             | -      | 1 and 7 |

(Continued)

| Investor           | Investee                                                     | Main Business                       | % of Ownership<br>December 31 |        | Remark   |
|--------------------|--------------------------------------------------------------|-------------------------------------|-------------------------------|--------|----------|
|                    |                                                              |                                     | 2016                          | 2015   |          |
| ASSET THREE        | GES Asset Three Shima's, LLC ("SHIMA'S")                     | Solar-related business              | -                             | -      | 1        |
|                    | GES Asset Three Waimea, LLC ("WAIMEA")                       | Solar-related business              | -                             | -      | 1        |
|                    | GES Asset Three Honokawai, LLC ("HONOKAWAI")                 | Solar-related business              | -                             | -      | 1        |
|                    | GES Asset Three Eleele, LLC ("ELEELE")                       | Solar-related business              | -                             | -      | 1        |
|                    | GES Asset Three Hanalei, LLC ("HANALEI")                     | Solar-related business              | -                             | -      | 1        |
|                    | GES Asset Three Kappa, LLC ("KAPAA")                         | Solar-related business              | -                             | -      | 1        |
|                    | GES Asset Three Koloa, LLC ("KOLOA")                         | Solar-related business              | -                             | -      | 1        |
| GES CANADA         | ELECTRONIC J.R.C., S.R.L ("JRC")                             | Solar-related business              | 99.00                         | 100.00 | 7        |
| DelSolar Cayman    | DelSolar (HK) Ltd. ("DelSolar HK")                           | Investment company                  | 100.00                        | 100.00 | -        |
|                    | DelSolar US Holdings (Delaware) Corporation ("DelSolar US")  | Investment company                  | 100.00                        | 100.00 | -        |
|                    | NSP SYSTEM NEVADA HOLDING CORP ("NSP NEVADA")                | Solar-related business              | -                             | -      | 1 and 11 |
| NSP BVI            | NSP HK Holding Ltd. ("NSP HK")                               | Solar-related business              | -                             | -      | 1        |
|                    | Clean Focus GP Limited ("CFGP")                              | Solar operation management services | 60.00                         | -      | 9        |
| DelSolar Singapore | DelSolar India EPC Company Private Ltd. ("DelSolar India")   | Solar-related business              | 100.00                        | 100.00 | -        |
|                    | Neo Solar Power Malaysia Sdn. Bhd ("NSP Malaysia")           | Solar-related business              | 100.00                        | -      | -        |
| NSP UK             | NSP Germany GmbH ("NSP Germany")                             | Solar-related business              | 90.00                         | 90.00  | -        |
|                    | Pv-Power-Park Prol Verwaltings GmbH ("Pv-Power-Park")        | Solar-related business              | 100.00                        | 100.00 | 8        |
|                    | NSP Indygen UK Ltd. ("NSP Indygen")                          | Solar-related business              | -                             | -      | 1        |
| NSP System         | Hsin Jin Optoelectronics ("Hsin Jin Optoelectronics")        | Solar-related business              | 80.00                         | 80.00  | -        |
|                    | Si One Corp. ("Si One")                                      | Solar-related business              | -                             | 100.00 | 2        |
|                    | Hsin Jin Solar Energy Co., Ltd. ("Hsin Jin Solar Energy")    | Solar-related business              | 60.00                         | 60.00  | -        |
|                    | Da Li Energy Co., Ltd. ("Da Li Energy")                      | Solar-related business              | -                             | -      | 2        |
| NSP HK             | XYH (Suzhou) Energy Ltd. ("XYH Suzhou")                      | Solar-related business              | 100.00                        | -      | 7        |
| CFGP               | Clean Focus GP (HK) Limited. ("CFGP (HK)")                   | Solar operation management services | 100.00                        | -      | -        |
| DelSolar HK        | DelSolar (Wu Jiang) Ltd. ("DelSolar Wu Jiang")               | Solar-related business              | 100.00                        | 100.00 | -        |
|                    | NSP Japan Inc. ("NSP Japan")                                 | Solar-related business              | 100.00                        | 100.00 | -        |
|                    | Neo Solar Power (Nanchang) Ltd. ("NSP Nanchang")             | Solar-related business              | 11.36                         | 100.00 | 7        |
| NSP NEVADA         | Livermore Community Solar Farm, LLC ("Livermore")            | Solar-related business              | 75.00                         | -      | -        |
|                    | HI Solar Green 1, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 2, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 3, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 4, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 5, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 6, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 7, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 8, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 9, LLC                                        | Solar-related business              | 100.00                        | -      | -        |
|                    | HI Solar Green 10, LLC                                       | Solar-related business              | 100.00                        | -      | -        |
|                    | GES MEGAFOURTEEN, LLC ("MEGAFOURTEEN")                       | Solar-related business              | 45.00                         | -      | 10       |
|                    | GES MEGAFIFTEEN, LLC ("MEGAFIFTEEN")                         | Solar-related business              | 45.00                         | -      | 10       |
|                    | Industrial Park Drive Solar, LLC ("Industrial Park")         | Solar-related business              | 100.00                        | -      | -        |
|                    | Hillsboro Town Solar, LLC ("Hillsboro")                      | Solar-related business              | 100.00                        | -      | -        |
| DelSolar US        | DelSolar Development (Delaware) LLC ("DelSolar Development") | Solar-related business              | 100.00                        | 100.00 | -        |
|                    | Clean Focus Renewables Inc. ("CFR")                          | Solar-related business              | 100.00                        | 100.00 | -        |
|                    | USD1 Owner LLC ("USD1")                                      | Solar-related business              | 100.00                        | 100.00 | -        |
|                    | CF Vegas Holdings LLC ("CF Vegas")                           | Solar-related business              | -                             | 100.00 | 2        |

(Continued)

| Investor             | Investee                                               | Main Business                       | % of Ownership<br>December 31 |        | Remark |
|----------------------|--------------------------------------------------------|-------------------------------------|-------------------------------|--------|--------|
|                      |                                                        |                                     | 2016                          | 2015   |        |
| NSP Indegen          | UKEG POTTERS BAR LIMITED ("POTTERS BAR")               | Solar-related business              | -                             | -      | 1      |
|                      | UKEG CLAY CROSS LIMITED ("CLAY CROSS")                 | Solar-related business              | -                             | -      | 1      |
|                      | UKEG BELPER LIMITED ("BELPER")                         | Solar-related business              | -                             | -      | 1      |
|                      | GDL Bryncrynnau Ltd. ("Bryncrynnau")                   | Solar-related business              | -                             | -      | 1      |
|                      | GDL Upper Meadowley Ltd. ("Meadowley")                 | Solar-related business              | -                             | -      | 1      |
|                      | Clean Focus GP (Shanghai) Limited. ("CFGP (Shanghai)") | Solar operation management services | 100.00                        | -      | -      |
| DelSolar Wu Jiang    | XYH (Suzhou) Energy Ltd. ("XYH Suzhou")                | Solar-related business              | -                             | 100.00 | 7      |
|                      | Neo Solar Power (Nanchang) Ltd. ("NSP Nanchang")       | Solar-related business              | 88.64                         | -      | 7      |
| DelSolar Development | DSS-USF PHX LLC                                        | Solar-related business              | 100.00                        | 100.00 | -      |
|                      | DSS-RAL LLC                                            | Solar-related business              | 100.00                        | 100.00 | -      |
| CFR                  | Rugged Solar LLC                                       | Solar-related business              | 100.00                        | -      | 1      |

(Concluded)

- 1) The subsidiary was deemed as a subsidiary of the Corporation in accordance with IFRS 10.
- 2) Da Li Energy directly became a 100%-owned subsidiary of the Corporation in May 2016, and was disposed of in December 2016. Si One, CF Vegas, SEC Newco, Bulldog and MEGAFOUR were disposed of in December 2016, February 2016, March 2015, August 2015 and October 2015, respectively. MEGAONE was invested in in January 2014 and was disposed of in June 2015.
- 3) In order to simplify the organization structure, GES Samoa sold its entire shares of GES UK to GES and GES UK became a 100%-owned subsidiary of GES UK. The liquidation of GES Samoa was completed in November 2015; and GES sold its entire shares of GES JAPAN to GES's 100%-owned subsidiary, GES UK, in the first quarter of 2015; and GES sold its entire shares of Hashimoto to GES's 100%-owned subsidiary, GES JAPAN. The organizational restructuring did not result in any gain or loss.
- 4) GES UK's 40% equity investment in NCH Solar 1 in October 2014 and the subscription for the remaining 60% equity in May 2015 turned NCH Solar 1 into a 100%-owned subsidiary instead of an investment accounted for using the equity method.
- 5) Abacus, located in Japan, indirectly became a 100%-owned subsidiary of the Corporation by acquiring the Hong Kong-based Canoga Limited (Canoga) in March 2015. In order to simplify the organization structure, Canoga sold all of its shares in Abacus at their carrying values to the Corporation in September 2015. The liquidation of Canoga was completed in January 2016.
- 6) The liquidations of GES Solar 4, GES Solar 5, GES Solar 6, GES Solar 7 and GES Solar 8 were completed in May 2016. The liquidation of GES PH was completed in August 2016.
- 7) Ownership of MUNISOL was transferred from GES USA to MEGATWO in June 2016; ownership of XYH Suzhou was transferred from Delsolar Wu Jiang to NSP HK in June 2016; ownership of JRC was transferred from 100% ownership by GES CANADA to 99% ownership by GES CANADA and 1% ownership by General Energy Solutions in August 2016; ownership of NSP Nanchang was transferred from 100% ownership by DelSolar HK to 25% ownership by DelSolar HK and 75% ownership by Delsolar Wu Jiang in July 2016. Delsolar Wu Jiang increased its investment in NSP Nanchang in October 2016, and ownership of NSP Nanchang was transferred to 11.36% ownership by DelSolar HK and 88.64% ownership by Delsolar Wu Jiang.
- 8) UNA 249 Equity Management GmbH (UNA 249), a subsidiary of NSP UK, was renamed as PV-Power-Park Pro 1 Verwalttungs GmbH (PV-Power-Park) in May 2016.

- 9) NSP BVI turned into a 60%-owned subsidiary of CFGP in November 2016.
- 10) Ownerships of MEGAFOURTEEN and MEGAFIFTEEN were 55% ownership by GES USA and 45% ownership by NSP NEVADA in November 2016, respectively.
- 11) The capital has not been invested as of December 31, 2016.
- b. Details of subsidiaries that have material noncontrolling interests

| Name of Subsidiary             | Principal Place of Business                                                      | % of Ownership and Voting Rights Held by Noncontrolling Interests |                                                  |               |
|--------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|---------------|
|                                |                                                                                  | December 31                                                       |                                                  |               |
|                                |                                                                                  | 2016                                                              | 2015                                             |               |
| General Energy Solutions (GES) | Hsin-Chu                                                                         | 24.11                                                             | 24.11                                            |               |
| CFGP                           | British Virgin Islands                                                           | 40                                                                | -                                                |               |
| Name of Subsidiary             | (Loss) Gain Allocated to Noncontrolling Interests For the Year Ended December 31 |                                                                   | Accumulated Noncontrolling Interests December 31 |               |
|                                | 2016                                                                             | 2015                                                              | 2016                                             | 2015          |
| GES                            | \$ (76,720)                                                                      | \$ (66,864)                                                       | \$ 453,697                                       | \$ 564,133    |
| CFGP                           | (833)                                                                            | -                                                                 | 110,432                                          | -             |
| Others                         | <u>(21,535)</u>                                                                  | <u>(15,897)</u>                                                   | <u>52,502</u>                                    | <u>35,423</u> |
| Total                          | \$ (99,088)                                                                      | \$ (82,761)                                                       | \$ 616,631                                       | \$ 599,556    |

Summarized financial information in respect of each of the Corporation's subsidiaries with material noncontrolling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

|                                   | December 31         |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | 2016                | 2015                |
| <u>GES and GES's subsidiaries</u> |                     |                     |
| Current assets                    | \$ 4,118,205        | \$ 3,712,563        |
| Non-current assets                | 4,360,932           | 3,082,348           |
| Current liabilities               | 5,544,464           | 3,060,872           |
| Non-current liabilities           | <u>874,922</u>      | <u>1,344,558</u>    |
| Equity                            | <u>\$ 2,059,751</u> | <u>\$ 2,389,481</u> |
| Equity attributable to:           |                     |                     |
| Owners of GES                     | \$ 1,606,054        | \$ 1,825,348        |
| Noncontrolling interests of GES   | <u>453,697</u>      | <u>564,133</u>      |
|                                   | <u>\$ 2,059,751</u> | <u>\$ 2,389,481</u> |

|                                                   | <b>For the Year Ended December 31</b> |                     |
|---------------------------------------------------|---------------------------------------|---------------------|
|                                                   | <b>2016</b>                           | <b>2015</b>         |
| Revenue                                           | \$ 664,608                            | \$ 1,046,182        |
| Loss for the year                                 | \$ (321,571)                          | \$ (277,529)        |
| Other comprehensive (loss) income for the year    | <u>(139,845)</u>                      | <u>68,989</u>       |
| Total comprehensive loss for the year             | <u>\$ (461,416)</u>                   | <u>\$ (208,540)</u> |
| Loss attributable to:                             |                                       |                     |
| Owners of GES                                     | \$ (244,851)                          | \$ (210,665)        |
| Noncontrolling interests of GES                   | <u>(76,720)</u>                       | <u>(66,864)</u>     |
|                                                   | <u>\$ (321,571)</u>                   | <u>\$ (277,529)</u> |
| Total comprehensive loss attributable to:         |                                       |                     |
| Owners of GES                                     | \$ (350,979)                          | \$ (158,310)        |
| Noncontrolling interests of GES                   | <u>(110,437)</u>                      | <u>(50,230)</u>     |
|                                                   | <u>\$ (461,416)</u>                   | <u>\$ (208,540)</u> |
| Net cash inflow (outflow) from:                   |                                       |                     |
| Operating activities                              | \$ 153,883                            | \$ (727,839)        |
| Investment activities                             | (1,311,753)                           | (1,446,392)         |
| Finance activities                                | 831,183                               | 2,115,899           |
| Effects of exchange rate changes                  | <u>(5,921)</u>                        | <u>11,133</u>       |
| Net cash outflow                                  | <u>\$ (332,608)</u>                   | <u>\$ (47,199)</u>  |
| Dividends paid to noncontrolling interests of GES | <u>\$ -</u>                           | <u>\$ 9,221</u>     |
|                                                   |                                       | <b>December 31,</b> |
|                                                   |                                       | <b>2016</b>         |
| <u>CFGP and CFGP's subsidiaries</u>               |                                       |                     |
| Current assets                                    |                                       | \$ 95,395           |
| Non-current assets                                |                                       | 211,312             |
| Current liabilities                               |                                       | <u>758</u>          |
| Equity                                            |                                       | <u>\$ 305,949</u>   |
| Equity attributable to:                           |                                       |                     |
| Owners of CFGP                                    |                                       | \$ 195,517          |
| Noncontrolling interests of CFGP                  |                                       | <u>110,432</u>      |
|                                                   |                                       | <u>\$ 305,949</u>   |

|                                                    | <b>For the Year<br/>Ended<br/>December 31,<br/>2016</b> |
|----------------------------------------------------|---------------------------------------------------------|
| Revenue                                            | \$ <u>-</u>                                             |
| Loss for the year                                  | \$ (2,082)                                              |
| Other comprehensive income for the year            | <u>-</u>                                                |
| Total comprehensive loss for the year              | <u>\$ (2,082)</u>                                       |
| Loss attributable to:                              |                                                         |
| Owners of CFGP                                     | \$ (1,249)                                              |
| Noncontrolling interests of CFGP                   | <u>(833)</u>                                            |
|                                                    | <u>\$ (2,082)</u>                                       |
| Total comprehensive loss attributable to:          |                                                         |
| Owners of CFGP                                     | \$ (1,249)                                              |
| Noncontrolling interests of CFGP                   | <u>(833)</u>                                            |
|                                                    | <u>\$ (2,082)</u>                                       |
| Net cash (outflow) inflow from:                    |                                                         |
| Operating activities                               | \$ (128,274)                                            |
| Finance activities                                 | 128,954                                                 |
| Effects of exchange rate changes                   | <u>11</u>                                               |
| Net cash inflow                                    | <u>\$ 691</u>                                           |
| Dividends paid to noncontrolling interests of CFGP | <u>\$ -</u>                                             |

#### 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                               | <b>December 31</b>  |                  |
|-------------------------------|---------------------|------------------|
|                               | <b>2016</b>         | <b>2015</b>      |
| Investments in associates     | \$ 1,931,154        | \$ 65,824        |
| Investments in joint ventures | <u>98,605</u>       | <u>-</u>         |
|                               | <u>\$ 2,029,759</u> | <u>\$ 65,824</u> |

##### a. Investments in associates

|                                   | <b>December 31</b>  |             |
|-----------------------------------|---------------------|-------------|
|                                   | <b>2016</b>         | <b>2015</b> |
| Material associates               |                     |             |
| Clean Focus Yield Limited (CFY)   | \$ 1,263,430        | \$ -        |
| Neo Cathy Power Corp. (Neo Cathy) | <u>598,835</u>      | <u>-</u>    |
|                                   | <u>\$ 1,862,265</u> | <u>-</u>    |

(Continued)

|                                               | <b>December 31</b>  |                  |
|-----------------------------------------------|---------------------|------------------|
|                                               | <b>2016</b>         | <b>2015</b>      |
| Associates that are not individually material |                     |                  |
| MEGATHREE                                     | \$ 37,845           | \$ 38,675        |
| GES KYUSHU                                    | 31,044              | 20,477           |
| Hashimoto                                     | -                   | 6,672            |
|                                               | <u>68,889</u>       | <u>65,824</u>    |
|                                               | <u>\$ 1,931,154</u> | <u>\$ 65,824</u> |
|                                               |                     | (Concluded)      |

1) Material associates

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Corporation were as follows:

|                        | <b>December 31</b> |             |
|------------------------|--------------------|-------------|
| <b>Name of Company</b> | <b>2016</b>        | <b>2015</b> |
| CFY                    | 28.75%             | -           |
| Neo Cathy              | 40.00%             | -           |

In November 2016, NSP subscribed for 10,672 thousand shares of CFY for cash of US\$39,000 thousand; after the subscription, the Corporation's percentage of ownership in CFY was 28.75% and NSP was able to exercise significant influence over CFY.

In October 2016, NSP subscribed for 60,000 thousand shares of Neo Cathy for cash of \$600,000 thousand; after the subscription, the Corporation's percentage of ownership in Neo Cathy was 40% and NSP was able to exercise significant influence over Neo Cathy.

Summarized financial information in respect of each of NSP's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRS adjusted by the Corporation for equity accounting purposes.

|                                                                  | <b>December 31, 2016</b> |                     |
|------------------------------------------------------------------|--------------------------|---------------------|
|                                                                  | <b>CFY</b>               | <b>Neo Cathy</b>    |
| Current assets                                                   | \$ 1,551,890             | \$ 1,473,903        |
| Non-current assets                                               | 3,793,302                | 25,661              |
| Current liabilities                                              | (108,553)                | (2,475)             |
| Non-current liabilities                                          | <u>(829,679)</u>         | <u>-</u>            |
| Equity                                                           | <u>\$ 4,406,960</u>      | <u>\$ 1,497,089</u> |
| Proportion of the Corporation's ownership                        | 28.75%                   | 40%                 |
| Equity attributable to the Corporation/Investment carrying value | <u>\$ 1,263,430</u>      | <u>\$ 598,835</u>   |

|                                                | <b>2016</b>       |                   |
|------------------------------------------------|-------------------|-------------------|
|                                                | <b>CFY</b>        | <b>Neo Cathy</b>  |
| Operating revenue                              | <u>\$ 189,064</u> | <u>\$ -</u>       |
| Profit/(loss) from operations                  | <u>\$ 122,674</u> | <u>\$ (2,847)</u> |
| Net profit/(loss) for the year                 | <u>\$ 166,261</u> | <u>\$ (2,911)</u> |
| Other comprehensive income                     | <u>\$ -</u>       | <u>\$ -</u>       |
| Total comprehensive income (loss) for the year | <u>\$ 166,261</u> | <u>\$ (2,911)</u> |

Because the fair value of the identifiable assets and liabilities assumed from CFY's investment has not yet been completed, it is recognized at the tentative amount at the end of the reporting period.

2) Aggregate information of joint ventures that are not individually material

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Corporation were as follows:

|                        | <b>December 31</b> |             |
|------------------------|--------------------|-------------|
| <b>Name of Company</b> | <b>2016</b>        | <b>2015</b> |
| MEGATHREE              | 40.00%             | 40.00%      |
| GES KYUSHU             | 45.00%             | 45.00%      |
| Hashimoto              | 45.00%             | 45.00%      |

3) Aggregate information of associates that are not individually material.

|                                                | <b>2016</b>      | <b>2015</b>       |
|------------------------------------------------|------------------|-------------------|
| The Corporation's share of:                    |                  |                   |
| Net profit/(loss) for the year                 | \$ 11,363        | \$ (8,064)        |
| Other comprehensive income for the year        | <u>-</u>         | <u>-</u>          |
| Total comprehensive income (loss) for the year | <u>\$ 11,363</u> | <u>\$ (8,064)</u> |

b. Investments in joint ventures

|                                                   | <b>December 31</b> |             |
|---------------------------------------------------|--------------------|-------------|
|                                                   | <b>2016</b>        | <b>2015</b> |
| Joint ventures that are not individually material |                    |             |
| NSP ET CAP MN HOLDINGS LLC (JV2)                  | \$ 64,563          | \$ -        |
| CF MN DevCo One LLC (DevCo One)                   | 25,511             | -           |
| CF MN DevCo Two LLC (DevCo Two)                   | <u>8,531</u>       | <u>-</u>    |
|                                                   | <u>\$ 98,605</u>   | <u>\$ -</u> |

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Corporation were as follows:

|                        | <b>December 31</b> |             |
|------------------------|--------------------|-------------|
| <b>Name of Company</b> | <b>2016</b>        | <b>2015</b> |
| JV2 (Note 1)           | 67.00%             | -           |
| DevCo One (Note 2)     | 40.00%             | -           |
| DevCo Two (Note 2)     | 40.00%             | -           |

Note 1: NSP ET CAP MN HOLDINGS LLC (JV2) jointly invested in Delsolar US, a subsidiary of NSP, and ET Capital Solar Partners (USA), Inc. on December 28, 2015. As of December 31, 2016, the Corporation held a 67% equity interest in JV2 and two of three seats of JV2's board of directors. Based on the contractual arrangement between Delsolar US and ET Capital Solar Partners (USA), Inc., any material management decisions of JV2 shall be approved by the full board of directors. Therefore, Delsolar US concluded that it does not have control over JV2. In addition, as specified in the contractual arrangement, both Delsolar US and ET Capital Solar Partners (USA), Inc. have an equal percentage of profit distribution.

Note 2: DevCo One was jointly invested in by USD 1 and Novel Energy Solutions, LLC. DevCo Two was jointly invested in by USD 1 and Greenmark LLC, LLC. According to the contract, all of both DevCo One and DevCo Two's major management decisions are subject to the consent of all investors and hence the Corporation does not have control over DevCo One and DevCo Two. In addition, as specified in the contractual arrangement, both DevCo One and DevCo Two have a 40% profit distribution.

1) Investments in joint ventures that are not individually material

|                                                | 2016             | 2015        |
|------------------------------------------------|------------------|-------------|
| The Corporation's share of:                    |                  |             |
| Net income (loss) for the year                 | \$ 28,641        | \$ -        |
| Other comprehensive income for the year        | <u>-</u>         | <u>-</u>    |
| Total comprehensive income (loss) for the year | <u>\$ 28,641</u> | <u>\$ -</u> |

The information of the main business, principal operating place and registry country of the above associates is shown in Table 7 following the Notes to Consolidated Financial Statements.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 was based on the associates' financial statements audited by the auditors for the same years.

The investments in the associates had not been pledged as collateral for bank loans.

## 17. PROPERTY, PLANT AND EQUIPMENT

|                                               | December 31          |                      |
|-----------------------------------------------|----------------------|----------------------|
|                                               | 2016                 | 2015                 |
| <u>Carrying amounts</u>                       |                      |                      |
| Land                                          | \$ 534,450           | \$ 533,870           |
| Buildings                                     | 3,115,250            | 3,345,503            |
| Machinery and equipment                       | 5,407,170            | 7,626,300            |
| Research and development equipment            | 22,194               | 28,212               |
| Office equipment                              | 9,703                | 21,885               |
| Rental assets                                 | 96,400               | 120,113              |
| Leasehold improvements                        | 5,297                | 242,617              |
| Miscellaneous equipment                       | 82,264               | 129,781              |
| Advance payments and construction in progress | <u>2,824,476</u>     | <u>876,073</u>       |
|                                               | <u>\$ 12,097,204</u> | <u>\$ 12,924,354</u> |

| Year Ended December 31, 2015                  |                                  |                                           |                     |                       |                     |                            |                         |
|-----------------------------------------------|----------------------------------|-------------------------------------------|---------------------|-----------------------|---------------------|----------------------------|-------------------------|
|                                               | Balance,<br>Beginning of<br>Year | Acquired from<br>Business<br>Combinations | Additions           | Deductions            | Reclassification    | Translation<br>Adjustments | Balance,<br>End of Year |
| <u>Cost</u>                                   |                                  |                                           |                     |                       |                     |                            |                         |
| Land                                          | \$ 440,596                       | \$ -                                      | \$ 89,578           | \$ -                  | \$ -                | \$ 3,696                   | \$ 533,870              |
| Buildings                                     | 4,324,180                        | -                                         | 1,061               | -                     | 420                 | -                          | 4,325,661               |
| Machinery and equipment                       | 16,349,228                       | -                                         | 397,670             | (12,552)              | 36,179              | (15,029)                   | 16,755,496              |
| Research and development equipment            | 56,473                           | -                                         | 1,272               | -                     | -                   | -                          | 57,745                  |
| Office equipment                              | 76,157                           | -                                         | 1,307               | (190)                 | -                   | (59)                       | 77,215                  |
| Rental assets                                 | 176,662                          | -                                         | -                   | -                     | -                   | 9,019                      | 185,681                 |
| Leasehold improvements                        | 341,799                          | -                                         | 1,060               | -                     | 1,704               | (2,473)                    | 342,090                 |
| Miscellaneous equipment                       | 373,499                          | -                                         | 16,916              | (5,242)               | 616                 | (312)                      | 385,477                 |
| Advance payments and construction in progress | 672,983                          | 231,813                                   | 1,236,114           | (842,123)             | (432,504)           | 9,790                      | 876,073                 |
|                                               | <u>22,811,577</u>                | <u>\$ 231,813</u>                         | <u>\$ 1,744,978</u> | <u>\$ (860,107)</u>   | <u>\$ (393,585)</u> | <u>\$ 4,632</u>            | <u>23,539,308</u>       |
| <u>Accumulated depreciation</u>               |                                  |                                           |                     |                       |                     |                            |                         |
| Buildings                                     | 747,357                          | \$ -                                      | \$ 232,801          | \$ -                  | \$ -                | \$ -                       | 980,158                 |
| Machinery and equipment                       | 7,375,415                        | -                                         | 1,694,375           | (1,991)               | (72,972)            | (5,770)                    | 8,989,057               |
| Research and development equipment            | 16,633                           | -                                         | 12,900              | -                     | -                   | -                          | 29,533                  |
| Office equipment                              | 38,475                           | -                                         | 17,021              | (91)                  | -                   | (75)                       | 55,330                  |
| Rental assets                                 | 40,945                           | -                                         | 20,477              | -                     | -                   | 4,146                      | 65,568                  |
| Leasehold improvements                        | 65,746                           | -                                         | 34,780              | -                     | -                   | (1,053)                    | 99,473                  |
| Miscellaneous equipment                       | 206,983                          | -                                         | 52,072              | (1,785)               | (1,431)             | (143)                      | 255,696                 |
|                                               | <u>8,491,554</u>                 | <u>\$ -</u>                               | <u>\$ 2,064,426</u> | <u>\$ (3,867)</u>     | <u>\$ (74,403)</u>  | <u>\$ (2,895)</u>          | <u>10,474,815</u>       |
| <u>Accumulated impairment</u>                 |                                  |                                           |                     |                       |                     |                            |                         |
| Machinery and equipment                       | 126,533                          | \$ -                                      | \$ 13,544           | \$ -                  | \$ -                | \$ 62                      | 140,139                 |
|                                               | <u>\$ 14,193,490</u>             |                                           |                     |                       |                     |                            | <u>\$ 12,924,354</u>    |
| Year Ended December 31, 2016                  |                                  |                                           |                     |                       |                     |                            |                         |
|                                               | Balance,<br>Beginning of<br>Year | Acquired from<br>Business<br>Combinations | Additions           | Deductions            | Reclassification    | Translation<br>Adjustments | Balance,<br>End of Year |
| <u>Cost</u>                                   |                                  |                                           |                     |                       |                     |                            |                         |
| Land                                          | \$ 533,870                       | \$ -                                      | \$ -                | \$ -                  | \$ -                | \$ 580                     | \$ 534,450              |
| Buildings                                     | 4,325,661                        | -                                         | -                   | -                     | 2,009               | -                          | 4,327,670               |
| Machinery and equipment                       | 16,755,496                       | -                                         | 48,006              | (740,532)             | (378,539)           | (219,145)                  | 15,465,286              |
| Research and development equipment            | 57,745                           | -                                         | -                   | -                     | 5,990               | -                          | 63,735                  |
| Office equipment                              | 77,215                           | -                                         | 2,573               | (18,205)              | (421)               | (1,768)                    | 59,394                  |
| Rental assets                                 | 185,681                          | -                                         | -                   | -                     | -                   | (5,273)                    | 180,408                 |
| Leasehold improvements                        | 342,090                          | -                                         | 767                 | (301,733)             | 1,362               | (26,831)                   | 15,655                  |
| Miscellaneous equipment                       | 385,477                          | -                                         | 2,991               | (12,767)              | (19,696)            | (4,653)                    | 351,352                 |
| Advance payments and construction in progress | 876,073                          | -                                         | 2,921,566           | (533,217)             | (386,549)           | (53,397)                   | 2,824,476               |
|                                               | <u>23,539,308</u>                | <u>\$ -</u>                               | <u>\$ 2,975,903</u> | <u>\$ (1,606,454)</u> | <u>\$ (775,844)</u> | <u>\$ (310,487)</u>        | <u>23,822,426</u>       |
| <u>Accumulated depreciation</u>               |                                  |                                           |                     |                       |                     |                            |                         |
| Buildings                                     | 980,158                          | \$ -                                      | \$ 232,906          | \$ -                  | \$ (644)            | \$ -                       | 1,212,420               |
| Machinery and equipment                       | 8,989,057                        | -                                         | 1,631,958           | (457,489)             | (479,685)           | (106,602)                  | 9,577,239               |
| Research and development equipment            | 29,533                           | -                                         | 12,008              | -                     | -                   | -                          | 41,541                  |
| Office equipment                              | 55,330                           | -                                         | 11,387              | (15,336)              | (70)                | (1,620)                    | 49,691                  |
| Rental assets                                 | 65,568                           | -                                         | 20,838              | -                     | -                   | (2,398)                    | 84,008                  |
| Leasehold improvements                        | 99,473                           | -                                         | 21,857              | (96,138)              | 1,362               | (16,196)                   | 10,358                  |
| Miscellaneous equipment                       | 255,696                          | -                                         | 39,467              | (9,434)               | (14,622)            | (2,910)                    | 268,197                 |
|                                               | <u>10,474,815</u>                | <u>\$ -</u>                               | <u>\$ 1,970,421</u> | <u>\$ (578,397)</u>   | <u>\$ (493,659)</u> | <u>\$ (129,726)</u>        | <u>11,243,454</u>       |
| <u>Accumulated impairment</u>                 |                                  |                                           |                     |                       |                     |                            |                         |
| Machinery and equipment                       | \$ 140,139                       | \$ -                                      | \$ 354,344          | \$ (13,325)           | \$ -                | \$ (281)                   | \$ 480,877              |
| Miscellaneous equipment                       | -                                | -                                         | 891                 | -                     | -                   | -                          | 891                     |
|                                               | <u>140,139</u>                   | <u>\$ -</u>                               | <u>\$ 355,235</u>   | <u>\$ (13,325)</u>    | <u>\$ -</u>         | <u>\$ (281)</u>            | <u>481,768</u>          |
|                                               | <u>\$ 12,924,354</u>             |                                           |                     |                       |                     |                            | <u>\$ 12,097,204</u>    |

In the second quarter of 2015, NSP intended to dispose of a parcel of machinery and equipment and miscellaneous equipment. On August 11, 2015, NSP's board of directors approved the transfer of such equipment to noncurrent assets classified as held for sale. On November 10, 2015, NSP's board of directors approved of the disposal of the above assets to TS Solartech Sdn. Bhd. in installment payments.

For 2016 and 2015, the Corporation assessed the impairment of some of the machinery and equipment and other equipment. It was estimated that the recoverable amount was significantly reduced from the book value, and the impairment loss was \$355,235 thousand and \$13,544 thousand, respectively.

The Corporation uses the value-in-use and the fair value less the cost of the sale as the recoverable amount of the equipment, and the cost of the sale is based on information of the active market. The discount rate used for calculating the value-in-use is 6.01%. The impairment loss is included in the other income and expenses under the statements of comprehensive income.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives of the assets:

|                                    |             |
|------------------------------------|-------------|
| Buildings                          | 15-21 years |
| Machinery and equipment            | 4-11 years  |
| Research and development equipment | 4-6 years   |
| Office equipment                   | 3-4 years   |
| Rental assets                      | 10 years    |
| Leasehold improvements             | 4-11 years  |
| Miscellaneous equipment            | 3-16 years  |

The major components of the buildings held by the Corporation included plants and electric-powered machinery, which are depreciated over their estimated useful lives of 15 to 21 years.

Refer to Note 39 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings.

For the year ended December 31, 2016, the deduction included \$480,441 thousand transferred to finance lease receivables, \$482,542 thousand for the disposal of property, plant and equipment and \$51,749 thousand for the disposal of subsidiaries; and for the year ended December 31, 2015, the deduction included \$842,123 thousand transferred to finance lease receivables and \$14,117 thousand for the disposal of property, plant and equipment.

For the year ended December 31, 2016, there were reclassifications: (a) from prepayments to advance payments and construction in progress for equipment of \$261,586 thousand; (b) from advance payments and construction in progress to other expenses of \$7,928 thousand; (c) from buildings, machinery and office and miscellaneous equipment to noncurrent assets classified as held for sale of \$729,253 thousand; and (d) from equipment to machinery and office and miscellaneous equipment with a recoverable amount of \$193,410 thousand, regarding the Corporation's reclaimed previously disposed of equipment based on the unrecoverable installment accounts receivable from TS Solartech Sdn. Bhd. in accordance with the contract.

For the year ended December 31, 2015, there were reclassifications: (a) from prepayments to advance payments and construction in progress for equipment of \$11,239 thousand; (b) from advance payments and construction in progress to other expenses of \$29 thousand; (c) from machinery and miscellaneous equipment to noncurrent assets classified as held for sale of \$330,575 thousand; and (d) from noncurrent assets classified as held for sale to machinery and equipment of \$183 thousand.

## 18. OTHER INTANGIBLE ASSETS

|                                       | December 31       |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2016              | 2015              |
| <u>Carrying amounts of each class</u> |                   |                   |
| Contracts with consultants (Note 32)  | \$ 166,140        | \$ -              |
| Contracts with customers (Note 32)    | 87,501            | 89,634            |
| Goodwill (Note 32)                    | 46,064            | 513,332           |
| Brands (Note 32)                      | 13,158            | 17,010            |
| Patents                               | 429               | 495               |
| Others                                | <u>1,587</u>      | <u>-</u>          |
|                                       | <u>\$ 314,879</u> | <u>\$ 620,471</u> |

|                                     | <b>Year Ended December 31</b> |                  |
|-------------------------------------|-------------------------------|------------------|
|                                     | <b>2016</b>                   | <b>2015</b>      |
| <b><u>Brands</u></b>                |                               |                  |
| Cost                                |                               |                  |
| Balance at January 1                | \$ 133,709                    | \$ 133,709       |
| Acquired from business combinations | -                             | -                |
| Translation adjustments             | -                             | -                |
| Balance at December 31              | <u>133,709</u>                | <u>133,709</u>   |
| Accumulated amortization            |                               |                  |
| Balance at January 1                | (116,699)                     | (112,847)        |
| Amortization                        | (3,852)                       | (3,852)          |
| Translation adjustments             | -                             | -                |
| Balance at December 31              | <u>(120,551)</u>              | <u>(116,699)</u> |
| Carrying amounts at December 31     | <u>\$ 13,158</u>              | <u>\$ 17,010</u> |

The consultancy agreement is for the on-going management and long-term maintenance of the power station.

Contracts with customers were long-term electricity purchase agreements that the Corporation entered into with local power companies and with expected 20-year revenue generated from sale of electricity.

The above items of other intangible assets were depreciated on a straight-line basis over one to six year.

The Corporation's goodwill was tested for impairment at the end of the annual reporting period and the recoverable amount was based on value in use. The value in use was calculated on the basis of the cash flow forecast from the financial budgets covering the future five-year period, and the Corporation used the annual discount rate of 6.01% and 6.39% in its test of impairment as of December 31, 2016 and 2015, respectively, to reflect the specific risk in the relevant cash-generating unit.

In accessing the recoverable amounts of goodwill, the Corporation recognizes an impairment loss of 512,440 thousand in 2016. Making less profits from the products is a major factor that leads to the impairment loss. The Corporation did not recognize any impairment loss on goodwill in 2015.

No intangible assets had been pledged as collateral for the Corporation's bank loans.

## 19. PREPAYMENTS FOR LEASE

|                  | <b>December 31</b> |                  |
|------------------|--------------------|------------------|
|                  | <b>2016</b>        | <b>2015</b>      |
| Current asset    | \$ 912             | \$ 582           |
| Noncurrent asset | <u>22,165</u>      | <u>23,587</u>    |
|                  | <u>\$ 23,077</u>   | <u>\$ 24,169</u> |

Prepayments for lease, which mainly included land use rights paid for power facilities construction in the U.S., were amortized on a straight-line basis over 30 years. As of December 31, 2016 and 2015, such land use rights amounted to \$22,165 thousand and \$23,587 thousand, respectively. The Corporation had obtained the certificates of land use rights.

## 20. PREPAYMENTS AND OTHER ASSETS

|                             | <b>December 31</b>  |                     |
|-----------------------------|---------------------|---------------------|
|                             | <b>2016</b>         | <b>2015</b>         |
| <u>Prepayments</u>          |                     |                     |
| Payments in advance         | \$ 1,356,576        | \$ 1,745,672        |
| Prepayments for equipment   | 165,715             | 157,427             |
| Prepayments for investments | -                   | 70,022              |
| Others                      | <u>265,888</u>      | <u>179,036</u>      |
|                             | <u>\$ 1,788,179</u> | <u>\$ 2,152,157</u> |
| <u>Other assets</u>         |                     |                     |
| Restricted assets           | \$ 863,486          | \$ 1,272,709        |
| Pledged time deposits       | 42,421              | 213,006             |
| Prepaid sales tax           | 223,558             | 164,758             |
| Temporary prepayments       | 31,310              | 14,750              |
| Pledged bank acceptances    | -                   | 50,744              |
| Others                      | <u>42,913</u>       | <u>81,531</u>       |
|                             | <u>\$ 1,203,688</u> | <u>\$ 1,797,498</u> |
| <u>Prepayments</u>          |                     |                     |
| Current                     | \$ 404,262          | \$ 635,751          |
| Noncurrent                  | <u>1,383,917</u>    | <u>1,516,406</u>    |
|                             | <u>\$ 1,788,179</u> | <u>\$ 2,152,157</u> |
| <u>Other assets</u>         |                     |                     |
| Current                     | \$ 349,795          | \$ 303,406          |
| Noncurrent                  | <u>853,893</u>      | <u>1,494,092</u>    |
|                             | <u>\$ 1,203,688</u> | <u>\$ 1,797,498</u> |

As of December 31, 2016, restricted assets consisting of deposit reserve accounts amounted to \$838,372 thousand, deposits for foreign exchange forward contracts amounted to 1,614 thousand, and certificate of deposit bought for issuing preference dividend amounted to \$23,500 thousand.

As of December 31, 2015, restricted assets consisting of deposit reserve accounts amounted to \$1,272,709 thousand.

The Corporation recognized impairment loss on prepayments after assessment; for further disclosures, refer to Note 40.

## 21. LOANS

### a. Short-term bank loans

|                                                                                         | <b>December 31</b>  |                     |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                         | <b>2016</b>         | <b>2015</b>         |
| Working capital loans - interest at 0.6000%-5.0000% in 2016;<br>0.7200%-6.5600% in 2015 | <u>\$ 7,541,551</u> | <u>\$ 6,448,680</u> |

### b. Short-term bills payable

|                                             | <b>December 31</b> |                  |
|---------------------------------------------|--------------------|------------------|
|                                             | <b>2016</b>        | <b>2015</b>      |
| <u>Commercial papers</u>                    | \$ 250,000         | \$ 50,000        |
| Less: Unamortized discount on bills payable | <u>(161)</u>       | <u>(88)</u>      |
|                                             | <u>\$ 249,839</u>  | <u>\$ 49,912</u> |

Outstanding short-term bills payable were as follows:

December 31, 2016

| <b>Promissory Institutions</b>               | <b>Nominal Amount</b> | <b>Discount Amount</b> | <b>Carrying Value</b> | <b>Interest Rate</b> |
|----------------------------------------------|-----------------------|------------------------|-----------------------|----------------------|
| <u>Commercial papers</u>                     |                       |                        |                       |                      |
| International Bills Finance Corporation      | \$ 50,000             | \$ 37                  | \$ 49,963             | 1.906%               |
| Taiwan Cooperative Bills Finance Corporation | 200,000               | 124                    | 199,876               | 0.942%               |

The Corporation did not pledge any asset as collateral for the short-term bills payable.

### c. Long-term bank loans

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>December 31</b> |                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>2016</b>        | <b>2015</b>               |
| Syndicated loans: Lead bank - Taiwan Cooperative Bank<br>Repayable semiannually from the date of the first repayment,<br>one year after the date of the initial drawdown, from<br>November 5, 2015 to November 5, 2018; if a two-year<br>extension is agreed to, the principal of the last period will be<br>equally amortized within two years and repayable every 4.8<br>months, with an annual floating interest rates at<br>2.4789%-2.6418% in 2016 and 2.6418% in 2015. | \$ 1,800,000       | \$ 910,000<br>(Continued) |

|                                                                                                                                                                                                                                                                                                                                                                                                                                       | December 31 |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2016        | 2015      |
| Repayable semiannually from the date of the first repayment, 24 months after the date of the initial drawdown, from November 5, 2015 to November 5, 2018; repayment of 20% for the first two periods and 60% on the last payment; if a two-year extension is agreed to, the principal of the last period will be equally amortized within two years and repayable every 4.8 months, with an annual floating interest rate at 2.4822%. | \$ 800,000  | \$ -      |
| Secured loan from Cathay Bank                                                                                                                                                                                                                                                                                                                                                                                                         |             |           |
| Repayable monthly from August 2015 to July 2027, with an annual floating interest rates at 4.0000%-4.5859% in 2016 and 3.5845%-4.0000% in 2015.                                                                                                                                                                                                                                                                                       | 472,569     | 519,168   |
| Repayable after 18 months, with monthly interest repayments and an annual floating interest rate at 5.0000% in 2016.                                                                                                                                                                                                                                                                                                                  | 81,845      | -         |
| Repayable monthly from February 2015, with monthly interest repayments and an annual floating interest rate at 5.0000% in 2016 and 2015.                                                                                                                                                                                                                                                                                              | 28,768      | 33,066    |
| Repayable monthly from August 2016, with an annual floating interest rate at 4.7500% in 2016.                                                                                                                                                                                                                                                                                                                                         | 42,021      | -         |
| Unsecured loan from King's Town Bank                                                                                                                                                                                                                                                                                                                                                                                                  |             |           |
| Repayable on the 20 <sup>th</sup> of every even month from the date of the initial drawdown, July 20, 2015, with principal repayments of \$10,000 thousand and an annual floating interest rate at 1.7300%.                                                                                                                                                                                                                           | 370,000     | -         |
| Repayable on the 30 <sup>th</sup> of every even month from the date of the initial drawdown, October 16, 2015, with principal repayments of \$5,000 thousand and an annual floating interest rate at 1.6900%-1.7600% in 2016 and 1.7600%-1.8300% in 2015.                                                                                                                                                                             | -           | 195,000   |
| Unsecured loan from JihSun Bank                                                                                                                                                                                                                                                                                                                                                                                                       |             |           |
| Repayable monthly from the date of initial drawdown, August 19, 2016, with a principal repayment once and an annual floating interest rate at 1.500%.                                                                                                                                                                                                                                                                                 | 190,000     | -         |
| Secured loan from Yuanta Bank                                                                                                                                                                                                                                                                                                                                                                                                         |             |           |
| Repayable on the 29 <sup>th</sup> of every month from the date of the initial drawdown, August 29, 2016, to August 29, 2023, with interest and principal repayments of \$297 thousand, with an annual floating interest rate at 2.85%.                                                                                                                                                                                                | 53,012      | -         |
| Syndicated loans: Lead bank - China Trust Bank                                                                                                                                                                                                                                                                                                                                                                                        |             |           |
| Repayable in August 2016, with an annual floating interest rate at 2.5721% in 2016 and 2.5721%-2.6903% in 2015.                                                                                                                                                                                                                                                                                                                       | -           | 1,000,000 |
| Repayable semiannually from February 2012 to August 2016, repayment of 50% before February 2013, repayment of 10% between fourth to sixth repayment, and repayment of 40% for rest periods before August 2016, with annual floating interest rate at 2.5130%-2.6361% in 2016 and 2.5118%-2.6361% in 2015.                                                                                                                             | -           | 412,000   |

(Continued)

|                                                                                                                                                                                                                                                                                                 | <b>December 31</b>  |                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                                                                                                                                                                                                 | <b>2016</b>         | <b>2015</b>         |
| Secured loan from King's Town Bank                                                                                                                                                                                                                                                              |                     |                     |
| Repayable every two months from December 29, 2015 to September 4, 2028, with an annual floating interest rate at 3.26% in 2015.                                                                                                                                                                 | \$ -                | \$ 81,300           |
| Secured loans from EnTie Bank                                                                                                                                                                                                                                                                   |                     |                     |
| Repayable monthly from May 2013 to April 2020, with an annual floating interest rate at 3.7400%-3.7720% in 2015.                                                                                                                                                                                | -                   | 17,643              |
| Chailease International Financial Services Co., Ltd.                                                                                                                                                                                                                                            |                     |                     |
| Repayable on the 3 <sup>rd</sup> of every month from the date of the initial drawdown, November 3, 2016, with 18 interest and principal repayments; the first 17 repayments of \$9,423 thousand and the last principal repayments once, with an annual floating interest rate at 1.81% in 2016. | <u>336,692</u>      | <u>-</u>            |
|                                                                                                                                                                                                                                                                                                 | 4,174,907           | 3,168,177           |
| Less: Current portion                                                                                                                                                                                                                                                                           | <u>(960,815)</u>    | <u>(1,579,826)</u>  |
|                                                                                                                                                                                                                                                                                                 | <u>\$ 3,214,092</u> | <u>\$ 1,588,351</u> |
|                                                                                                                                                                                                                                                                                                 |                     | (Concluded)         |

During the credit period, the agreement on the Taiwan Cooperative Bank syndicated loans requires the maintenance of certain financial ratios based on NSP's annual and semiannual unconsolidated financial reports. The related restrictions are as follows:

- 1) Current ratio (Current assets ÷ Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total liabilities and the guarantee balance ÷ Tangible net worth): No more than 125%;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3; and
- 4) Tangible net worth: At least \$10,000,000 thousand.

NSP did not meet the required interest coverage ratio as of December 31, 2016 and 2015; thus, NSP accrued the related compensation expenses, as required under the loan agreements.

The loan agreement between ET ENERGY and Cathay United Bank had been assigned to Cathay Bank since July 31, 2015, with an agreement on the loan extension subject to the original ratio requirements.

In the credit duration, the agreement on the Cathay United Bank secured loans requires the maintenance of certain financial ratios based on ET ENERGY's quarterly unconsolidated financial reports. The related restrictions are as follows:

- 1) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ principal and interest paid in the current year]: No less than 125%.

ET ENERGY has met the above requirement as of December 31, 2016.

During the credit period, since the power facilities were in operation, the agreement on the Cathay United Bank secured loans requires the maintenance of certain financial ratios based on ASSET THREE's quarterly unconsolidated financial reports. The related restrictions are as follows:

- 1) Debt service coverage ratio  $[(\text{Income before tax} + \text{Depreciation} + \text{Amortization} + \text{Interest expense}) \div \text{principal and interest paid in the current year}]$ : No less than 110%; and
- 2) Debt service coverage ratio  $[(\text{Income before tax} + \text{Depreciation} + \text{Amortization} + \text{Interest expense} + \text{Amount of the escrow account}) \div \text{principal and interest paid in the current year}]$ : No less than 150%.

If ASSET THREE fails to meet the above requirements, the bank can request ASSET THREE to repay the principal until they meet the requirements. However, such requirements were not applicable since the power facility was not in operation before the commercial operation date.

In the credit duration, the agreement on the Cathay United Bank secured loans requires the maintenance of certain financial ratios based on Cedar Falls' annual financial reports. The related restrictions are as follows:

- 1) Debt service coverage ratio  $[(\text{Income before tax} + \text{Depreciation} + \text{Amortization} + \text{Interest expense}) \div \text{principal and interest paid in the current year}]$ : No less than 120%.

If Cedar Falls fails to meet the above requirements, the bank can request Cedar Falls to repay the principal until they meet the requirements. Cedar Falls has met the above requirement as of December 31, 2016.

NSP had acquired syndicated loans, with China Trust Bank as the lead bank, because of a business combination. NSP renegotiated the loans with the banking syndicate, resulting in new loan agreements. These agreements require the maintenance of certain financial ratios based on NSP's annual and semiannual consolidated financial reports. The related restrictions are as follows:

- 1) Current ratio  $(\text{Current assets} \div \text{Current liabilities})$ : At least 100%;
- 2) Debt to equity ratio  $(\text{Total liabilities} \div \text{Total shareholders' equity})$ : No more than 100%;
- 3) Interest coverage ratio  $[(\text{Income before tax} + \text{Depreciation} + \text{Amortization} + \text{Interest expense}) \div \text{Interest expense}]$ : At least 3; and
- 4) Tangible net worth: At least \$4,000,000 thousand.

NSP did not meet the required interest coverage ratio as of December 31, 2015; thus, NSP accrued the related service fees due to an exemption, as required under the loan agreement.

In the credit duration, the agreement on the EnTie Bank secured loans requires the maintenance of certain financial ratios based on General Energy Solutions' annual and semiannual consolidated financial reports. The related restrictions are as follows:

- 1) Debt to equity ratio  $(\text{Total liabilities and contingent liabilities} \div \text{Tangible net worth})$ : No more than 300%;
- 2) Debt service coverage ratio  $[(\text{Income before tax} + \text{Depreciation} + \text{Amortization} + \text{Interest expense}) \div \text{principal and interest paid in current year}]$ : At least 1.

As of December 31, 2015, General Energy Solutions was in compliance with the above requirements except for the debt service coverage ratio. Nevertheless, not meeting the requirement was not considered a breach. The loan was paid off by General Energy Solutions as of March 31, 2016; hence, there was no breach of the agreement.

The assets pledged as collaterals for long-term bank loans are shown in Note 39.

The contracts stated that falling short of the financial ratio is not considered a breach of the contract.

d. Preference share liabilities

|                                   | <b>December 31</b> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <b>2016</b>        | <b>2015</b>       |
| First Preference Shares, Series A | \$ 470,000         | \$ 470,000        |
| Less: Current portion             | <u>(470,000)</u>   | <u>-</u>          |
|                                   | <u>\$ -</u>        | <u>\$ 470,000</u> |

Nonconvertible Nonparticipating Redeemable Fixed Rate Cumulative First Preference Shares, Series A (“First Preference Shares, Series A”):

In their meeting on June 27, 2014, General Energy Solutions’ (GES’s) shareholders proposed to offer First Preference Shares, Series A (“FP Shares”); on October 24, 2014, GES’s board of directors approved the issuance of these shares at a premium price of \$50 per share, with an aggregate amount of \$470,000 thousand.

The FP Shares are entitled to receive fixed cumulative preferential cash dividends at a rate of 5%, equal to \$50 per share per annum. If profit is not sufficient to make distributions on these shares, the shortfall will be carried over to the next year.

The FP Shares are entitled to preferential cash dividends only, and the shareholders do not have rights to participate in or claim a part of the surplus profits of GES.

The FP Shares shareholders have a claim on liquidation proceeds of a share corporation equal to its par value. This claim has priority over that of common shareholders, who have only a residual claim.

The FP Shares do not have voting rights.

The FP Shares shareholders and the common shareholders have the same pre-emption right when GES increases its capital by offering new common shares.

Within three years after the FP Shares issuance date, GES has the option to redeem for cash all of the outstanding FP Shares. If this redemption does not take place, the rights and obligations of outstanding FP Shares will be extended until redemption.

GES incurred a deficit for the year ended December 31, 2015; thus, there was no distribution on FP Shares. In order to protect the shareholders’ rights, GES purchased certificate of deposits (CDs) in the amount of \$23,500 thousand from Cathay United Bank on February 16, 2016 which will be used as a dividend payment for 2015.

Short-term bills were assessed by the nominal amount since the effect of discounting was immaterial.

## 22. BONDS PAYABLE

|                                        | December 31         |                     |
|----------------------------------------|---------------------|---------------------|
|                                        | 2016                | 2015                |
| Secured overseas convertible bonds (a) | \$ 3,616,038        | \$ 3,461,799        |
| Secured domestic convertible bonds (b) | -                   | 216,477             |
|                                        | 3,616,038           | 3,678,276           |
| Less: Current portion                  | -                   | (216,477)           |
|                                        | <u>\$ 3,616,038</u> | <u>\$ 3,461,799</u> |

### a. Secured overseas convertible bonds

On July 18, 2014, NSP issued US\$120,000 thousand, 0% 3-year secured overseas convertible bonds, listed on the Singapore Exchange Securities Trading Limited. Each bond entitles the holder to convert it into common shares of NSP at a conversion price of \$39.05. Conversion may occur at any time between August 27, 2014 and July 8, 2017 and will be adjusted according to the contracts afterwards. The conversion price was initially set at \$39.05 per share upon issuance, and was adjusted to \$38.29 per share pursuant to the provisions of the trust deed of the bonds. On April 25, 2016, the conversion price was adjusted from \$38.29 to \$37.13 due to NSP's issuance of common shares for cash. If the bonds are not converted, they will be redeemed on July 18, 2017 in US dollars, at a fixed exchange rate of US\$1 to \$29.89.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of Capital Surplus - Conversion Option of Bonds. The effective interest rate of the liability component was 2.2931% per annum on initial recognition.

On August 4, 2016, NSP's board of directors made a resolution to amend the terms of the issuance of the secured overseas convertible bonds on July 18, 2014. The amendment of the terms includes compulsory full redemption of convertible bonds at the early redemption price upon the completion of the issuance of NSP's third secured overseas convertible bonds or the completion of the issuance of other offshore convertible bonds. This amendment was effective upon approval in the ad hoc meeting of the bondholders on September 5, 2016.

Approved by NSP's board of directors on August 4, 2016, NSP would issue its third 0% 3-year secured overseas convertible bonds, with an aggregate amount (including oversubscription amount) of US\$120,000 thousand and a face value of US\$100 thousand, in order to repay the principal of the secured overseas convertible bonds issued on July 18, 2014, as well as meet capital requirements for bank loans upon the approval of foregoing amendment to the terms in an ad hoc meeting of the bondholders. NSP will redeem the bonds in USD with its face value plus an annual yield of 0.75% (which is calculated semiannually) on the maturity date, October 27, 2019, except the bonds which have been redeemed, repurchased and canceled or converted before the maturity date. Each bond entitles the holder to convert it into common shares of NSP at a conversion price of \$18, and the conversion may occur at any time between December 27, 2016 and October 17, 2019. On October 27, 2016, NSP issued its third secured overseas convertible bonds, listed on the Singapore Exchange Securities Trading Limited, and redeemed the second secured overseas convertible bonds. When the conversion option of the second secured overseas convertible bonds remained unexercised at the redemption date, the balance recognized in capital surplus - conversion option of convertible bonds was transferred to capital surplus - share premium.

Movements in the second secured overseas convertible bonds were as follows:

|                                                                                                 |                    |
|-------------------------------------------------------------------------------------------------|--------------------|
| Proceeds from issue (less transaction costs of \$90,697 thousand)                               | \$ 3,496,103       |
| Equity component (less transaction costs allocated to the equity component of \$3,827 thousand) | <u>(147,536)</u>   |
| Liability component at the date of issue                                                        | 3,348,567          |
| Interest charged at an effective interest rate                                                  | <u>34,826</u>      |
| Liability component at December 31, 2014                                                        | 3,383,393          |
| Interest charged at an effective interest rate                                                  | <u>78,406</u>      |
| Liability component at December 31, 2015                                                        | 3,461,799          |
| Interest charged at an effective interest rate                                                  | 125,001            |
| Redeemed convertible bonds                                                                      | <u>(3,586,800)</u> |
| Liability component at December 31, 2016                                                        | <u>\$ -</u>        |

On October 27, 2016, NSP issued the third secured overseas convertible bonds, listed on the Singapore Exchange Securities Trading Limited. The convertible bonds contained the host liability instrument, the conversion option and derivative instrument of redemption option. The effective interest rate of the host liability instrument on initial recognition was 3.186% per annum, and the conversion option derivative instruments were measured at fair value through profit or loss.

Movement of the host liability instrument, the conversion option and derivative instrument of the redemption option in 2016 were as follows:

|                                | <b>The Host Liability Instrument</b> |                     | <b>The Conversion Option and<br/>Derivative Instrument of<br/>Redemption Option</b> |                |
|--------------------------------|--------------------------------------|---------------------|-------------------------------------------------------------------------------------|----------------|
|                                | US\$                                 | NT\$                | US\$                                                                                | NT\$           |
| The date of issue              | \$ 111,553                           | \$ 3,518,939        | \$ 5,532                                                                            | \$ 174,728     |
| Rate adjusted                  | -                                    | 81,974              | -                                                                                   | 8              |
| Interest expense               | 471                                  | 15,125              | -                                                                                   | -              |
| Fair value changes loss (gain) | <u>-</u>                             | <u>-</u>            | <u>(5,520)</u>                                                                      | <u>174,349</u> |
| Balance at December 31, 2016   | <u>\$ 112,024</u>                    | <u>\$ 3,616,038</u> | <u>\$ 12</u>                                                                        | <u>\$ 387</u>  |

The loan agreement of ING Bank requires the maintenance of certain financial ratios during the conversion period of the third secured overseas convertible bonds based on the NSP's annual and semiannual unconsolidated financial reports. The related restrictions are as follows:

- 1) Current ratio (Current assets ÷ Current liabilities): At least 110%;
- 2) Debt to equity ratio (Total liabilities ÷ Total shareholders' equity): No more than 125%, where contingent liabilities are included when total liabilities are calculated;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 2; and
- 4) Tangible net worth: At least \$10,000,000 thousand.

NSP did not meet the required interest coverage ratio as of December 31, 2016; thus, NSP transferred \$797,715 thousand into the escrow account as required under the loan agreement. NSP was in compliance with the above ratio requirements except for the interest coverage ratio; however, the financial ratios did not meet this requirement which was not considered a breach.

The loan agreement of ING Bank requires the maintenance of certain financial ratios during the conversion period of the second secured overseas convertible bonds based on NSP's annual and semiannual financial reports. The related restrictions are as follows:

- 1) Current ratio (Current assets ÷ Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total liabilities ÷ Tangible net worth): No more than 125%, where contingent liabilities are included when total liabilities are calculated;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3; and
- 4) Tangible net worth: At least \$10,000,000 thousand.

NSP did not meet the required interest coverage ratio as of December 31, 2015; thus, NSP transferred \$717,360 thousand into the escrow account as required under the loan agreement.

The assets pledged as collaterals for bonds payable are shown in Note 39.

b. Secured domestic convertible bonds

On October 1, 2013, NSP issued its first and second 3-year domestic secured convertible bonds, with a total par value of \$500,000 thousand, an aggregate principal of \$1,000,000 thousand and a par rate of 0%. The bonds are convertible from November 2, 2013 to September 21, 2016 at the applicable conversion price. The conversion price was initially set at \$29.35 per share upon issuance, and was adjusted to \$28.16 per share pursuant to the provisions of the trust deed of the bonds. On April 25, 2016, the conversion price was adjusted from \$28.16 to \$27.26 due to NSP's issuance of common shares for cash. The bonds were be redeemed at 100% of their principal amount on October 11, 2016.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - conversion option of bonds. The effective interest rates for the liability components were 1.3964% and 1.5075% per annum on initial recognition in 2013. When the conversion option of convertible bonds remained unexercised at maturity, the balance recognized in capital surplus - conversion option of convertible bonds was transferred to capital surplus - share premium.

As of December 31, 2016, the outstanding convertible bonds on the first and second issue were \$0.

|                                                                                                             |                    |
|-------------------------------------------------------------------------------------------------------------|--------------------|
| Proceeds from issue (less transaction costs of \$4,170 thousand)                                            | \$ 998,830         |
| Equity component (less transaction costs allocated to the equity component in the amount of \$173 thousand) | <u>(41,427)</u>    |
| Liability component at the date of issue                                                                    | 957,403            |
| Interest charged at an effective interest rate                                                              | 3,179              |
| Convertible bonds converted into common shares                                                              | <u>(411,578)</u>   |
| Liability component at December 31, 2013                                                                    | 549,004            |
| Interest charged at an effective interest rate                                                              | 3,892              |
| Convertible bonds converted into common shares                                                              | <u>(339,479)</u>   |
| Liability component at December 31, 2014                                                                    | 231,417            |
| Interest charged at an effective interest rate                                                              | <u>3,060</u>       |
| Liability component at December 31, 2015                                                                    | 216,477            |
| Interest charged at an effective interest rate                                                              | 2,323              |
| Redeemed convertible bonds                                                                                  | <u>(218,800)</u>   |
| Liability component at December 31, 2016                                                                    | <u><u>\$ -</u></u> |

## 23. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

|                                 | <b>December 31</b>  |                     |
|---------------------------------|---------------------|---------------------|
|                                 | <b>2016</b>         | <b>2015</b>         |
| <u>Accrued expenses</u>         |                     |                     |
| Loss on contracts               | \$ 480,494          | \$ 318,157          |
| Bonus                           | 179,570             | 216,153             |
| Salaries                        | 147,866             | 194,629             |
| Service charge                  | 73,096              | 77,176              |
| Others                          | <u>759,508</u>      | <u>635,454</u>      |
|                                 | <u>\$ 1,640,534</u> | <u>\$ 1,441,569</u> |
| <u>Other liabilities</u>        |                     |                     |
| Deferred revenue                | \$ 236,201          | \$ 265,757          |
| Advance receipts from customers | 62,081              | 24,901              |
| Receipts under custody          | 11,537              | 11,052              |
| Others                          | <u>7,221</u>        | <u>454</u>          |
|                                 | <u>\$ 317,040</u>   | <u>\$ 302,164</u>   |
| Current                         | \$ 93,748           | \$ 56,622           |
| Noncurrent                      | <u>223,292</u>      | <u>245,542</u>      |
|                                 | <u>\$ 317,040</u>   | <u>\$ 302,164</u>   |

## 24. PROVISIONS

|                                     | <b>December 31</b>             |                   |
|-------------------------------------|--------------------------------|-------------------|
|                                     | <b>2016</b>                    | <b>2015</b>       |
| <u>Current</u>                      |                                |                   |
| Customer returns and rebates        | <u>\$ 4,890</u>                | <u>\$ -</u>       |
| <u>Noncurrent</u>                   |                                |                   |
| Warranties                          | <u>\$ 207,018</u>              | <u>\$ 291,688</u> |
|                                     | <u>\$ 211,908</u>              | <u>\$ 291,688</u> |
|                                     | <b>Years Ended December 31</b> |                   |
|                                     | <b>2016</b>                    | <b>2015</b>       |
| <u>Customer returns and rebates</u> |                                |                   |
| Balance at January 1                | \$ -                           | \$ -              |
| Additions                           | 13,827                         | -                 |
| Reversals                           | (7,571)                        | -                 |
| Usage                               | <u>(1,366)</u>                 | <u>-</u>          |
| Balance at December 31              | <u>\$ 4,890</u>                | <u>\$ -</u>       |

(Continued)

|                                  | <b>Years Ended December 31</b> |                                  |
|----------------------------------|--------------------------------|----------------------------------|
|                                  | <b>2016</b>                    | <b>2015</b>                      |
| <u>Warranties</u>                |                                |                                  |
| Balance at January 1             | \$ 291,688                     | \$ 225,308                       |
| Additions                        | 43,547                         | 70,014                           |
| Reversals                        | (119,061)                      | -                                |
| Usage                            | (8,760)                        | (3,617)                          |
| Effects of exchange rate changes | <u>(396)</u>                   | <u>(17)</u>                      |
| Balance at December 31           | <u>\$ 207,018</u>              | <u>\$ 291,688</u><br>(Concluded) |

The provision for customer returns and rebates was based on historical experience, management's judgments and other known reasons for possible returns and rebates. The provision was recognized as a reduction of operating income in the periods the related goods were sold.

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits on the Corporation's obligations stated in sales agreements. The estimate was based on historical warranty trends and may vary as a result of the entry of new materials, altered manufacturing processes or other events affecting product quality.

## 25. RETIREMENT BENEFIT PLANS

The Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages in accordance with the Labor Pension Act and these contributions are recognized as pension costs.

The employees of the Corporation's subsidiaries in the People's Republic of China (PRC) are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The Corporation's only obligations to the retirement benefit plan is to make contributions equal in the amount of the specified contributions.

## 26. EQUITY

### a. Share capital

#### 1) Common shares

|                                                       | <b>December 31</b>   |                      |
|-------------------------------------------------------|----------------------|----------------------|
|                                                       | <b>2016</b>          | <b>2015</b>          |
| Number of shares authorized (in thousands)            | <u>1,200,000</u>     | <u>1,200,000</u>     |
| Amount of shares authorized                           | <u>\$ 12,000,000</u> | <u>\$ 12,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>1,017,615</u>     | <u>858,161</u>       |
| Shares issued                                         | \$ 10,176,152        | \$ 8,581,617         |
| Share premiums                                        | <u>12,209,652</u>    | <u>11,404,787</u>    |
|                                                       | <u>\$ 22,385,804</u> | <u>\$ 19,986,404</u> |

Fully paid common shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

Of NSP's authorized shares, 80,000 thousand shares had been reserved for the issuance of employee share options.

On March 17, 2015, NSP's board of directors approved an increase in its capital by an issuance of up to 180,000 thousand shares of capital shares or global depositary shares.

On December 9, 2015, NSP's board of directors approved an increase in its capital by a public offering of 160,000 thousand new common shares at a par value of \$10. The issuance was approved by the Financial Supervisory Commission (FSC) on January 18, 2016, and the offering date was on March 9, 2016.

NSP's board of directors authorized the chairman to approve a decrease in the public offering price on March 25, 2016. In addition, the application for an extension of the period of public offering was approved by the FSC on April 12, 2016. The proceeds of the shares issued have been fully received, and the issue date was April 25, 2016.

On March 15, 2016, NSP's board of directors approved an increase in its capital by an issuance of up to 180,000 thousand shares of capital shares or global depositary shares, which was also subject to the resolution of the shareholders in their meeting held on June 16, 2016. In addition, the issuance of the third secured overseas convertible bonds was approved by the FSC on October 17, 2016, and the bonds were listed on the Singapore Exchange Securities Trading Limited on October 27, 2016.

On April 29, 2016, the Corporation's board of directors approved to increase its capital by an issuance of up to 180,000 thousand shares through private-placement shares, which was also subject to approval by the shareholders in their meeting on June 16, 2016. On March 21, 2017 the Corporation's board of directors resolved not to continue handling the private-placement issuance.

On March 21, 2017, the Corporation's board of directors approved an increase in its capital by an issuance of up to 180,000 thousand shares of capital shares or global depositary shares, which will be subject to approval by the shareholders in their meeting on June 14, 2017.

On March 21, 2017, the Corporation's board of directors approved an increase in its capital by an issuance of up to 180,000 thousand shares through private-placement shares, which will also be subject to approval by the shareholders in their meeting on June 14, 2017.

b. Capital surplus

|                                                                                                     | <b>December 31</b> |               |
|-----------------------------------------------------------------------------------------------------|--------------------|---------------|
|                                                                                                     | <b>2016</b>        | <b>2015</b>   |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) |                    |               |
| Share premiums                                                                                      | \$ 11,545,379      | \$ 11,404,787 |
| Share premiums - premiums from the conversion of convertible bonds                                  | 507,846            | -             |
| Premiums from the conversion of convertible bonds                                                   | -                  | 507,846       |
|                                                                                                     |                    | (Continued)   |

|                                                                          | <b>December 31</b>   |                      |
|--------------------------------------------------------------------------|----------------------|----------------------|
|                                                                          | <b>2016</b>          | <b>2015</b>          |
| May only be used to offset a deficit (2)                                 |                      |                      |
| Arising from changes in percentage of ownership interest in subsidiaries | \$ 14,023            | \$ 13,731            |
| Share premiums - the conversion of convertible bonds expired             | 156,427              | -                    |
| May not be used for any purpose                                          |                      |                      |
| Arising from conversion of bonds                                         | -                    | 156,427              |
| Arising from employee share options                                      | 3,022                | 3,022                |
| Arising from employee restricted shares                                  | <u>118,649</u>       | <u>125,661</u>       |
|                                                                          | <u>\$ 12,345,346</u> | <u>\$ 12,211,474</u> |
|                                                                          |                      | (Concluded)          |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions other than an actual disposal or acquisition, or from changes in capital surplus of a subsidiary accounted for by using the equity method and adjustments for the capital surplus generated from the convertible bonds when they expired.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 16, 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 28 (e).

The Articles of Incorporation of the Corporation also stipulate a dividend policy that the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends should be not less than 10% of total dividends distributed.

An appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The offset of accumulated deficit for 2015 and the appropriation of earnings for 2014 were approved in the shareholders' meeting on June 16, 2016 and June 17, 2015, respectively. The information was as follows:

|                                 | <b>(Offset of Accumulated Deficit)<br/>Appropriation of Earnings<br/>For the Year Ended<br/>December 31</b> |                   | <b>Dividends Per<br/>Share (\$)<br/>For the Year<br/>Ended<br/>December 31</b> |
|---------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------|
|                                 | <b>2015</b>                                                                                                 | <b>2014</b>       | <b>2014</b>                                                                    |
| Unappropriated earnings         | \$ 217,545                                                                                                  | \$ -              |                                                                                |
| Net loss for the year           | (1,455,641)                                                                                                 | -                 |                                                                                |
| Legal reserve                   | 69,422                                                                                                      | 21,856            |                                                                                |
| Special reserve reversal        | -                                                                                                           | (18,928)          |                                                                                |
| Capital surplus - share premium | 1,168,674                                                                                                   | -                 |                                                                                |
| Cash dividends                  | <u>-</u>                                                                                                    | <u>171,271</u>    | \$ 0.2                                                                         |
|                                 | <u>\$ -</u>                                                                                                 | <u>\$ 174,199</u> |                                                                                |

The offset of accumulated deficit for 2016 had been proposed by NSP's board of directors on March 21, 2017. The information was as follows:

|                                                                                    | <b>Offset of<br/>Accumulated<br/>Deficit</b> |
|------------------------------------------------------------------------------------|----------------------------------------------|
| Net loss for the year                                                              | \$ (6,309,786)                               |
| Capital surplus - share premium (the conversion of convertible bonds expired)      | 156,427                                      |
| Capital surplus - share premium (premium from the conversion of convertible bonds) | 507,846                                      |
| Capital surplus - share premium                                                    | <u>5,645,513</u>                             |
|                                                                                    | <u>\$ -</u>                                  |

The offset of accumulated deficit in 2016 is subject to resolution in the shareholders' meeting expected to be held on June 14, 2017.

e. Unrealized losses on available-for-sale financial instruments

|                                                                                                | <b>Years Ended December 31</b> |                    |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------|
|                                                                                                | <b>2016</b>                    | <b>2015</b>        |
| Balance at January 1                                                                           | \$ (71,074)                    | \$ (101,421)       |
| Unrealized losses on revaluation of available-for-sale financial assets                        | 17,815                         | (48,184)           |
| Reclassification of impairment on available-for-sale financial assets                          | -                              | 77,576             |
| Cumulative gains on sale of available-for-sale financial assets reclassified to profit or loss | <u>-</u>                       | <u>955</u>         |
| Balance at December 31                                                                         | <u>\$ (53,259)</u>             | <u>\$ (71,074)</u> |

The unrealized gains (losses) on available-for-sale financial assets represents the cumulative gains and losses on the fair value changes of available-for-sale financial assets, which have been recognized in other comprehensive income.

## 27. REVENUE

The analysis of the Corporation's revenue was as follows:

|                                                        | <b>Years Ended December 31</b> |                             |
|--------------------------------------------------------|--------------------------------|-----------------------------|
|                                                        | <b>2016</b>                    | <b>2015</b>                 |
| Revenue from the sale of goods                         | \$ 15,478,594                  | \$ 19,874,143               |
| Processing fees revenue                                | 405,381                        | 1,140,843                   |
| Revenue from the sale of power facilities construction | 386,379                        | 889,650                     |
| Revenue from other activities                          | <u>266,771</u>                 | <u>309,860</u>              |
|                                                        | <u><b>\$ 16,537,125</b></u>    | <u><b>\$ 22,214,496</b></u> |

## 28. COMPREHENSIVE INCOME (LOSS)

### a. Other income and expenses

|                                                            | <b>Years Ended December 31</b> |                           |
|------------------------------------------------------------|--------------------------------|---------------------------|
|                                                            | <b>2016</b>                    | <b>2015</b>               |
| Impairment loss on financial assets                        | \$ (1,022,882)                 | \$ -                      |
| Impairment loss on intangible assets                       | (512,440)                      | -                         |
| (Loss) gain on disposal of property, plant and equipment   | (474,984)                      | 15                        |
| Impairment loss on property, plant and equipment           | (355,235)                      | (13,544)                  |
| (Loss) gain on disposal of noncurrent assets held for sale | (8,023)                        | 801                       |
| Impairment loss on noncurrent assets held for sale         | <u>-</u>                       | <u>(7,749)</u>            |
|                                                            | <u><b>\$ (2,373,564)</b></u>   | <u><b>\$ (20,477)</b></u> |

### b. Interest income and other income

|                                       | <b>Years Ended December 31</b> |                         |
|---------------------------------------|--------------------------------|-------------------------|
|                                       | <b>2016</b>                    | <b>2015</b>             |
| Interest income                       |                                |                         |
| Financing provided to related parties | \$ 45,197                      | \$ -                    |
| Bank deposits                         | 20,905                         | 23,932                  |
| Puttable preference shares            | 22,480                         | -                       |
| Installment accounts receivables      | 14,036                         | -                       |
| Late payments                         | 1,027                          | 486                     |
| Security deposits                     | 112                            | 25                      |
| Others                                | <u>-</u>                       | <u>1,152</u>            |
|                                       | <u><b>\$ 103,757</b></u>       | <u><b>\$ 25,595</b></u> |

(Continued)

|                                         |    | <b>Years Ended December 31</b> |                     |
|-----------------------------------------|----|--------------------------------|---------------------|
|                                         |    | <b>2016</b>                    | <b>2015</b>         |
| Other income                            |    |                                |                     |
| Government grants                       | \$ | 25,720                         | \$ 8,967            |
| Compensation income                     |    | 3,010                          | 6,263               |
| Rental income                           |    | 1,702                          | -                   |
| Others                                  |    | <u>3,318</u>                   | <u>2,816</u>        |
|                                         | \$ | <u>33,750</u>                  | <u>\$ 18,046</u>    |
|                                         |    |                                | (Concluded)         |
| c. Finance costs                        |    |                                |                     |
|                                         |    | <b>Years Ended December 31</b> |                     |
|                                         |    | <b>2016</b>                    | <b>2015</b>         |
| Interest on bank loans                  | \$ | 191,313                        | \$ 157,157          |
| Interest on convertible bonds           |    | 190,535                        | 81,466              |
| Preference share dividends              |    | 24,675                         | 23,500              |
| Other interest expense                  |    | <u>24,540</u>                  | <u>319</u>          |
|                                         | \$ | <u>431,063</u>                 | <u>\$ 262,442</u>   |
| d. Depreciation and amortization        |    |                                |                     |
|                                         |    | <b>Years Ended December 31</b> |                     |
|                                         |    | <b>2016</b>                    | <b>2015</b>         |
| Property, plant and equipment           | \$ | 1,970,421                      | \$ 2,064,426        |
| Intangible assets                       |    | <u>3,918</u>                   | <u>3,953</u>        |
|                                         | \$ | <u>1,974,339</u>               | <u>\$ 2,068,379</u> |
| An analysis of depreciation by function |    |                                |                     |
| Operating costs                         | \$ | 1,885,475                      | \$ 1,964,554        |
| Operating expenses                      |    | <u>84,946</u>                  | <u>99,872</u>       |
|                                         | \$ | <u>1,970,421</u>               | <u>\$ 2,064,426</u> |
| An analysis of amortization by function |    |                                |                     |
| Operating expenses                      | \$ | <u>3,918</u>                   | <u>\$ 3,953</u>     |
| e. Employee benefits expense            |    |                                |                     |
|                                         |    | <b>Years Ended December 31</b> |                     |
|                                         |    | <b>2016</b>                    | <b>2015</b>         |
| Post-employment benefits (Note 25)      |    |                                |                     |
| Defined contribution plans              | \$ | 84,874                         | \$ 97,453           |
| Share-based payments                    |    |                                |                     |
| Equity-settled share-based payments     |    | 58,957                         | 49,787              |
| Other employee benefits                 |    | <u>2,098,931</u>               | <u>2,382,407</u>    |
| Total employee benefits expense         | \$ | <u>2,242,762</u>               | <u>\$ 2,529,647</u> |
|                                         |    |                                | (Continued)         |

|                                                      | <b>Years Ended December 31</b> |                     |
|------------------------------------------------------|--------------------------------|---------------------|
|                                                      | <b>2016</b>                    | <b>2015</b>         |
| An analysis of employee benefits expense by function |                                |                     |
| Operating costs                                      | \$ 1,473,368                   | \$ 1,858,690        |
| Operating expenses                                   | <u>769,394</u>                 | <u>670,957</u>      |
|                                                      | <u>\$ 2,242,762</u>            | <u>\$ 2,529,647</u> |
|                                                      |                                | (Concluded)         |

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to NSP's Articles in June 2016; the amendments stipulate distribution of employees' compensation and remuneration of directors at the rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. NSP incurred a deficit for the years ended December 31, 2016 and 2015; thus, neither compensation to employees nor remuneration of directors was estimated.

If there is a change in the proposed amounts after the date the annual consolidated financial statements have been authorized for issue, the differences are accounted for as a change in the accounting estimate in the following year.

The appropriations of bonus to employees and remuneration of directors for 2014 were approved in the shareholders' meeting on June 17, 2015.

|                           | <b>For the Year Ended 2014</b> |                        |
|---------------------------|--------------------------------|------------------------|
|                           | <b>Cash Dividends</b>          | <b>Share Dividends</b> |
| Bonus to employees        | \$ 32,343                      | \$ -                   |
| Remuneration of directors | 4,312                          | -                      |

There was no difference between the amounts of the bonus to employees and the remuneration of directors approved in the shareholders' meeting on June 17, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and directors, proposed in NSP's shareholders' meeting in 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Net gain (loss) on foreign currency exchange

|                         | <b>Years Ended December 31</b> |                  |
|-------------------------|--------------------------------|------------------|
|                         | <b>2016</b>                    | <b>2015</b>      |
| Foreign exchange gains  | \$ 516,798                     | \$ 770,930       |
| Foreign exchange losses | <u>(530,334)</u>               | <u>(731,099)</u> |
| Net (loss) profit       | <u>\$ (13,536)</u>             | <u>\$ 39,831</u> |

g. Components of other comprehensive income

|                                                                   | <b>Years Ended December 31</b> |                  |
|-------------------------------------------------------------------|--------------------------------|------------------|
|                                                                   | <b>2016</b>                    | <b>2015</b>      |
| Exchange difference on translating foreign operations:            |                                |                  |
| Arising during the year                                           | <u>\$ (364,154)</u>            | <u>\$ 60,217</u> |
| Unrealized gains (losses) on available-for-sale financial assets: |                                |                  |
| Arising during the year                                           | \$ 17,815                      | \$ (48,184)      |
| Reclassification adjustments - upon impairment                    | -                              | 77,576           |
| Reclassification adjustments - upon disposal                      | <u>-</u>                       | <u>955</u>       |
|                                                                   | <u>\$ 17,815</u>               | <u>\$ 30,347</u> |

## 29. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

|                                                 | <b>Years Ended December 31</b> |                  |
|-------------------------------------------------|--------------------------------|------------------|
|                                                 | <b>2016</b>                    | <b>2015</b>      |
| Current tax                                     |                                |                  |
| Current year                                    | \$ (39,899)                    | \$ (327)         |
| Prior periods                                   | <u>(779)</u>                   | <u>83</u>        |
|                                                 | (40,678)                       | (244)            |
| Deferred tax                                    |                                |                  |
| Reversal of temporary difference                | <u>47,411</u>                  | <u>14,797</u>    |
| Income tax benefit recognized in profit or loss | <u>\$ 6,733</u>                | <u>\$ 14,553</u> |

A reconciliation of profit and current income tax benefit is as follows:

|                                                                                 | <b>Years Ended December 31</b> |                       |
|---------------------------------------------------------------------------------|--------------------------------|-----------------------|
|                                                                                 | <b>2016</b>                    | <b>2015</b>           |
| (Loss) profit before tax                                                        | <u>\$ (6,415,607)</u>          | <u>\$ (1,552,955)</u> |
| Income tax benefit (expense) at the 17% statutory rate                          | \$ 1,090,653                   | \$ 264,002            |
| Nondeductible expenses in determining taxable income                            | (399,911)                      | (98,532)              |
| Tax-exempt income                                                               | 51,167                         | -                     |
| Effect of different tax rate of group entities operating in other jurisdictions | 66,319                         | (327)                 |
| Unrecognized loss carryforwards                                                 | (678,843)                      | (115,019)             |
| Additional income tax under the Alternative Minimum Tax Act                     | (495)                          | -                     |
| Unrecognized deductible temporary differences                                   | (168,789)                      | (50,451)              |
| Reversal of temporary difference                                                | 47,411                         | 14,797                |
| Adjustments for prior years' tax benefit                                        | <u>(779)</u>                   | <u>83</u>             |
| Income tax benefit recognized in profit or loss                                 | <u>\$ 6,733</u>                | <u>\$ 14,553</u>      |

The applicable tax rate used above is the corporate tax rate of 17% payable by group entities operating in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

|                         | <b>December 31</b> |                 |
|-------------------------|--------------------|-----------------|
|                         | <b>2016</b>        | <b>2015</b>     |
| Current tax assets      |                    |                 |
| Tax refund receivable   | \$ 7,624           | \$ 9,185        |
| Prepaid income tax      | <u>407</u>         | <u>347</u>      |
|                         | <u>\$ 8,031</u>    | <u>\$ 9,532</u> |
| Current tax liabilities |                    |                 |
| Income tax payable      | <u>\$ 3,943</u>    | <u>\$ 640</u>   |

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

|                                                                                   | <b>Balance,<br/>Beginning of<br/>Year</b> | <b>Movements</b>   | <b>Balance,<br/>End of Year</b> |
|-----------------------------------------------------------------------------------|-------------------------------------------|--------------------|---------------------------------|
| <u>Deferred tax assets</u>                                                        |                                           |                    |                                 |
| Investment credits                                                                | \$ 12,664                                 | \$ (302)           | \$ 12,362                       |
| Temporary differences                                                             |                                           |                    |                                 |
| Depreciation differences on property, plant<br>and equipment                      | 2,261                                     | 6,071              | 8,332                           |
| Loss on inventory                                                                 | 704                                       | 3,559              | 4,263                           |
| Others                                                                            | <u>2,748</u>                              | <u>17,725</u>      | <u>20,473</u>                   |
|                                                                                   | <u>\$ 18,377</u>                          | <u>\$ 27,053</u>   | <u>\$ 45,430</u>                |
| <u>Deferred tax liabilities</u>                                                   |                                           |                    |                                 |
| Temporary differences                                                             |                                           |                    |                                 |
| Unrealized foreign exchange gains                                                 | \$ 5,714                                  | \$ (5,714)         | \$ -                            |
| Revaluation gain on property, plant and<br>equipment                              | 58,389                                    | (58,389)           | -                               |
| Unrealized gains on financial instruments<br>at fair value through profit or loss | -                                         | 31,611             | 31,611                          |
| Others                                                                            | <u>-</u>                                  | <u>10,474</u>      | <u>10,474</u>                   |
|                                                                                   | <u>\$ 64,103</u>                          | <u>\$ (22,018)</u> | <u>\$ 42,085</u>                |

For the year ended December 31, 2015

|                                                              | <b>Balance,<br/>Beginning of<br/>Year</b> | <b>Movements</b>   | <b>Balance,<br/>End of Year</b> |
|--------------------------------------------------------------|-------------------------------------------|--------------------|---------------------------------|
| <u>Deferred tax assets</u>                                   |                                           |                    |                                 |
| Investment credits                                           | \$ 12,148                                 | \$ 516             | \$ 12,664                       |
| Temporary differences                                        |                                           |                    |                                 |
| Depreciation differences on property, plant<br>and equipment | 9,032                                     | (6,771)            | 2,261                           |
| Loss on inventory                                            | 3,621                                     | (2,917)            | 704                             |
| Others                                                       | <u>14,015</u>                             | <u>(3,433)</u>     | <u>2,748</u>                    |
|                                                              | <u>\$ 38,816</u>                          | <u>\$ (20,439)</u> | <u>\$ 18,377</u>                |
| <u>Deferred tax liabilities</u>                              |                                           |                    |                                 |
| Temporary differences                                        |                                           |                    |                                 |
| Unrealized foreign exchange gains                            | \$ 8,009                                  | \$ (2,295)         | \$ 5,714                        |
| Unrealized investment gain                                   | 10,248                                    | (10,248)           | -                               |
| Revaluation gains on property, plant and<br>equipment        | 78,641                                    | (20,252)           | 58,389                          |
| Others                                                       | <u>3,880</u>                              | <u>(3,880)</u>     | <u>-</u>                        |
|                                                              | <u>\$100,778</u>                          | <u>\$ (36,675)</u> | <u>\$ 64,103</u>                |

The investment credits are mainly due to the subsidy policy of GES USA for the award of solar energy under the US policy, which gives a certain amount of investment tax credit according to the cost of the actual construction completed by the solar power plant.

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

|                                     | <b>December 31</b>  |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | <b>2016</b>         | <b>2015</b>         |
| Loss carryforwards                  |                     |                     |
| Expiry in 2016                      | \$ 1,141,783        | \$ 1,138,306        |
| Expiry in 2017                      | 3,336,455           | 3,340,280           |
| Expiry in 2018                      | 152,401             | 152,401             |
| Expiry in 2019                      | 137,955             | 137,955             |
| Expiry in 2020                      | 255,401             | 255,401             |
| Expiry in 2021                      | 1,195,755           | -                   |
| Expiry in 2024                      | 17,421              | 26,650              |
| Expiry in 2025                      | 627,691             | 715,335             |
| Expiry in 2026                      | 2,153,388           | -                   |
| Expiry in 2035                      | 149,437             | 149,437             |
| Expiry in 2036                      | <u>58,856</u>       | <u>-</u>            |
|                                     | <u>\$ 9,226,543</u> | <u>\$ 5,915,765</u> |
| Investment credits                  |                     |                     |
| Purchase of machinery and equipment | <u>\$ 27,340</u>    | <u>\$ 5,985</u>     |
| Deductible temporary differences    | <u>\$ 3,295,228</u> | <u>\$ 2,255,180</u> |

Under Article 38 of the Business Mergers and Acquisitions Act, any loss of the Corporation and of DelSolar from within five years before the merger is tax-deductible pro rata by the shareholders' holding in the after-merger surviving company and can be deducted from its current year's profit from within five years.

e. Information on tax - exemption

As of December 31, 2016, profits attributable to the following expansion projects were exempt from income tax for five years under the Statute for Upgrading Industries:

| <b>Statute for Upgrading Industries</b>                                      | <b>Period</b>                     |
|------------------------------------------------------------------------------|-----------------------------------|
| Expansion of the manufacturing plant acquired through a business combination | January 1, 2014-December 31, 2018 |
| Third expansion of the manufacturing plant                                   | January 1, 2015-December 31, 2019 |
| Fourth expansion of the manufacturing plant                                  | January 1, 2016-December 31, 2020 |
| Fifth expansion of the manufacturing plant                                   | January 1, 2017-December 31, 2021 |

f. Integrated income tax

|                                                                                                                                                | <b>December 31</b>    |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                                                                | <b>2016</b>           | <b>2015</b>           |
| NSP's (accumulated deficit) unappropriated earnings<br>(Accumulated deficit) unappropriated earnings generated on<br>and after January 1, 1998 | <u>\$ (6,309,786)</u> | <u>\$ (1,238,096)</u> |
| NSP's imputation credits account                                                                                                               | <u>\$ 141,601</u>     | <u>\$ 141,609</u>     |

The was no distributable earnings for 2016 and 2015 that led to a zero creditable ratio for the distribution of earnings.

g. Income tax assessments

NSP's income tax returns through 2014 have been assessed by the tax authorities.

### 30. LOSS PER SHARE

|                        | <b>Unit: NT\$ Per Share</b>    |                  |
|------------------------|--------------------------------|------------------|
|                        | <b>Years Ended December 31</b> |                  |
|                        | <b>2016</b>                    | <b>2015</b>      |
| Basic loss per share   | <u>\$ (6.53)</u>               | <u>\$ (1.71)</u> |
| Diluted loss per share | <u>\$ (6.53)</u>               | <u>\$ (1.71)</u> |

The loss and weighted average number of common shares outstanding (in thousand shares) in the computation of loss per share were as follows:

Net loss for the year

|                                                        | <b>Years Ended December 31</b> |                       |
|--------------------------------------------------------|--------------------------------|-----------------------|
|                                                        | <b>2016</b>                    | <b>2015</b>           |
| Loss for the year                                      | \$ (6,309,786)                 | \$ (1,455,641)        |
| Effect of dilutive potential common share:             |                                |                       |
| Interest on convertible bonds (after tax)              | <u>-</u>                       | <u>-</u>              |
| Loss used in the computation of diluted loss per share | <u>\$ (6,309,786)</u>          | <u>\$ (1,455,641)</u> |

Weighted average number of common shares outstanding (in thousand shares):

|                                                                                            | <b>Years Ended December 31</b> |                |
|--------------------------------------------------------------------------------------------|--------------------------------|----------------|
|                                                                                            | <b>2016</b>                    | <b>2015</b>    |
| Weighted average number of common shares used in the computation of basic loss per share   | 965,603                        | 853,555        |
| Effect of dilutive potential common shares:                                                |                                |                |
| Convertible bonds                                                                          | -                              | -              |
| Restricted employee share options                                                          | -                              | -              |
| Employee bonus or employee remuneration                                                    | -                              | -              |
| Employee share options                                                                     | <u>-</u>                       | <u>-</u>       |
| Weighted average number of common shares used in the computation of diluted loss per share | <u>965,603</u>                 | <u>853,555</u> |

Since NSP is allowed to settle the remuneration of employees by cash or shares, whenever applicable, NSP assumes that the entire amount of the employee remuneration will be settled in shares; as the effect of the resulting potential shares is dilutive, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

NSP's the outstanding convertible bonds, restricted employee share options and employee share options were anti-dilutive and were excluded from the computation of diluted loss per share.

### **31. SHARE-BASED PAYMENT ARRANGEMENTS**

Issuance of shares reserved for employees subscription

On December 9, 2015, NSP's board approved an increase in its capital by a public offering of 160,000 thousand new common shares at a par value of \$10. The issuance was approved by the Financial Supervisory Commission on January 18, 2016, and the issue date was March 9, 2016. NSP's board of directors authorized the chairman to approve a decrease in the public offering price. In addition, the application for an extension of the period of public offering was approved by the Financial Supervisory Commission on April 12, 2016. The proceeds of the shares issued have been fully received and the issue date was April 25, 2016.

Part of the new shares for cash are reserved for subscription by NSP's employees. The date of the 2016 issue was March 25, 2016.

NSP's used the Black-Scholes model to determine the fair value of the options related to the aforementioned new shares issued in 2016. The valuation assumptions were as follows:

|                                   | <b>2016</b> |
|-----------------------------------|-------------|
| Grant-date share price (\$/share) | \$ 21.25    |
| Exercise price (\$/share)         | \$ 18.00    |
| Expected volatility               | 49.19%      |
| Expected life (years)             | 0.06        |
| Expected dividend yield           | -           |
| Risk-free interest rate           | 0.41%       |

The expected volatility was calculated using the historical rate of return based on NSP's share price.

The compensation cost of shares for cash issued in 2016 was \$39,048 thousand.

On January 4 and November 17, 2016, and March 2, 2015, V5 Technology's board resolved to increase its capital by a public offering of 3,000 thousand, 3,800 thousand and 3,007 thousand new common shares, respectively. A portion of the new shares issued for cash was reserved for subscription by V5 Technology's employees, and the grant date of the share issuance to employees was January 4 and November 23, 2016, and March 4, 2015 with subscription base dates of January 29 and December 16, 2016, and April 30, 2015, respectively.

V5 Technology used the Black-Scholes model to determine the fair value of the options related to the aforementioned newly issued shares. The valuation assumptions were as follows:

|                                   | <b>2016 Plan 1</b> | <b>2016 Plan 2</b> | <b>2015 Plan 1</b> |
|-----------------------------------|--------------------|--------------------|--------------------|
| Grant-date share price (\$/share) | \$ 7.69            | \$ 0.55            | \$ 12.06           |
| Exercise price (\$/share)         | \$ 15.00           | \$ 12.70           | \$ 15.00           |
| Expected volatility               | 3.45%              | 31.44%             | 34.31%             |
| Expected life (years)             | 0.0685             | 0.1890             | 0.1370             |
| Expected dividend yield           | -                  | -                  | -                  |
| Risk-free interest rate           | 0.21%              | 0.11%              | 0.35%              |

V5 Technology's expected volatility was calculated using the historical rate of return based on comparable companies' historical volatility of daily return.

V5 Technology's compensation cost of the shares for cash for the years ended December 31, 2016 and 2015 were both zero.

On September 25 and March 14, 2014, GES's board resolved to increase its capital by a public offering 44,000 thousand and 38,666 thousand new common shares, respectively. A portion of the new shares issued for cash was reserved for the subscription of GES's employees, and the grant dates for the share issuance to employees were on September 25 and March 14, 2014, respectively, with respective subscription base dates of January 16, 2015 and April 28, 2014, respectively.

GES used the Black-Scholes model to determine the fair value of the options related to the aforementioned newly issued shares. The valuation assumptions were as follows:

|                                   | <b>2014</b>   |               |
|-----------------------------------|---------------|---------------|
|                                   | <b>Plan 2</b> | <b>Plan 1</b> |
| Grant-date share price (\$/share) | \$ 8.83       | \$ 10.80      |
| Exercise price (\$/share)         | \$ 15.00      | \$ 15.00      |
| Expected volatility               | 35.44%        | 31.84%        |
| Expected life (years)             | 0.29          | 0.11          |
| Expected dividend yield           | -             | -             |
| Risk-free interest rate           | 0.46%         | 0.50%         |

GES's expected volatility was calculated using the historical rate of return based on comparable companies' historical volatility of daily return.

GES's compensation cost of the issuance of shares for cash reserved for the year ended December 31, 2014 was zero.

#### Employee share option plan

a. Information on employee share options issued by NSP was as follows:

On December 30, 2005 and July 28, 2006, NSP's board of directors approved employee share option plans, hereinafter referred to as the "2005 Plan" and "2006 Plan," respectively. Reserved for the 2005 Plan and 2006 Plan were option units numbering 6,000 thousand and 3,000 thousand, respectively, with each unit representing one share of NSP's common share. The 2005 Plan and the 2006 Plan are both valid for 10 years and exercisable at certain percentages from 1 year after the grant date. For any subsequent changes in NSP's common shares, the exercise price and the number of options were adjusted accordingly.

Other information on the share option plan is as follows:

|                                         | <b>2006 Plan</b>                                |                                                              | <b>2005 Plan</b>                                |                                                             |
|-----------------------------------------|-------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------|
|                                         | <b>Number of<br/>Options<br/>(In Thousands)</b> | <b>Average<br/>Exercise<br/>Prices<br/>(NT\$/<br/>Share)</b> | <b>Number of<br/>Options<br/>(In Thousands)</b> | <b>Average<br/>Exercise<br/>Price<br/>(NT\$/<br/>Share)</b> |
| <u>For year ended December 31, 2015</u> |                                                 |                                                              |                                                 |                                                             |
| Beginning balance                       | 100                                             | \$10.00                                                      | 175                                             | \$10.00                                                     |
| Options exercised                       | (100)                                           | 10.00                                                        | (175)                                           | 10.00                                                       |
| Ending balance                          | =                                               | -                                                            | =                                               | -                                                           |
| Options exercisable, end of year        | =                                               | -                                                            | =                                               | -                                                           |

The above employee share options were completely exercised before the end of 2015.

b. Replaced employee share option plan:

NSP replaced DelSolar's employee share options (the "replaced ESOs") because of a business combination with DelSolar on May 31, 2013. Qualified employees of DelSolar were granted options in 2007 to 2010. The options granted are exercisable at certain percentages starting from the second year from the grant date. The options of Plan 4 granted in 2009 to Plan 7 granted in 2010 are both valid for seven years. For any subsequent changes in NSP's common shares, the exercise price and the number of options are adjusted accordingly.

Other information on the replaced ESOs is as follows:

|                                   | Number of Issued<br>Share Option<br>Rights<br>(In Thousands) | Number of<br>Outstanding<br>Share Option<br>Rights on the<br>Acquisition Date<br>(In Thousands) | Number of Share<br>Option Rights<br>Adjusted for<br>Conversion<br>Percentage on the<br>Acquisition Date<br>(In Thousands) |
|-----------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <u>Employee share option plan</u> |                                                              |                                                                                                 |                                                                                                                           |
| Plan 4 in 2009                    | 2,000                                                        | 498                                                                                             | 366                                                                                                                       |
| Plan 5 in 2009                    | 1,470                                                        | 296                                                                                             | 218                                                                                                                       |
| Plan 6 in 2010                    | 730                                                          | 284                                                                                             | 209                                                                                                                       |
| Plan 7 in 2010                    | 2,100                                                        | 1,080                                                                                           | 794                                                                                                                       |

Other information on the share options is as follows:

|                                                 | <u>Plan 4 in 2009</u>                  |                                                          | <u>Plan 5 in 2009</u>                  |                                                          |
|-------------------------------------------------|----------------------------------------|----------------------------------------------------------|----------------------------------------|----------------------------------------------------------|
|                                                 | Number of<br>Options (In<br>Thousands) | Weighted<br>Average<br>Exercise<br>Price<br>(NT\$/Share) | Number of<br>Options (In<br>Thousands) | Weighted<br>Average<br>Exercise<br>Price<br>(NT\$/Share) |
| <u>For the year ended<br/>December 31, 2015</u> |                                        |                                                          |                                        |                                                          |
| Balance at combination date                     | 325                                    | \$ 46.50                                                 | 188                                    | \$ 49.90                                                 |
| Options canceled                                | (155)                                  | 46.50                                                    | (84)                                   | 49.90                                                    |
| Options expired                                 | -                                      | -                                                        | -                                      | -                                                        |
| Ending balance                                  | <u>170</u>                             | 46.50                                                    | <u>104</u>                             | 49.90                                                    |
| Options exercisable, end of<br>year             | <u>170</u>                             | 46.50                                                    | <u>104</u>                             | 49.90                                                    |
| <u>For the year ended<br/>December 31, 2016</u> |                                        |                                                          |                                        |                                                          |
| Balance at combination date                     | 170                                    | \$ 46.50                                                 | 104                                    | \$ 49.90                                                 |
| Options expired                                 | (157)                                  | 42.00                                                    | (93)                                   | 44.90                                                    |
| Options canceled                                | <u>(13)</u>                            | 42.00                                                    | <u>(11)</u>                            | 44.90                                                    |
| Ending balance                                  | <u>-</u>                               | -                                                        | <u>-</u>                               | -                                                        |
| Options exercisable, end of<br>year             | <u>-</u>                               | -                                                        | <u>-</u>                               | -                                                        |

|                                                 | <b>Plan 6 in 2010</b>                           |                                                                     | <b>Plan 7 in 2010</b>                           |                                                                     |
|-------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|
|                                                 | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price<br/>(NT\$/Share)</b> | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price<br/>(NT\$/Share)</b> |
| <b>For the year ended<br/>December 31, 2015</b> |                                                 |                                                                     |                                                 |                                                                     |
| Balance at combination date                     | 120                                             | \$ 58.20                                                            | 526                                             | \$ 70.10                                                            |
| Options canceled                                | <u>(83)</u>                                     | 58.20                                                               | <u>(286)</u>                                    | 70.10                                                               |
| Ending balance                                  | <u>37</u>                                       | 58.20                                                               | <u>240</u>                                      | 70.10                                                               |
| Options exercisable, end of<br>year             | <u>37</u>                                       | 58.20                                                               | <u>240</u>                                      | 70.10                                                               |
| <b>For the year ended<br/>December 31, 2016</b> |                                                 |                                                                     |                                                 |                                                                     |
| Balance at combination date                     | 37                                              | \$ 58.20                                                            | 240                                             | \$ 70.10                                                            |
| Options canceled                                | <u>(11)</u>                                     | 51.90                                                               | <u>(6)</u>                                      | 61.90                                                               |
| Ending balance                                  | <u>26</u>                                       | 51.90                                                               | <u>234</u>                                      | 61.90                                                               |
| Options exercisable, end of<br>year             | <u>26</u>                                       | 51.90                                                               | <u>234</u>                                      | 61.90                                                               |

As of the balance sheet date, the information about the inherited employee share options from business combinations was as follows:

| <b>December 31</b>                     |                                                                           |                                        |                                                                           |
|----------------------------------------|---------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------|
| <b>2016</b>                            |                                                                           | <b>2015</b>                            |                                                                           |
| <b>Exercise Price<br/>(NT\$/Share)</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Life<br/>(In Years)</b> | <b>Exercise Price<br/>(NT\$/Share)</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Life<br/>(In Years)</b> |
| \$ -                                   | -                                                                         | \$ 46.50                               | 0.62                                                                      |
| -                                      | -                                                                         | 49.90                                  | 0.82                                                                      |
| 51.90                                  | 0.31                                                                      | 58.20                                  | 1.31                                                                      |
| 61.90                                  | 0.80                                                                      | 70.10                                  | 1.80                                                                      |

The Corporation adjusted the number of outstanding share option rights on the replaced ESOs on the basis of the share exchange ratio on the acquisition date. The Corporation recalculated the compensation cost.

All outstanding vested share options on the replaced ESOs were measured using the market-based method at the acquisition date. Options were priced using the Black-Scholes model. The inputs to the model were as follows:

|                                           | <b>Plan 4 in 2009</b> | <b>Plan 5 in 2009</b> |
|-------------------------------------------|-----------------------|-----------------------|
| Acquisition date share price (NT\$/share) | \$ 25.60              | \$ 25.60              |
| Exercise price (NT\$/share)               | 53.06                 | 57.55                 |
| Expected volatility                       | 48.4%                 | 48.9%                 |
| Option life                               | 3.20 years            | 3.41 years            |
| Dividend yield                            | -                     | -                     |
| Risk-free interest rate                   | 0.9%                  | 0.9%                  |

  

|                                           | <b>Plan 6 in 2010</b> | <b>Plan 7 in 2010</b> |
|-------------------------------------------|-----------------------|-----------------------|
| Acquisition date share price (NT\$/share) | \$ 25.60              | \$ 25.60              |
| Exercise price (NT\$/share)               | 68.44                 | 83.95                 |
| Expected volatility                       | 49.7%                 | 49.7%                 |
| Option life                               | 3.89 years            | 3.64 years            |
| Dividend yield                            | -                     | -                     |
| Risk-free interest rate                   | 0.9%                  | 0.8%                  |

c. Employee share option plan of V5 Technology:

Qualified employees of V5 Technology were granted option units numbering 47 thousand, 173 thousand and 80 thousand in February 2016, May 2015 and November 2014, respectively. Each option entitles the holder to subscribe for one common share of V5 Technology. The options granted are both valid for 5 years and exercisable at certain percentages starting from the first year from the grant date. The options were granted at an exercise price equal to the closing price of the V5 Technology's common shares on the grant date. For any subsequent changes in the V5 Technology's common shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

| <b>Employee Share Option Plan of 2015</b> |                                                 |                                                          |                                                 |                                                          |
|-------------------------------------------|-------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------|
| <b>For the Year Ended December 31</b>     |                                                 |                                                          |                                                 |                                                          |
|                                           | <b>2016</b>                                     |                                                          | <b>2015</b>                                     |                                                          |
|                                           | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price (\$)</b> | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price (\$)</b> |
| Beginning balance                         | 153                                             | \$ 11.50                                                 | -                                               | \$ -                                                     |
| Options granted                           | 27                                              | 12.70                                                    | 173                                             | 11.50                                                    |
| Options canceled                          | <u>(21)</u>                                     | 12.70                                                    | <u>(20)</u>                                     | 11.50                                                    |
| Ending balance                            | <u>159</u>                                      | 12.70                                                    | <u>153</u>                                      | 11.50                                                    |
| Options exercisable, end of period        | <u>40</u>                                       | 12.70                                                    | <u>-</u>                                        | -                                                        |

Employee share options

**Employee Share Option Plan of 2014**

**For the Year Ended December 31**

|                                    | <b>2016</b>                                     |                                                              | <b>2015</b>                                     |                                                              |
|------------------------------------|-------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------|
|                                    | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(\$)</b> | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(\$)</b> |
| Beginning balance                  | 67                                              | \$ 11.50                                                     | 80                                              | \$ 24.00                                                     |
| Options granted                    | 20                                              | 12.70                                                        | -                                               | -                                                            |
| Options canceled                   | <u>(6)</u>                                      | 12.70                                                        | <u>(13)</u>                                     | 11.50                                                        |
| Ending balance                     | <u>81</u>                                       | 12.70                                                        | <u>67</u>                                       | 11.50                                                        |
| Options exercisable, end of period | <u>37</u>                                       | 12.70                                                        | <u>-</u>                                        | -                                                            |

Information about outstanding options as of the balance sheet date was as follows:

| <b>December 31</b>                     |                                                                           |                                        |                                                                           |
|----------------------------------------|---------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------|
| <b>2016</b>                            |                                                                           | <b>2015</b>                            |                                                                           |
| <b>Exercise Price<br/>(NT\$/Share)</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Life<br/>(In Years)</b> | <b>Exercise Price<br/>(NT\$/Share)</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Life<br/>(In Years)</b> |
| \$ 12.70                               | 2.27                                                                      | \$ 11.50                               | 2.73                                                                      |
| 12.70                                  | 3.44                                                                      | 11.50                                  | 4.33                                                                      |

V5 Technology Ltd. used the Black-Scholes model to determine the fair value of the options related to the aforementioned newly issued shares. The valuation assumptions were as follows:

|                                   | <b>Employee Share Option Plan of<br/>2016 and 2015</b> |             |
|-----------------------------------|--------------------------------------------------------|-------------|
|                                   | <b>For the year ended December 31</b>                  |             |
|                                   | <b>2016</b>                                            | <b>2015</b> |
| Grant-date share price (\$/share) | \$ 7.69                                                | \$ 8.25     |
| Exercise price (\$/share)         | \$ 12.70                                               | \$ 11.50    |
| Expected volatility               | 3.45%                                                  | 37.74%      |
| Expected life (years)             | 3.25                                                   | 3.25        |
| Expected dividend yield           | -                                                      | -           |
| Risk-free interest rate           | 0.21%                                                  | 0.781%      |

V5 Technology's expected volatility was calculated using the historical rate of return based on comparable companies' historical volatility of daily return.

V5 Technology's compensation cost of the shares for cash in 2016 and 2015 were \$394 thousand and \$10 thousand.

### Restricted share plan for employees

On March 18, 2014, NSP's board of directors approved of a restricted share plan amounting to \$40,000 thousand, consisting of 4,000 thousand shares with a par value of \$10. Such plan may require consideration to be paid by employees at \$10 or \$0 per share.

On June 11, 2014, the shareholders proposed in their meeting to offer the restricted share plan for employees with a total amount of 4,000 thousand shares in several rounds and the issuance was approved by the Financial Supervisory Commission (FSC) on September 2, 2014; NSP's board of directors approved of the first restricted share plan in 2014 of offering up to \$20,000 thousand, consisting of 2,000 thousand shares on July 24, 2014, with a par value of \$0 per share.

The first offering amounted to \$20,000 thousand, consisting of 2,000 thousand shares with a par value of \$10 per share and distributed out of earnings, which was granted on September 5, 2014 and issued on September 18, 2014. On the granted date, an actual amount of \$20,000 thousand was issued, which consisted of 2,000 thousand shares with a fair value of \$29.70 per share.

NSP's board of directors approved of the second restricted plan in 2014 to offer up to 2,000 thousand out of 4,000 thousand shares on August 11, 2015. The second offering, granted on August 11, 2015, amounted to \$20,000 thousand, consisting of 2,000 thousand shares, with a par value of \$10 per share and with a fair value of \$20.10 per share.

On March 21, 2017, NSP's board of directors approved of a restricted share plan amounting to \$21,000 thousand, consisting of 2,100 thousand shares with a par value of \$10. Such plan may require consideration to be paid by employees at \$10 or \$0 per share. On June 14, 2017, the shareholders will propose in their meeting to offer the restricted share plan for employees.

Information on issued employee restricted shares was as follows:

|                   | <b>Shares (In Thousands)</b>          |              |
|-------------------|---------------------------------------|--------------|
|                   | <b>For the Year Ended December 31</b> |              |
|                   | <b>2016</b>                           | <b>2015</b>  |
| Beginning balance | 2,796                                 | 3,613        |
| Additions         | -                                     | 2,000        |
| Vested            | (1,489)                               | (2,426)      |
| Canceled          | <u>(546)</u>                          | <u>(391)</u> |
| Ending balance    | <u>761</u>                            | <u>2,796</u> |

To meet the vesting conditions, an employee has to meet performance conditions over the vesting period as follows:

- 1) Still on service one year after the grant date with a high rating based on the current year's performance appraisal - vesting of 50% of restricted shares;
- 2) Still on service two years after the grant date with a high rating based on the prior year's performance appraisal - vesting of 50% of restricted shares.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- 1) In addition to those disclosed in the restricted share plan, the employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.

- 2) On behalf of employees, NSP signed a trust contract on the restricted shares with a trust institution; thus, based on this contract, the rights of attendance, proposal, speech and voting have all been entrusted to the trust institution.

If an employee fails to meet the vesting conditions, NSP will buy back the restricted shares at the offering price and have them canceled but not the share and cash dividends during the period of noncompliance with vesting conditions.

NSP recognized compensation costs of \$19,515 thousand and \$49,777 thousand for the years ended December 31, 2016 and 2015, respectively.

## 32. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

|                          | Principal Activity                  | Date of Acquisition | Percentage of Voting Equity Interests Acquired (%) | Consideration Transferred |
|--------------------------|-------------------------------------|---------------------|----------------------------------------------------|---------------------------|
| CFGP                     | Solar operation management services | November 4, 2016    | 60                                                 | <u>\$ 129,112</u>         |
| NCH Solar 1              | Solar-related business              | May 19, 2015        | 100                                                | \$ 12,121                 |
| JRC                      | Solar-related business              | July 1, 2015        | 100                                                | 148,797                   |
| CFR                      | Solar-related business              | September 18, 2015  | 100                                                | 94,911                    |
| Abacus                   | Solar-related business              | October 1, 2015     | 100                                                | 97,826                    |
| Others                   |                                     |                     |                                                    |                           |
| USD1                     | Solar-related business              | September 18, 2015  | 100                                                | 18,712                    |
| CF Vegas                 | Solar-related business              | September 18, 2015  | 100                                                | 2,108                     |
| Hsin Jin Solar Energy    | Solar-related business              | December 25, 2015   | 60                                                 | 13,981                    |
| UNA249                   | Solar-related business              | October 16, 2015    | 100                                                | 977                       |
| Hsin Jin Optoelectronics | Solar-related business              | October 20, 2015    | 80                                                 | <u>10,646</u>             |
|                          |                                     |                     |                                                    | <u>\$ 400,079</u>         |

The above subsidiaries were acquired to effectively integrate the Corporation's overall resources, diversify the Corporation's business, expand its operating scale, enhance its operating performance and boost its competitiveness.

### b. Considerations transferred

|                                    | CFGP              | NCH Solar 1      | JRC               | CFR              | Abacus           | Others           |
|------------------------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|
| Cash                               | \$ 129,112        | \$ 12,121        | \$ 148,797        | \$ 94,911        | \$ 51,137        | \$ 46,424        |
| Payables for investments purchased | <u>-</u>          | <u>-</u>         | <u>-</u>          | <u>-</u>         | <u>46,689</u>    | <u>-</u>         |
|                                    | <u>\$ 129,112</u> | <u>\$ 12,121</u> | <u>\$ 148,797</u> | <u>\$ 94,911</u> | <u>\$ 97,826</u> | <u>\$ 46,424</u> |

c. Assets acquired and liabilities assumed at the date of acquisition (at fair value)

|                               | CFGP              | NCH<br>Solar 1   | JRC               | CFR              | Abacus           | Others           |
|-------------------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|
| Current assets                | \$ 129,131        | \$ 43,643        | \$ 28             | \$ -             | \$ 150           | \$ 38,853        |
| Inventory                     | -                 | -                | 84,970            | 94,911           | -                | 20,819           |
| Property, plant and equipment | -                 | 120,718          | 75,307            | -                | 8,061            | 27,727           |
| Intangible assets             | 166,140           | -                | -                 | -                | 89,634           | -                |
| Finance lease receivables     | -                 | 312,694          | -                 | -                | -                | -                |
| Other noncurrent assets       | -                 | -                | 479               | -                | -                | 8,824            |
| Current liabilities           | <u>(32,408)</u>   | <u>(455,050)</u> | <u>(11,987)</u>   | <u>-</u>         | <u>(19)</u>      | <u>(37,817)</u>  |
|                               | <u>\$ 262,863</u> | <u>\$ 22,005</u> | <u>\$ 148,797</u> | <u>\$ 94,911</u> | <u>\$ 97,826</u> | <u>\$ 58,406</u> |

CFGP's original accounting treatments were temporary as seen on the balance sheet date. The tax bases of the above subsidiaries' assets were required to be reset on the basis of market values of the assets. At the date of the finalization of these consolidated financial statements, the necessary market valuations and other calculations had been finalized except for CFGP. The portion, which has not been finalized, will be assessed for its taxable value according to management's best estimation.

d. Noncontrolling interests

The noncontrolling interest (40% ownership interest in CFGP) recognized at the acquisition date was measured by reference to the fair value of the noncontrolling interest and amounted to \$111,265 thousand. This fair value was estimated by applying an income approach. The following were the key assumptions used in determining the fair value:

- 1) Discount rate of 17.56%;
- 2) Long-term sustainable growth rates of 1.4%; and
- 3) Adjustment for the lack of marketability that market participants would consider when estimating the fair value of the noncontrolling interests in CFGP.

Other noncontrolling interests recognized at the acquisition date was measured by reference to the fair value of the noncontrolling interests and amounted to \$11,982 thousand. This fair value was estimated by applying the market approach.

e. (Gain from bargain purchase) goodwill recognized on acquisitions

|                                                                    | CFGP             | NCH<br>Solar 1    | JRC              | CFR             | Abacus          | Others          |
|--------------------------------------------------------------------|------------------|-------------------|------------------|-----------------|-----------------|-----------------|
| Consideration transferred                                          | \$ 129,112       | \$ 12,121         | \$ 148,797       | \$ 94,911       | \$ 97,826       | \$ 46,424       |
| Plus: Fair value of the acquirer's previously held equity interest | 67,657           | 8,802             | -                | -               | -               | -               |
| Plus: Noncontrolling interests                                     | 111,265          | -                 | -                | -               | -               | 11,982          |
| Less: Fair value of identifiable net assets acquired               | <u>(262,863)</u> | <u>(22,005)</u>   | <u>(148,797)</u> | <u>(94,911)</u> | <u>(97,826)</u> | <u>(58,406)</u> |
| (Gain from bargain purchase) goodwill recognized on acquisition    | <u>\$ 45,171</u> | <u>\$ (1,082)</u> | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |

Goodwill arose in the acquisitions of the above subsidiaries because the cost of the combinations included control premiums. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the above subsidiaries. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow (inflow) on the acquisitions of subsidiaries

|                                            | <b>CFGP</b>      | <b>NCH<br/>Solar 1</b> | <b>JRC</b>        | <b>CFR</b>       | <b>Abacus</b>    | <b>Others</b>   |
|--------------------------------------------|------------------|------------------------|-------------------|------------------|------------------|-----------------|
| Consideration paid in cash during the year | \$ 129,112       | \$ 12,121              | \$ 148,797        | \$ 94,911        | \$ 51,137        | \$ 46,424       |
| Less: Cash balances acquired               | <u>(129,130)</u> | <u>(2,807)</u>         | <u>(28)</u>       | <u>-</u>         | <u>(150)</u>     | <u>(37,371)</u> |
|                                            | <u>\$ (18)</u>   | <u>\$ 9,314</u>        | <u>\$ 148,769</u> | <u>\$ 94,911</u> | <u>\$ 50,987</u> | <u>\$ 9,053</u> |

g. Impact of acquisitions on the results of the Corporation

The following results of the acquirees since the acquisition date were included in the consolidated statements of comprehensive income:

|               | <b>CFGP</b>       | <b>NCH<br/>Solar 1</b> | <b>JRC</b>        | <b>CFR</b>         | <b>Abacus</b>     | <b>Others</b>     |
|---------------|-------------------|------------------------|-------------------|--------------------|-------------------|-------------------|
| Revenue       | \$ -              | \$ 17,253              | \$ -              | \$ -               | \$ -              | \$ -              |
| Profit (loss) | <u>\$ (2,082)</u> | <u>\$ 2,872</u>        | <u>\$ (6,661)</u> | <u>\$ (30,592)</u> | <u>\$ (3,540)</u> | <u>\$ (6,871)</u> |

If the business combination of CFGP had been in effect at the beginning of the annual reporting period, the Corporation's revenue would be \$16,537,125 thousand and the loss would be \$5,182,950 thousand for the year ended December 31, 2016. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that would actually be achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

If the business combinations of the above subsidiaries had been in effect at the beginning of the annual reporting period, the Corporation's revenue would be \$22,235,786 thousand and the loss would be \$1,534,532 thousand for the year ended December 31, 2015. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that would actually be achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

In determining the Corporation's pro forma revenue and profit (loss) had the above subsidiaries been acquired at the beginning of the current reporting period, management:

- 1) Calculated the depreciation of plant and equipment acquired on the basis of the fair values determined at the initial accounting for the business combinations rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- 2) Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Corporation after the business combinations.

### 33. DISPOSAL OF SUBSIDIARIES

The Corporation disposed of both Si One and Da Li Energy on December 16, 2016, and control over both Si One and Da Li Energy was lost.

There was no subsidiary disposed of in 2015.

a. Consideration received from the disposals

|                                                     | Si One           | Da Li Energy    |
|-----------------------------------------------------|------------------|-----------------|
| Consideration received in cash and cash equivalents | \$ 22,616        | \$ 3,158        |
| Proceeds receivable from disposals of investments   | <u>-</u>         | <u>-</u>        |
| Total consideration received                        | <u>\$ 22,616</u> | <u>\$ 3,158</u> |

b. Analysis of asset and liabilities on the date control was lost

|                                                 | Si One           | Da Li Energy    |
|-------------------------------------------------|------------------|-----------------|
| Current assets                                  |                  |                 |
| Cash and cash equivalents                       | \$ 179           | \$ 4,545        |
| Accounts receivable                             | 16,604           | 2,718           |
| Others                                          | 6,226            | 769             |
| Noncurrent assets                               |                  |                 |
| Lease receivables - noncurrent                  | -                | 46,496          |
| Property, plant and equipment                   | 41,532           | 14,726          |
| Current liabilities                             |                  |                 |
| Payables to contractors and equipment suppliers | 41,871           | 65,749          |
| Accrued expenses                                | 259              | 163             |
| Others                                          | <u>4,488</u>     | <u>-</u>        |
| Net assets disposed of                          | <u>\$ 17,923</u> | <u>\$ 3,342</u> |

c. Gain on disposals of subsidiaries

|                        | For the Year<br>Ended<br>December 31,<br>2016 |
|------------------------|-----------------------------------------------|
| Consideration received | \$ 25,774                                     |
| Net assets disposed of | <u>(21,265)</u>                               |
| Gain on disposals      | <u>\$ 4,509</u>                               |

The unrealized gains on the transactions with Si One, which was reclassified to realized gains from sales through disposals of subsidiaries, amounted \$4,509 thousand and were recorded under realized gross profit from sales.

d. Net cash inflow on disposal of subsidiary

|                                                     | <b>For the Year<br/>Ended<br/>December 31,<br/>2016</b> |
|-----------------------------------------------------|---------------------------------------------------------|
| Consideration received in cash and cash equivalents | \$ 25,774                                               |
| Less: Cash and cash equivalent balances disposed of | <u>(4,724)</u>                                          |
|                                                     | <u>\$ 21,050</u>                                        |

### 34. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On January 29, 2016, the Corporation subscribed for shares issued for cash by V5 Technology Ltd. (V5 Technology) but at a percentage different from its earlier ownership percentage which reduced the Corporation's equity interests in V5 Technology from 61.33% to 61.23%. Again, V5 Technology issued shares for cash on December 16, 2016, for which the Corporation subscribed at a percentage different from its earlier ownership percentage which reduced the Corporation's equity interests in V5 Technology from 61.23% to 60.85%. As of December 31, 2016, NSP's capital surplus increased by a total of \$292 thousand because of recorded changes in its equity in the investee's net assets.

On January 16, 2015, General Energy Solutions (GES) issued shares for cash, and the Corporation subscribed for an additional 32,254 thousand new shares of GES for \$483,805 thousand but at a percentage different from its existing ownership percentage, reducing its continuing interest from 76.54% to 75.80%. Subsequently, the Corporation's equity interests in GES increased from 75.80% to 75.89% because the Corporation acquired shares from GES's resigned employees and noncontrolling shareholders.

On April 30, 2015, the Corporation subscribed for an additional 1,770 thousand new shares of V5 Technology for \$26,546 thousand but at a percentage different from its existing ownership percentage, reducing its continuing interest from 60% to 59.43%. Subsequently, the Corporation's equity interests in V5 Technology increased from 59.43% to 61.33% because the Corporation acquired shares from V5 Technology's resigned employees and noncontrolling shareholders. As of December 31, 2016, NSP's capital surplus increased by a total of \$315 thousand because of recorded changes in its equity in the investee's net assets.

The above transactions were accounted for as equity transactions since the Corporation did not cease to have control over the subsidiary.

|                                                                                                                                         | <b>General Energy Solutions<br/>and V5 Technology<br/>For the Years Ended<br/>December 31</b> |                  |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------|
|                                                                                                                                         | <b>2016</b>                                                                                   | <b>2015</b>      |
| Cash consideration received                                                                                                             | \$ 36,867                                                                                     | \$ 191,369       |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests              | <u>(36,575)</u>                                                                               | <u>(191,054)</u> |
| <u>Line items adjusted for equity transaction</u>                                                                                       |                                                                                               |                  |
| Capital surplus - difference between consideration and carrying amounts adjusted for changes in percentage of ownership in subsidiaries | <u>\$ 292</u>                                                                                 | <u>\$ 315</u>    |

### 35. OPERATING LEASE ARRANGEMENTS

#### The Corporation as lessee

NSP leases lands from the Science-Based Industrial Park Administration under renewable agreements expiring in December 2026 and December 2028, respectively, with annual rentals of \$9,277 thousand and \$5,544 thousand, respectively.

GES leased plants from Hsin Lung Accessories Co., Ltd. under renewable agreements expiring in December 2019, with an annual rental of \$6,798 thousand.

Yong Zhou, Yong Han, Yong Yeh and Yong Liang signed 20-year operating lease contracts with unrelated third parties for the use of property such as agricultural and livestock farms for the installation of power plants; these contracts are renewable and will expire in June 2035, December 2036, December 2036 and December 2037, respectively, with annual rentals of \$5,028 thousand, \$250 thousand, \$70 thousand and \$270 thousand, respectively.

ET ENERGY signed 15-year operating lease contracts with Indianapolis International Airport on the use of property for the installation of power plants; these contracts are renewable and will expire in December 2027 with annual rentals of \$8,382 thousand.

California City Solar Farm signed 20-year operating lease contracts with Jerry and Dolores Stefek Family on the use of property for the installation of power plants; these contracts are renewable and will expire in December 2032 with annual rentals of \$1,298 thousand.

GES FUKUSHIMA had signed 20-year operating lease contracts with unrelated third parties on the use of property for the installation of power plants; these contracts are renewable and will expire in October 2033, with annual rentals of \$421 thousand.

As of December 31, 2016 and 2015, refundable deposits paid under operating leases were \$5,905 thousand and \$5,480 thousand, respectively.

The future minimum lease payments for operating lease commitments were as follows:

|                               | <b>December 31</b> |                   |
|-------------------------------|--------------------|-------------------|
|                               | <b>2016</b>        | <b>2015</b>       |
| Up to 1 year                  | \$ 44,387          | \$ 89,490         |
| Over 1 year and up to 5 years | 198,619            | 144,103           |
| Over 5 years                  | <u>443,750</u>     | <u>284,327</u>    |
|                               | <u>\$ 686,756</u>  | <u>\$ 517,920</u> |

The lease payments recognized as expenses were as follows:

|                       | <b>For the Years Ended<br/>December 31</b> |                   |
|-----------------------|--------------------------------------------|-------------------|
|                       | <b>2016</b>                                | <b>2015</b>       |
| Minimum lease payment | <u>\$ 130,476</u>                          | <u>\$ 110,062</u> |

## 36. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Key management personnel of the Corporation review the capital structure periodically. For this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. On the basis of the recommendations of the key management personnel on balancing the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 37. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

#### 1) Fair value hierarchy

##### December 31, 2016

|                                                                  | Carrying<br>Amount  | Fair Value  |             |                     | Total               |
|------------------------------------------------------------------|---------------------|-------------|-------------|---------------------|---------------------|
|                                                                  |                     | Level 1     | Level 2     | Level 3             |                     |
| <u>Financial assets</u>                                          |                     |             |             |                     |                     |
| Lease receivables (including<br>current and noncurrent portions) | <u>\$ 1,739,034</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,742,233</u> | <u>\$ 1,742,233</u> |
| <u>Financial liabilities</u>                                     |                     |             |             |                     |                     |
| Financial liabilities measured at<br>amortized cost              |                     |             |             |                     |                     |
| Bonds payable                                                    | <u>\$ 3,616,038</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,616,684</u> | <u>\$ 3,616,684</u> |

##### December 31, 2015

|                                                                  | Carrying<br>Amount  | Fair Value  |             |                     | Total               |
|------------------------------------------------------------------|---------------------|-------------|-------------|---------------------|---------------------|
|                                                                  |                     | Level 1     | Level 2     | Level 3             |                     |
| <u>Financial assets</u>                                          |                     |             |             |                     |                     |
| Lease receivables (including<br>current and noncurrent portions) | <u>\$ 2,005,735</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,005,735</u> | <u>\$ 2,005,735</u> |
| <u>Financial liabilities</u>                                     |                     |             |             |                     |                     |
| Financial liabilities measured at<br>amortized cost              |                     |             |             |                     |                     |
| Bonds payable                                                    | <u>\$ 3,678,276</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,688,177</u> | <u>\$ 3,688,177</u> |

The fair value of lease receivables was determined with a discount rate in accordance with the interest rates of the sales with buyback agreements with similar terms.

The fair value of the liability component of convertible bonds, assuming redemptions on October 27, 2019 and 2016 was determined with the most significant unobservable inputs being the discount rate in accordance with interest rates based on loans with similar terms.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2016

|                                                            | <b>Level 1</b>  | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>      |
|------------------------------------------------------------|-----------------|-------------------|----------------|-------------------|
| Available-for-sale financial assets                        |                 |                   |                |                   |
| Securities listed in the ROC                               |                 |                   |                |                   |
| Equity securities                                          | <u>\$ 6,659</u> | <u>\$ 121,029</u> | <u>\$ -</u>    | <u>\$ 127,688</u> |
| Financial assets at fair value through profit or loss      |                 |                   |                |                   |
| Foreign exchange forward contracts                         | <u>\$ -</u>     | <u>\$ 11,889</u>  | <u>\$ -</u>    | <u>\$ 11,889</u>  |
| Financial liabilities at fair value through profit or loss |                 |                   |                |                   |
| Foreign exchange forward contracts                         | <u>\$ -</u>     | <u>\$ 1,525</u>   | <u>\$ -</u>    | <u>\$ 1,525</u>   |
| Redemption and conversion options                          | <u>-</u>        | <u>-</u>          | <u>387</u>     | <u>387</u>        |
|                                                            | <u>\$ -</u>     | <u>\$ 1,525</u>   | <u>\$ 387</u>  | <u>\$ 1,912</u>   |

December 31, 2015

|                                                            | <b>Level 1</b>  | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>      |
|------------------------------------------------------------|-----------------|-------------------|----------------|-------------------|
| Available-for-sale financial assets                        |                 |                   |                |                   |
| Securities listed in the ROC                               |                 |                   |                |                   |
| Equity securities                                          | <u>\$ 5,923</u> | <u>\$ 103,950</u> | <u>\$ -</u>    | <u>\$ 109,873</u> |
| Financial assets at fair value through profit or loss      |                 |                   |                |                   |
| Foreign exchange forward contracts                         | <u>\$ -</u>     | <u>\$ 29</u>      | <u>\$ -</u>    | <u>\$ 29</u>      |
| Financial liabilities at fair value through profit or loss |                 |                   |                |                   |
| Foreign exchange forward contracts                         | <u>\$ -</u>     | <u>\$ 5,968</u>   | <u>\$ -</u>    | <u>\$ 5,968</u>   |
| Interest swap contracts                                    | <u>-</u>        | <u>134</u>        | <u>-</u>       | <u>134</u>        |
|                                                            | <u>\$ -</u>     | <u>\$ 6,102</u>   | <u>\$ -</u>    | <u>\$ 6,102</u>   |

There were no transfers between Level 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2016

|                              | <b>Financial Assets<br/>at Fair Value<br/>Through<br/>Redemption<br/>and Conversion<br/>Options</b> |
|------------------------------|-----------------------------------------------------------------------------------------------------|
| <u>Financial liabilities</u> |                                                                                                     |
| Balance at January 1, 2016   | \$ -                                                                                                |
| Additions                    | 174,728                                                                                             |
| Recognized in profit or loss |                                                                                                     |
| Unrealized                   | <u>(174,341)</u>                                                                                    |
| Balance at December 31, 2016 | <u>\$ 387</u>                                                                                       |

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

| <u>Financial Instruments</u>                                                 | <u>Valuation Techniques and Inputs</u>                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivatives - foreign exchange forward contracts and interest swap contracts | Discounted cash flow:<br><br>Future cash flows are estimated based on observable forward exchange or interest rates at the end of the reporting period and contract forward or interest rates, discounted at a rate that reflects the credit risk of various counterparties. |
| Securities listed in the ROC                                                 | The Corporation's investments in available-for-sale financial assets, which included private-placement shares, have quoted prices in an active market but cannot be traded during a lock-up period; their fair values were determined using market prices.                   |

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of redemption and conversion options are determined using the binomial tree valuation model where the significant unobservable inputs is historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value. As of December 31, 2016, the historical volatility used was 34.64%.

c. Categories of financial instruments

|                                              | <u>December 31</u> |             |
|----------------------------------------------|--------------------|-------------|
|                                              | <b>2016</b>        | <b>2015</b> |
| <u>Financial assets</u>                      |                    |             |
| Fair value through profit or loss (FVTPL)    |                    |             |
| Held for trading                             | \$ 11,889          | \$ 29       |
| Loans and receivables (Note 1)               | 13,341,427         | 16,542,417  |
| Available-for-sale financial assets (Note 2) | 182,283            | 164,484     |
|                                              |                    | (Continued) |

|                                           | <b>December 31</b> |             |
|-------------------------------------------|--------------------|-------------|
|                                           | <b>2016</b>        | <b>2015</b> |
| <u>Financial liabilities</u>              |                    |             |
| Fair value through profit or loss (FVTPL) |                    |             |
| Held for trading                          | \$ 1,912           | \$ 6,102    |
| Measured at amortized cost (Note 3)       | 18,807,107         | 17,176,184  |
|                                           |                    | (Concluded) |

Note 1: The loans and receivables included cash and cash equivalents, notes and accounts receivable, installment accounts receivable, pledged time deposits, restricted deposits, other receivables, debt investments with no active market, etc. and were carried at amortized cost.

Note 2: The amounts included available-for-sale financial assets carried at cost.

Note 3: The financial liabilities included short-term loans, short-term bills payable, notes and accounts payable, other payables, long-term loans, bonds payable, preference share liabilities, etc. and were carried at amortized cost.

d. Financial risk management objectives and policies

The Corporation's major financial instruments included equity, accounts receivable, accounts payable, bonds payable and borrowings. The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports, which are tools for analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge against risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors continually. The Corporation does not enter into financial instrument contracts or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Corporation's board of directors and audit committee, an independent organization that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of exchange rate changes (see [a] below) and interest rates (see [b] below). The Corporation used a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risks.

There had been no change in the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency-denominated sales and purchases, which exposed the Corporation to exchange rate risk. The Corporation entered into foreign exchange forward contracts, cross-currency swap contracts, etc. to manage exposures due to exchange rate and

interest rate fluctuations. These instruments help reduce, but do not eliminate, the impact of adverse exchange rate movements.

The Corporation also holds short-term bank loans in foreign currencies in proportion to its expected future cash flows. This allows foreign-currency-denominated bank loans to be serviced with expected future cash flows and provides a partial hedge against transaction translation exposure.

#### Sensitivity analysis

The Corporation was mainly exposed to USD, EUR and JPY.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currency. The sensitivity analysis included only outstanding foreign currency-denominated monetary items; their translation at the end of the reporting period is adjusted for a 5% change in exchange rates. The sensitivity analysis included cash, accounts receivable, other receivables, short-term bank loans, accounts payable, other payables and long-term bank loans. A positive number below indicates an increase in profit and other equity associated with the New Taiwan dollar's strengthening 5% against a foreign currency. For a 5% weakening of the New Taiwan dollar against a foreign currency, there would be an equal and opposite impact on profit and other equity and the balances below would be negative.

|               | <b>USD Impact</b>                         |             | <b>EUR Impact</b>                         |             | <b>JPY Impact</b>                         |             |
|---------------|-------------------------------------------|-------------|-------------------------------------------|-------------|-------------------------------------------|-------------|
|               | <b>For the Year Ended<br/>December 31</b> |             | <b>For the Year Ended<br/>December 31</b> |             | <b>For the Year Ended<br/>December 31</b> |             |
|               | <b>2016</b>                               | <b>2015</b> | <b>2016</b>                               | <b>2015</b> | <b>2016</b>                               | <b>2015</b> |
| (Loss) profit | \$(91,995)                                | \$ 30,474   | \$ 5,683                                  | \$ 16,335   | \$ 8,693                                  | \$ 3,127    |

The Corporation's sensitivity to USD exchange rates increased in the current period mainly because of the increase in liabilities recorded in USD. The Corporation's sensitivity to EUR exchange rates decreased in the current period mainly because of the increase in liabilities recorded in EUR. The Corporation's sensitivity to JPY exchange rates increased in the current period mainly because of the increase in assets recorded in JPY.

#### b) Interest rate risk

Long-term and short-term bank loans mainly bear floating interest rates. Thus, the fluctuations of market interest rates will result in changes in the effective interest rates for long-term and short-term bank loans and the fluctuation of future cash flows.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

|                               | <b>December 31</b> |              |
|-------------------------------|--------------------|--------------|
|                               | <b>2016</b>        | <b>2015</b>  |
| Fair value interest rate risk |                    |              |
| Financial assets              | \$ 2,881,250       | \$ 1,672,662 |
| Financial liabilities         | (9,196,022)        | (7,444,497)  |
| Cash flow interest rate risk  |                    |              |
| Financial assets              | 5,955,043          | 8,296,572    |
| Financial liabilities         | (6,856,313)        | (6,370,548)  |

### Sensitivity analysis

The sensitivity analysis below was based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher and all other variables were held constant, the Corporation's profit for 2016 and 2015 would decrease by \$9,013 thousand and increase by \$19,260 thousand, respectively, mainly because of the Corporation's exposure to interest rates on its variable-rate demand deposits and bank borrowings.

The Corporation's sensitivity to interest rates decreased during the current period mainly because of the increase in variable-rate debt instruments and the decrease in demand deposits.

#### c) Other price risk

The Corporation is exposed to equity price risk on available-for-sale financial assets, which are not held for trading.

### Sensitivity analysis

The sensitivity analysis below was based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% lower, other comprehensive income for 2016 and 2015 would decrease by \$6,384 thousand and \$5,494 thousand, respectively, as a result of the changes in the fair value of impaired AFS investments.

The Corporation's sensitivity to price increased in the current period mainly because of the increase in AFS financial assets.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to a failure to discharge an obligation by the counterparties and financial guarantees provided by the Corporation, could arise from:

- a) The carrying amounts of the financial assets recognized in the consolidated balance sheets; and
- b) The amount of contingent liabilities on financial guarantees issued by the Corporation.

To minimize credit risk, the Corporation's management has established a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each account receivable at the end of the reporting period to ensure that adequate allowances are set aside for irrecoverable amounts. Thus, the Corporation's management considers the Corporation's credit risk as significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Accounts receivable pertains to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of the account receivables and, where appropriate, credit guarantee insurance is purchased.

The Corporation did not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics.

The Corporation's concentration of credit risk was 27% and 25% in total accounts receivable as of December 31, 2016 and 2015, respectively, which was related to the Corporation's three largest customers.

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank loans and ensures compliance with loan covenants. The Corporation relies on bank loans as a significant source of liquidity.

#### a) Liquidity and interest risk rate tables (non-derivative financial liabilities)

The following tables show the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were drawn up on the basis of undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows.

Bank loans with a repayment on demand clause were included in the first column of the tables below regardless of the probability of the banks choosing to exercise their rights to repayment. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows refer to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2016

|                                                 | <b>On Demand or<br/>Up to<br/>1 Month</b> | <b>Over 1 Month-3<br/>Months</b> | <b>Over 3 Months<br/>to 1 Year</b> | <b>1+ Years</b>     |
|-------------------------------------------------|-------------------------------------------|----------------------------------|------------------------------------|---------------------|
| <u>Non-derivative financial<br/>liabilities</u> |                                           |                                  |                                    |                     |
| Non-interest bearing                            | \$ 1,064,794                              | \$ 974,745                       | \$ 3,152,929                       | \$ 3,670,686        |
| Variable interest rate<br>liabilities           | 460,137                                   | 1,878,642                        | 1,595,452                          | 3,276,640           |
| Fixed interest rate liabilities                 | <u>1,362,403</u>                          | <u>2,746,321</u>                 | <u>1,388,710</u>                   | <u>3,676,466</u>    |
|                                                 | <u>\$ 2,887,334</u>                       | <u>\$ 5,599,708</u>              | <u>\$ 6,137,091</u>                | <u>\$10,623,792</u> |

December 31, 2015

|                                             | On Demand or<br>Up to<br>1 Month | Over 1 Month-3<br>Months | Over 3 Months<br>to 1 Year | 1+ Years            |
|---------------------------------------------|----------------------------------|--------------------------|----------------------------|---------------------|
| <u>Non-derivative financial liabilities</u> |                                  |                          |                            |                     |
| Non-interest bearing                        | \$ 1,469,088                     | \$ 1,225,856             | \$ 776,576                 | \$ 3,591,395        |
| Variable interest rate liabilities          | 11,076                           | 774,296                  | 4,082,064                  | 1,611,700           |
| Fixed interest rate liabilities             | <u>483,494</u>                   | <u>1,538,787</u>         | <u>1,321,012</u>           | <u>493,500</u>      |
|                                             | <u>\$ 1,963,658</u>              | <u>\$ 3,538,939</u>      | <u>\$ 6,179,652</u>        | <u>\$ 5,696,595</u> |

As of December 31, 2016 and 2015, the Corporation believes there was no bank loan on which immediate repayment will be demanded.

The amounts included above for variable interest rate instruments for non-derivative financial assets and liabilities were subject to change if changes in variable interest rates differed from the interest rates estimated at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following tables show the Corporation's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2016

|                                    | On Demand or<br>Up to<br>1 Month | Over 1 Month-3<br>Months | Over 3 Months<br>to 1 Year | 1+ Years      |
|------------------------------------|----------------------------------|--------------------------|----------------------------|---------------|
| <u>Net settled</u>                 |                                  |                          |                            |               |
| Conversion and redemption option   | \$ -                             | \$ -                     | \$ -                       | \$ 387        |
| Foreign exchange forward contracts | -                                | 1,525                    | -                          | -             |
|                                    | <u>\$ -</u>                      | <u>\$ 1,525</u>          | <u>\$ -</u>                | <u>\$ 387</u> |

December 31, 2015

|                                    | On Demand or<br>Up to<br>1 Month | Over 1 Month-3<br>Months | Over 3 Months<br>to 1 Year | 1+ Years      |
|------------------------------------|----------------------------------|--------------------------|----------------------------|---------------|
| <u>Net settled</u>                 |                                  |                          |                            |               |
| Interest rate swaps                | \$ -                             | \$ -                     | \$ -                       | \$ 134        |
| Foreign exchange forward contracts | 166                              | 5,802                    | -                          | -             |
|                                    | <u>\$ 166</u>                    | <u>\$ 5,802</u>          | <u>\$ -</u>                | <u>\$ 134</u> |

c) Financing facilities

|                                                                                      | <b>December 31</b>   |                      |
|--------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                      | <b>2016</b>          | <b>2015</b>          |
| Secured long-term bank loan facilities (installment credit):                         |                      |                      |
| Amount used                                                                          | \$ 6,515,170         | \$ 7,547,967         |
| Amount unused                                                                        | <u>1,060,014</u>     | <u>1,610,700</u>     |
|                                                                                      | <u>\$ 7,575,184</u>  | <u>\$ 9,158,667</u>  |
| Unsecured long-term bank loan facilities (revolving credit):                         |                      |                      |
| Amount used                                                                          | \$ 990,000           | \$ 1,000,000         |
| Amount unused                                                                        | <u>10,000</u>        | <u>800,000</u>       |
|                                                                                      | <u>\$ 1,000,000</u>  | <u>\$ 1,800,000</u>  |
| Unsecured long-term bank loan facilities (installment credit):                       |                      |                      |
| Amount used                                                                          | \$ 370,000           | \$ 195,000           |
| Amount unused                                                                        | <u>-</u>             | <u>-</u>             |
|                                                                                      | <u>\$ 370,000</u>    | <u>\$ 195,000</u>    |
| Secured short-term bank loan facilities (which may be extended by mutual agreement): |                      |                      |
| Amount used                                                                          | \$ 126,090           | \$ 108,940           |
| Amount unused                                                                        | <u>132,142</u>       | <u>271,935</u>       |
|                                                                                      | <u>\$ 258,232</u>    | <u>\$ 380,375</u>    |
| Secured short-term bank loan facilities (which cannot be extended):                  |                      |                      |
| Amount used                                                                          | \$ 640,963           | \$ 589,848           |
| Amount unused                                                                        | <u>-</u>             | <u>-</u>             |
|                                                                                      | <u>\$ 640,963</u>    | <u>\$ 589,848</u>    |
| Unsecured short-term bank loan facilities (revolving credit):                        |                      |                      |
| Amount used                                                                          | \$ 7,985,300         | \$ 5,607,619         |
| Amount unused                                                                        | <u>6,137,801</u>     | <u>6,868,372</u>     |
|                                                                                      | <u>\$ 14,123,101</u> | <u>\$ 12,475,991</u> |
| Unsecured short-term bank loan facilities (installment credit):                      |                      |                      |
| Amount used                                                                          | \$ -                 | \$ 1,613,606         |
| Amount unused                                                                        | <u>322,791</u>       | <u>-</u>             |
|                                                                                      | <u>\$ 322,791</u>    | <u>\$ 1,613,606</u>  |

### 38. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between NSP and its subsidiaries (NSP's related parties) were eliminated on consolidation and are not disclosed in this note. In addition to those disclosures in other notes, transactions between the Corporation and its related parties are disclosed below.

#### a. Trading transactions

|                                      | <b>Sales of Goods</b>                 |                   |
|--------------------------------------|---------------------------------------|-------------------|
|                                      | <b>For the Year Ended December 31</b> |                   |
|                                      | <b>2016</b>                           | <b>2015</b>       |
| Other related parties (Note 1)       | \$ 314,327                            | \$ 432,059        |
| Associates (Note 2)                  | 98,240                                | -                 |
| Related parties in substance         | 43,913                                | 2,078             |
| Investors with significant influence | <u>313</u>                            | <u>1,265</u>      |
|                                      | <u>\$ 456,793</u>                     | <u>\$ 435,402</u> |

|                                      | <b>Other Income</b>                   |              |
|--------------------------------------|---------------------------------------|--------------|
|                                      | <b>For the Year Ended December 31</b> |              |
|                                      | <b>2016</b>                           | <b>2015</b>  |
| Related parties in substance         | \$ 36                                 | \$ 62        |
| Investors with significant influence | <u>-</u>                              | <u>2</u>     |
|                                      | <u>\$ 36</u>                          | <u>\$ 64</u> |

|                                | <b>Interest Income</b>                |             |
|--------------------------------|---------------------------------------|-------------|
|                                | <b>For the Year Ended December 31</b> |             |
|                                | <b>2016</b>                           | <b>2015</b> |
| Associates                     | \$ 45,196                             | \$ -        |
| Other related parties (Note 1) | <u>22,480</u>                         | <u>-</u>    |
|                                | <u>\$ 67,676</u>                      | <u>\$ -</u> |

|                              | <b>Dividends Income</b>               |                 |
|------------------------------|---------------------------------------|-----------------|
|                              | <b>For the Year Ended December 31</b> |                 |
|                              | <b>2016</b>                           | <b>2015</b>     |
| Related parties in substance | <u>\$ -</u>                           | <u>\$ 2,000</u> |

|                                      | <b>Purchase of Goods</b>              |                 |
|--------------------------------------|---------------------------------------|-----------------|
|                                      | <b>For the Year Ended December 31</b> |                 |
|                                      | <b>2016</b>                           | <b>2015</b>     |
| Associates                           | \$ 184,882                            | \$ -            |
| Other related parties (Note 1)       | 96,027                                | -               |
| Investors with significant influence | 1,614                                 | 891             |
| Related parties in substance         | <u>330</u>                            | <u>479</u>      |
|                                      | <u>\$ 282,853</u>                     | <u>\$ 1,370</u> |

|                                      | <b>Other Expenses</b>                 |                 |
|--------------------------------------|---------------------------------------|-----------------|
|                                      | <b>For the Year Ended December 31</b> |                 |
|                                      | <b>2016</b>                           | <b>2015</b>     |
| Other related parties (Note 1)       | \$ 15,172                             | \$ 3,507        |
| Investors with significant influence | <u>11,253</u>                         | <u>3,118</u>    |
|                                      | <u>\$ 26,425</u>                      | <u>\$ 6,625</u> |

|                                | <b>Rental Expenses</b>                |                  |
|--------------------------------|---------------------------------------|------------------|
|                                | <b>For the Year Ended December 31</b> |                  |
|                                | <b>2016</b>                           | <b>2015</b>      |
| Other related parties (Note 1) | <u>\$ 34,333</u>                      | <u>\$ 45,611</u> |

|                                | <b>Utilities</b>                      |                   |
|--------------------------------|---------------------------------------|-------------------|
|                                | <b>For the Year Ended December 31</b> |                   |
|                                | <b>2016</b>                           | <b>2015</b>       |
| Other related parties (Note 1) | <u>\$ 52,238</u>                      | <u>\$ 115,327</u> |

Purchases and sales of goods between the Corporation and related parties were based on specifically negotiated terms.

The Corporation rents plants from other related parties under rental terms which are not different from similar transactions in the market.

The Corporation's purchases of utilities from other related parties are made at normal commercial prices and terms.

b. Receivable from related parties

|                                      | <b>Accounts Receivable</b> |                   |
|--------------------------------------|----------------------------|-------------------|
|                                      | <b>December 31</b>         |                   |
|                                      | <b>2016</b>                | <b>2015</b>       |
| Associates                           | \$ 100,081                 | \$ -              |
| Other related parties (Note 1)       | 1,241                      | 340,434           |
| Investors with significant influence | <u>-</u>                   | <u>26</u>         |
|                                      | <u>\$ 101,322</u>          | <u>\$ 340,460</u> |

|                                | <b>Other Receivables</b> |                   |
|--------------------------------|--------------------------|-------------------|
|                                | <b>December 31</b>       |                   |
|                                | <b>2016</b>              | <b>2015</b>       |
| Associates                     | \$ 656,243               | \$ 475,550        |
| Joint ventures                 | 203,820                  | 65,967            |
| Other related parties (Note 1) | <u>76,747</u>            | <u>549</u>        |
|                                | <u>\$ 936,810</u>        | <u>\$ 542,066</u> |

|                                | <b>Refundable Deposits</b> |                  |
|--------------------------------|----------------------------|------------------|
|                                | <b>December 31</b>         |                  |
|                                | <b>2016</b>                | <b>2015</b>      |
| Other related parties (Note 1) | <u>\$ 41,568</u>           | <u>\$ 42,589</u> |

Other receivables were temporary payments of project fees, investments and organization costs that the Corporation paid for its associates and joint ventures, overdue accounts receivable reclassification as well as interest receivable from financings provided and preference shares.

The outstanding receivables from related parties were unsecured. No impairment allowance for these receivables was recognized.

c. Payables to related parties

|                                      | <b>Accounts Payable</b> |               |
|--------------------------------------|-------------------------|---------------|
|                                      | <b>December 31</b>      |               |
|                                      | <b>2016</b>             | <b>2015</b>   |
| Associates                           | \$ 184,882              | \$ -          |
| Investors with significant influence | 381                     | 324           |
| Other related parties (Note 1)       | 59                      | 64            |
| Related parties in substance         | <u>-</u>                | <u>169</u>    |
|                                      | <u>\$ 185,322</u>       | <u>\$ 557</u> |

|                                | <b>Receipts in Advance</b> |              |
|--------------------------------|----------------------------|--------------|
|                                | <b>December 31</b>         |              |
|                                | <b>2016</b>                | <b>2015</b>  |
| Other related parties (Note 1) | <u>\$ 11,614</u>           | <u>\$ 12</u> |

|                     | <b>Project Receipts in Advance</b> |             |
|---------------------|------------------------------------|-------------|
|                     | <b>December 31</b>                 |             |
|                     | <b>2016</b>                        | <b>2015</b> |
| Associates (Note 2) | <u>\$ 31,050</u>                   | <u>\$ -</u> |

|                                      | <b>Payables to Contractors and Equipment Suppliers</b> |                  |
|--------------------------------------|--------------------------------------------------------|------------------|
|                                      | <b>December 31</b>                                     |                  |
|                                      | <b>2016</b>                                            | <b>2015</b>      |
| Investors with significant influence | \$ 34,912                                              | \$ 70,235        |
| Related parties in substance         | <u>-</u>                                               | <u>4,168</u>     |
|                                      | <u>\$ 34,912</u>                                       | <u>\$ 74,403</u> |

|                                      | <b>Other Accrued Expenses</b> |                  |
|--------------------------------------|-------------------------------|------------------|
|                                      | <b>December 31</b>            |                  |
|                                      | <b>2016</b>                   | <b>2015</b>      |
| Other related parties (Note 1)       | \$ 53,203                     | \$ 77,128        |
| Investors with significant influence | <u>1,292</u>                  | <u>6,455</u>     |
|                                      | <u>\$ 54,495</u>              | <u>\$ 83,583</u> |

Note 1: Other related parties were entities over which the Corporation, has significant influence, subsidiaries of the Corporation's associates, and entities whose parent issued puttable preference shares which were acquired by the Corporation on December 18, 2015. Phanes Holding has become the Corporation's associates since December 18, 2015; thus, the Corporation disclosed the related trading transactions from December 18, 2015 and the remaining amounts as of December 31, 2015.

Note 2: Da Li Energy and Si One were deemed associates since December 16, 2016; thus, the Corporation disclosed the trading transactions from December 16, 2016 and the balances as of December 31, 2016.

The outstanding payables to related parties were unsecured. No guarantees had been given or received for payables to related parties, and these payables would be settled in cash.

d. Other transactions

|                                      |  | <b>Acquisitions of Property,<br/>Plant and Equipment<br/>For the Year Ended December 31</b> |                  |
|--------------------------------------|--|---------------------------------------------------------------------------------------------|------------------|
|                                      |  | <b>2016</b>                                                                                 | <b>2015</b>      |
| Other related parties (Note 1)       |  | \$ 454,790                                                                                  | \$ -             |
| Investors with significant influence |  | <u>36,049</u>                                                                               | <u>70,806</u>    |
|                                      |  | <u>\$ 490,839</u>                                                                           | <u>\$ 70,806</u> |

  

|                                      | <b>Proceeds<br/>For the Year Ended<br/>December 31</b> |                 | <b>Loss on Disposal<br/>For the Year Ended<br/>December 31</b> |                   |
|--------------------------------------|--------------------------------------------------------|-----------------|----------------------------------------------------------------|-------------------|
|                                      | <b>2016</b>                                            | <b>2015</b>     | <b>2016</b>                                                    | <b>2015</b>       |
| Investors with significant influence | <u>\$ -</u>                                            | <u>\$ 9,510</u> | <u>\$ -</u>                                                    | <u>\$ (2,387)</u> |

  

|                                 |                                        | <b>For the Year Ended December 31</b> |                          |              |                         |                            |                  |
|---------------------------------|----------------------------------------|---------------------------------------|--------------------------|--------------|-------------------------|----------------------------|------------------|
|                                 |                                        | <b>2016</b>                           |                          |              | <b>2015</b>             |                            |                  |
| <b>Related Party Categories</b> | <b>Line Items</b>                      | <b>Number of Shares</b>               | <b>Underlying Assets</b> | <b>Price</b> | <b>Number of Shares</b> | <b>Underlying Assets</b>   | <b>Price</b>     |
| Other related parties (Note 1)  | Debt investments with no active market | -                                     | -                        | <u>\$ -</u>  | 28,500                  | Puttable preference shares | <u>\$310,103</u> |

In order to develop new projects of power facilities globally, in May 2015, the Corporation entered into a consultancy agreement with other related parties with a total contract price of \$49,682 thousand. For the year ended December 31, 2015, the amount which had been paid was recorded under selling expense - service charge was about \$22,081 thousand. There was no such agreement in 2016.

The Corporation's construction of power facilities was under the supervision of other related parties. As of December 31, 2015, the total contract price of \$143,527 thousand was fully paid, which was recorded under inventory - power facilities construction in progress.

Refer to Note 42 for information relating to financing, endorsements and guarantees between the Corporation and its related parties.

e. Compensation of key management personnel

The compensation of directors and other members of key management personnel for 2016 and 2015 was as follows:

|                          | <b>For the Years Ended<br/>December 31</b> |                  |
|--------------------------|--------------------------------------------|------------------|
|                          | <b>2016</b>                                | <b>2015</b>      |
| Short-term benefits      | \$ 65,041                                  | \$ 71,288        |
| Share-based payments     | 7,539                                      | 14,270           |
| Post-employment benefits | <u>1,218</u>                               | <u>1,486</u>     |
|                          | <u>\$ 73,798</u>                           | <u>\$ 87,044</u> |

The compensation of directors and other key management personnel was determined by the Compensation Committee on the basis of individual performance and market trends.

### 39. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as collaterals for short-term and long-term bank loans, bonds payable and deposit for the government:

|                                                                           | <b>December 31</b>   |                      |
|---------------------------------------------------------------------------|----------------------|----------------------|
|                                                                           | <b>2016</b>          | <b>2015</b>          |
| Property, plant and equipment                                             | \$ 8,357,654         | \$ 7,926,059         |
| Lease receivables (including current and noncurrent portions)             | 1,164,311            | 1,107,244            |
| Restricted assets (classified as other current and noncurrent assets)     | 838,372              | 1,272,709            |
| Refundable deposits                                                       | 438,095              | 342,150              |
| Pledged time deposits (classified as other current and noncurrent assets) | 42,421               | 213,006              |
| Noncurrent assets held for sales                                          | 39,881               | -                    |
| Power facilities construction in process (classified as inventory)        | 18,171               | -                    |
| Pledged acceptance bills (classified as other current assets)             | <u>-</u>             | <u>50,744</u>        |
|                                                                           | <u>\$ 10,898,905</u> | <u>\$ 10,911,912</u> |

### 40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation were as follows:

a. Significant commitments

1) Long-term contracts:

- a) In December 2006, March 2007 and September 2008, NSP entered into long-term materials supply agreements with company J. Under the agreements, NSP should make nonrefundable payments from January 1, 2006 to December 31, 2018. In return, company J should provide an agreed-upon quantity of raw materials.

In January 2011, NSP entered into a long-term materials supply agreement with company J. Under the agreement, NSP should make payments from January 1, 2011 to December 31, 2015. In return, company J should provide an agreed-upon quantity of raw materials. The prepayment is refundable even if the agreed-upon quantity is not bought.

Except for the agreement entered into in March 2007 that will expire in December 2018, all other agreements with company J had expired as of September 30, 2016. Any prepayments not yet fully applied are still applicable.

As of December 31, 2016, an amount of US\$7,034 thousand (\$226,731 thousand) was recorded under prepayment. Earlier, in November 2009, NSP renegotiated the purchase price with company J. Both parties agreed to adjust the purchase quantity and price monthly from December 2009.

- b) In August 2007 and January 2008, NSP entered into long-term materials supply agreements with company G. Under the agreements, NSP should make payments from January 1, 2009 to December 31, 2018. In return, company G should provide an agreed-upon quantity of raw materials. As of December 31, 2016, an amount of US\$8,671 thousand (\$287,224 thousand) was recorded under prepayment. In May 2009, NSP and company G revised the agreements. Under the new agreements, company G should provide an agreed-upon quantity of raw materials from 2009 to December 31, 2018. Within this period, deductions could be made from the prepayments, and the purchase price would be adjusted on the basis of market price. The last agreement revision by NSP and company G was in September 2013. The purchase price would be adjusted monthly in accordance with the pricing mechanism agreed upon by both parties. In November 2015, company G's parent company located in Shanghai announced that its domestic subsidiary would undergo a financial restructuring. Although company G indicated the financial restructuring would not affect its operation and it would continuously provide raw materials to NSP, NSP accrued a potential loss in 2015 in consideration of prepayments which might not be collected.
- c) In February 2008, DelSolar entered into a long-term materials supply agreement with company AH. Based on this supply agreement, company AH guaranteed to provide an agreed-upon quantity of raw materials to DelSolar from January 2009 to December 31, 2015, and in return DelSolar would make some prepayments by installments during this period of time. In April 2013, company AH stopped supplying materials because of its financial difficulties, and both parties entered into a negotiation process. On May 31, 2013, NSP merged with DelSolar, with NSP as the surviving entity. Considering prepayments to company AH might not be able to be fully collected, NSP had accrued a potential loss in the second quarter of 2013. On March 24, 2015, NSP received an arbitration notice of company AH. NSP believes there are unsolved issues on the long-term materials supply agreement which will need further clarification from both parties. Therefore NSP has engaged an attorney to assist on the process and will make necessary adjustments according to the result of arbitration.
- d) In March and August 2008, NSP entered into long-term materials supply agreements with company BM. Under the agreements, NSP should make payments from January 1, 2008 to December 31, 2016. In return, company BM should provide an agreed-upon quantity of raw materials. As of December 31, 2016, an amount of US\$578 thousand (\$18,816 thousand) was recorded under prepayments. Earlier, in August 2010, NSP renegotiated the agreement with company BM. Both parties agreed to adjust the purchase price and refund amount of prepayments in accordance with market prices from August 2010.

- e) In October 2008, NSP entered into a long-term materials supply agreement with company K. Under the agreement, NSP should make payments from January 2009 to December 31, 2016. In return, company K should provide an agreed-upon quantity of raw materials. In December 2010, NSP renegotiated the agreement with company K. Both parties agreed that company K would provide NSP with an agreed-upon quantity of raw materials at its purchase price plus a markup of a certain percentage from January 2011 to December 31, 2016. As of December 31, 2016, an amount of US\$16,240 thousand (\$487,678 thousand) was recorded under prepayments. In the controversy whether to continuously perform the above agreement, company K requested the help of Hsin-chu district court on January 13, 2016 to demand payment for \$10,000 thousand in partial claims. NSP has entrusted a lawyer to handle the case during the judicial proceedings.
- f) In August 2010 and December 2013, NSP entered into long-term materials supply agreements with company Y. Under the agreements, company Y should provide an agreed-upon quantity of raw materials from October 2010 to December 31, 2016. NSP should make payments during this period. Earlier, both parties agreed to adjust the purchase price monthly from October 2010 in accordance with a price adjustment mode agreed upon by both parties. Under the agreement, if NSP fails to complete the purchase of the required quantity or delays its payments, company Y is entitled to request compensation.
- g) In November 2010, NSP entered into a long-term materials supply agreement with company X. Under the agreement, NSP should make payments from January 2011 to December 31, 2017. In return, company X should provide an agreed-upon quantity of raw materials. As of December 31, 2016, an amount of US\$3,918 thousand (\$113,131 thousand) was recorded under prepayments. Earlier, both parties agreed to adjust the purchase price monthly since 2012. However, for the three months ended March 31, 2012, both parties failed to reach an agreement on purchase price and quantity. Under the agreement, NSP was entitled to end the contract unconditionally, and company X should return the remaining balance of prepayments. Both parties agreed to deduct the remaining prepayments before March 31, 2013. Because company X announced it would undertake financial restructuring, NSP considered the remaining prepayments to possibly go uncollected due to company X's going concern; thus, NSP accrued potential losses for 2012 and 2013. NSP resumed purchases after October 2014.
- h) In March 2011, NSP entered into a long-term materials supply agreement with company AD. Under the agreement, company AD should provide an agreed-upon quantity of raw materials. Based on the agreement, the purchase price will be adjusted quarterly. In return, NSP should make payments from January 2012 to December 31, 2018. In April 2015, NSP renegotiated the agreement with company AD. Both parties agreed that company AD would provide NSP with an agreed-upon quantity of raw materials from April 2015 to December 31, 2022, and the purchase price would be negotiated quarterly. As of December 31, 2016, an amount of US\$6,375 thousand (\$184,957 thousand) was recorded under prepayments. Under the agreement, if NSP delays the payments, company AD is entitled to request interest on the delayed payments at a rate already agreed on by both parties.
- i) In October 2015, NSP entered into a long-term agreement with company CY. Under the agreement, company CY should provide an agreed-upon quantity of raw materials. Based on the agreement, the purchase price will be adjusted quarterly. In return, NSP should make the payments from December 2015 to October 2026. On December 31, 2016, NSP recognized \$245,006 thousand in losses on purchase agreements and \$564,510 thousand in impairment losses on prepayments to suppliers in accordance with an assessment of the agreement. Under the agreement, if NSP delays the payments, company CY is entitled to request interest on the delayed payments at a rate already agreed on by both parties.

2) Material sell-buy agreements:

As of December 31, 2016, the Corporation entered into irrevocable sell-buy agreements with several companies.

The information was as follows:

| <b>Company Name</b>      | <b>Buyer</b>                                      | <b>Duration</b> | <b>Note</b>                                                                 |
|--------------------------|---------------------------------------------------|-----------------|-----------------------------------------------------------------------------|
| Yong Han                 | Taiwan Power Company                              | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| Yong Zhou                | Taiwan Power Company                              | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| Yong Yeh                 | Taiwan Power Company                              | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| GES FUKUSHIMA            | Tokyo Electric Power Company                      | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| Hsin Jin Optoelectronics | Taiwan Power Company                              | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| Hsin Jin Solar Energy    | Taiwan Power Company                              | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| TIPPING POINT            | The Government of the City of Columbus, Ohio, USA | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| ET ENERGY                | Indianapolis Power & Light Company, USA           | 15 years        | Sale of electricity to third parties without prior permission is disallowed |
| SH4                      | Larkspur-Corte Madera School District, USA        | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| NCH Solar1               | Good Energy Limited, UK                           | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| GES Solar 2              | Good Energy Limited, UK                           | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| GES Solar 3              | Good Energy Limited, UK                           | 20 years        | Sale of electricity to third parties without prior permission is disallowed |
| ASSET ONE                | Boretech Resource Recovery Eng LLC, UK            | 25 years        | Sale of electricity to third parties without prior permission is disallowed |
| Cedar Falls              | Cedar Falls Utilities                             | 25 years        | Sale of electricity to third parties without prior permission is disallowed |

(Continued)

| <b>Company Name</b> | <b>Buyer</b>                  | <b>Duration</b> | <b>Note</b>                                                                                |
|---------------------|-------------------------------|-----------------|--------------------------------------------------------------------------------------------|
| MEGAEIGHT           | Oakdale Golf and Country Club | 20 years        | Sale of electricity to third parties without prior permission is disallowed                |
| Si One (Note)       | Taiwan Power Company          | 20 years        | Sale of electricity to third parties without prior permission is disallowed<br>(Concluded) |

Note: On November 30, 2016, NSP System entered into an agreement, regarding an acquisition of facilities which have acquired interconnection certificates from Taiwan Power Company, with Si One. The board of directors has approved to sell those facilities through operating sales to Chailease Finance Co., Ltd. (Chailease Finance). However, the contract subject has not been transferred, and the disposal of the facilities and the settlement procedure for the related agreement will be completed on August 31, 2017.

Yong Liang entered into a sell-buy agreement, which included the agreement on the sale of 26 facilities and other related agreements, with Chailease Finance in March 2016. The sell-buy agreement specified that Yong Liang was obliged to: 1) assist in the modification of other related agreements with other counterparties, which should be completed by September 30, 2016, and 2) submit guarantee deposits of \$25,000 thousand to Chailease Finance on June 30, 2016 when receiving the final payment. Chailease Finance will return the guarantee deposits after all the obligations has been fulfilled or when any resolution has been negotiated.

All transactions in the sale of 71 facilities of Yong Tang were completed on September 30, 2014. Because partial facilities have not obtained the registration certificate of power generation facilities and some flaws in the rental agreement need to be supplemented and corrected, the Corporation needed to submit guarantee deposits of \$5,615 thousand of the construction in progress which was continuously supplemented and corrected as of December 31, 2016.

Electronic JRC, S.R.L. has claimed compensations of USD 900 thousand and DOP 5,000 thousand (which is approximate to NTD 32,463 thousand) due to a consultancy agreement's lawsuit, which is currently in the Dominican General Court. As of the report date, there is no result of the lawsuit. The Corporation assessed that there is no need to recognize liabilities for the lawsuit according to the advice by legal counsel, since the result of the lawsuit is uncertain.

- 3) GES developed new projects of power facilities globally under the supervision of contractors. The Corporation entered into construction contracts with several contractors with a total contract price of \$3,853,066 thousand, and the unpaid amount was \$2,154,800 thousand as of December 31, 2016.

BPS has obtained orders for power facilities construction and contracted the projects out to contractors. BPS entered into construction contracts with the contractors with a total contract price and unpaid amount of \$19,824 thousand as of December 31, 2016.

- 4) GES entered into equity purchase or assets purchase agreements with several companies with a total contract price of \$478,647 thousand, and the unpaid amount was \$302,021 thousand as of December 31, 2016.
- 5) GES entered into solar power projects development agreements with several companies with a total contract price of \$90,865 thousand, and the unpaid amount was \$41,156 thousand as of December 31, 2016.
- 6) Unused letters of credit amounted to approximately NTD 81,274 thousand, EUR 3,047 thousand and USD 246 thousand as of December 31, 2016.

b. Contingencies

- 1) In December 2010, NSP and the M+W Group (M+W) entered into a construction agreement and a materials purchasing agreement, with a total amount of \$510,000 thousand. On April 22, 2013, M+W claimed that the construction had been completed and requested a payment of \$191,165 thousand (including \$49,344 thousand for additional work). On September 4, 2013, M+W requested the help of the Hsin-chu district court, a common pleas court, to request that NSP return \$200,723 thousand, which included \$191,165 thousand in project payments and interest calculated at 5% per year. NSP already filed a plea and counterplea on this case. The appraiser delivered the appraisal report to the court on January 18, 2016. On October 21, 2016, the Hsin-chu district court ruled that NSP should pay M+W \$124,948 thousand. NSP lodged an appeal on December 26, 2016, which is currently in the second trial.

As of December 31, 2016, the amount of \$368,179 thousand had been paid; except the \$49,344 thousand for the additional work. NSP had accrued construction contract payables of \$141,821 thousand accordingly.

- 2) In December 2013, the group led by SolarWorld AG's United States subsidiary, the Coalition for American Solar Manufacturing (CASM), has filed an antidumping complaint against Chinese solar modules in the United States Department of Commerce (DOC) and the United States International Trade Commission (ITC), alleging that Chinese solar module producers dodged those duties by using cells manufactured in Taiwan.

On February 14, 2014, ITC issued its affirmative preliminary determination that the subject imports cause or threaten to cause injury to the United States industry. On July 25, 2014, the DOC announced its preliminary determination of a dumping margin, and the Corporation received a cash deposit dumping margin of 19.5%. The tariffs in general are to be covered by the importer itself; hence, there will be no significant impact on the Corporation. In addition, the Corporation has submitted a request to the Court of International Trade to review the Corporation's claim that it was not engaged in any form of dumping in hope of receiving the best tariff rate. There was a verdict that the court did not accept the Corporation's prosecution request, which will have no significant impact on the Corporation. The Corporation will apply for another administrative review by the DOC in February 2017, to ensure that it was not engaged in any form of dumping in hope of receiving the best tariff rate in 2018.

- 3) The controversy associated with payment for goods between the Corporation and company CD:

The Corporation filed an appeal with Suzhou Intermediate People's Court on July 3, 2015 to request CEEG (Shanghai) and CEEG (Nanjing), both CD group companies, to return RMB 48,230 thousand and pleaded to the Shanghai International Economic and Trade Arbitration Commission (SHIAC) on July 2, 2015 to request CEEG (Nanjing) Renewable Energy Co. Ltd., a CD group company, to return RMB 32,060 thousand. The Corporation has simultaneously applied for property preservation and recognized an appropriate allowance for impairment loss, and necessary adjustments will be made depending on the ruling. Suzhou Intermediate People's Court ruled in the Corporation's favor on September 23, 2015, but company CD appealed to the court a second time on October 8, 2015.

During the appeal, the Corporation and company CD, a CD group company, reached an agreement on December 30, 2015 after mediation. According to the agreement, CEEG (Shanghai) would propose a specific payment schedule with an expected repayment of RMB 48,230 thousand and with CEEG (Nanjing) assuming joint liability. The Corporation prevailed in the proceeding and was awarded RMB 32,060 thousand in damages from CEEG (Nanjing) Renewable Energy Co., Ltd. on February 2, 2016. The Corporation has reached a payment schedule agreement with CEEG (Nanjing).

CD Group did not make payments according to the terms of the above payment schedule; hence, the Corporation has entrusted a law firm to apply for a compulsory enforcement of the award. At the end of June 2016, some portion of CD Group's cash was successfully seized through the court enforcement and wired to the Corporation. On December 14, 2016, RMB 3,101 thousand of CD Group was successfully seized and has wired to the Corporation. The Corporation received RMB 600 thousand of 180-days acceptance bills on November 17 and December 22, 2016. The law firm along with the court continuously conduct subsequent investigations on CD Group's assets. On September 7, 2016, through the court, the Corporation seized CEEG's (Shanghai) finished solar cells goods and production equipment. The court will appraise and auction the seized assets in collaboration with a law firm. As of December 31, 2016, the finished solar cells goods mentioned above have entered into the auction process. In August 2016, the Corporation has entrusted a law firm to go to arbitration for the overdue payment of CD Group's CEEG (Shanghai) in the China International Economic and Trade Arbitration Commission (CIETAC). The Corporation requested payment of US\$1,255 thousand. The Corporation prevailed in the proceeding on December 23, 2016, and CEEG (Shanghai) has to pay US\$1,254 thousand in overdue payments and US\$25 in overdue penalties to the Corporation.

- 4) In the controversy of whether to continuously perform the supply agreement, company K requested the help of Hsin-chu district court on January 13, 2016 to demand payment of \$10,000 thousand in partial claims. The Corporation has entrusted a lawyer to handle the case during the judicial proceedings.
- 5) In March 2015, NSP received a notice of arbitration initiated by the controversy that resulted from the long-term materials supply agreement, which was signed in February 2008, between DelSolar and company AH. NSP believed that there were unsolved issues on the long-term materials supply agreement which will need further clarification from both parties. Therefore NSP engaged an attorney to assist on the process.

AH, the raw material supplier, requested that NSP pay the remaining unpaid amount of EUR 36,089 thousand for the incomplete work under the outstanding WAFER procurement contract from 2009 to 2012, which was signed between the supplier and NSP before the acquisition of Delsolar. AH also requested that NSP pay additional interest and other expenses for delaying the performance obligation. AH, the supplier, recorded the above issue and communicated it with the arbitration tribunal. Furthermore, during the period from 2013 to 2015 (after the acquisition of Delsolar), the remaining unpaid amount of EUR 68,372 thousand should be paid by NSP with additional interest and other expenses to AH, the supplier, under the WAFER procurement contract. However, the material supplier has not yet presented any probable or reliably measurable obligations to NSP. Having made a preliminary assessment, NSP evaluated the impact of the arbitration as being immaterial; the result of the arbitration remains unknown. On May 31, 2013, the acquisition date of Delsolar, NSP has provided reserves for the probable losses and will adjust any amount based on the results of such arbitration, if necessary.

- 6) G ENERGY CO., LTD. (G ENERGY) purchased modules from NSP and defaulted on the payment of \$71,304 thousand. NSP has filed a petition to Kaohsiung district court for an order of provisional attachment of the claims on G ENERGY's assets and has also applied for compulsory enforcement on April 6, 2016; NSP also claimed G ENERGY for returning the overdue payments. The responsible person of G ENERGY had signed a promissory note of \$9,548 thousand to secure the abovementioned defaulted payment. Therefore, NSP has filed a petition for compulsory enforcement of the promissory note and also accrued losses on account receivables from G ENERGY in full.

- 7) Company CE has requested an arbitration on the controversy between company CE and its third-party vendor company G at the Hong Kong International Arbitration Centre, where its arbitral awards are enforced and recognized by ROC courts. With respect to the enforcement of such arbitral awards, company CE requested the issuance of an order for attachment and an order for transfer of NSP's debentures of payments of goods. NSP made a statement that NSP continuously disagreed with the demand of company CE since February 2016; therefore, company CE advocated that NSP should pay a total of \$60,480 thousand and an accrued interest payable at 5% per annum. As company CE has applied for the implementation of debt restructuring in mainland China with its third party vendor company G, and NSP instructed legal counsels to subsequently answer the charges.
- 8) The dispute over the buy-sell agreement between DelSolar Wu Jiang and Company JE, was admitted to the Shanghai Jiading People's Court on July 25, 2016, and the first and the second court sessions were heard on September 7 and November 25, 2016, respectively. The total amount involved was RMB 5,947 thousand, which was composed of a return of advance payments of RMB 5,406 thousand, a penalty of RMB 500 thousand, and interest losses of RMB 41 thousand accrued as of the court filing date. The court made the third trial court decision for supplementary evidence. A civil ruling has been issued by the receiving court to freeze Company JE's bank accounts and was completed with enforcement.

#### 41. SIGNIFICANT DENOMINATED IN FOREIGN CURRENCIES ASSETS AND LIABILITIES

The Corporation entities' significant financial assets and liabilities denominated in foreign currencies are aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

|                         | December 31                       |                        |                                   |                        |
|-------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|
|                         | 2016                              |                        | 2015                              |                        |
|                         | Foreign Currencies (In Thousands) | Exchange Rate (Note 1) | Foreign Currencies (In Thousands) | Exchange Rate (Note 1) |
| <u>Financial assets</u> |                                   |                        |                                   |                        |
| Monetary assets         |                                   |                        |                                   |                        |
| USD                     | \$ 162,184                        | 32.2790                | \$ 179,781                        | 33.0660                |
| USD (Note 2)            | 2,959                             | 6.9615                 | 11,101                            | 6.4950                 |
| EUR                     | 23,410                            | 33.9820                | 17,457                            | 35.8230                |
| EUR (Note 2)            | 32                                | 7.3288                 | 119                               | 7.0876                 |
| JPY                     | 627,125                           | 0.2754                 | 316,927                           | 0.2737                 |
| JPY (Note 2)            | 7,397                             | 0.0594                 | 820                               | 0.0539                 |
| RMB                     | 3,783                             | 4.6368                 | 6,676                             | 5.0744                 |
| GBP                     | 1,617                             | 39.5916                | 1,755                             | 48.9019                |
| DOP                     | 2,833                             | 0.6824                 | -                                 | -                      |
| HKD                     | -                                 | -                      | 1                                 | 4.2521                 |
| Non-monetary assets     |                                   |                        |                                   |                        |
| USD                     | 1,172                             | 32.2790                | 1,170                             | 33.0660                |
| JPY                     | 112,723                           | 0.2754                 | 99,194                            | 0.2737                 |
| USD                     | 62                                | 30.9264                | 62                                | 30.9264                |
| EUR                     | 600                               | 37.6500                | 600                               | 37.6500                |

(Continued)

|                              | December 31                             |                           |                                         |                           |
|------------------------------|-----------------------------------------|---------------------------|-----------------------------------------|---------------------------|
|                              | 2016                                    |                           | 2015                                    |                           |
|                              | Foreign<br>Currencies<br>(In Thousands) | Exchange Rate<br>(Note 1) | Foreign<br>Currencies<br>(In Thousands) | Exchange Rate<br>(Note 1) |
| <u>Financial liabilities</u> |                                         |                           |                                         |                           |
| Monetary liabilities         |                                         |                           |                                         |                           |
| USD                          | \$ 220,113                              | 32.2790                   | \$ 157,529                              | 33.0660                   |
| USD (Note 2)                 | 501                                     | 6.9615                    | 13,391                                  | 6.4950                    |
| USD (Note 3)                 | 1,529                                   | 68.0417                   | 1,529                                   | 66.2000                   |
| EUR                          | 5,508                                   | 33.9820                   | 8,246                                   | 35.8230                   |
| EUR (Note 2)                 | 14,589                                  | 7.3288                    | 210                                     | 7.0876                    |
| JPY                          | 2,676                                   | 0.2754                    | 85,580                                  | 0.2737                    |
| JPY (Note 2)                 | 544                                     | 0.0594                    | 3,672                                   | 0.0539                    |
| GBP                          | -                                       | 39.5916                   | 3,355                                   | 48.9019                   |
| RMB                          | 3,894                                   | 4.6368                    | 44                                      | 5.0744                    |
|                              |                                         |                           |                                         | (Concluded)               |

Note 1: Exchange rates between foreign currencies and the New Taiwan dollar, except where specified.

Note 2: Exchange rates between foreign currencies and RMB.

Note 3: Exchange rates between foreign currencies and INR.

For the years ended December 31, 2016 and 2015, realized and unrealized foreign exchange (losses) gains were \$(13,536) thousand and \$39,831 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

## 42. SEPARATELY DISCLOSED ITEMS

Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation:

- Financings provided to others: Table 1 (attached)
- Endorsements/guarantees provided: Table 2 (attached)
- Marketable securities held (not including investments in subsidiaries, associates, and joint ventures): Table 3 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: Table 4 (attached)
- Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.

- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
- i. Trading in derivative instruments: Note 7
- j. Related information of investees over which the Corporation exercises significant influence: Table 7 (attached)
- k. Investments in mainland China:
  - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 8 (attached)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 5 (attached)
- l. Intercompany relationships and significant intercompany transactions: Table 9 (attached)

#### 43. SEGMENT INFORMATION

Financial information reported to the Corporation's chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on sales from each type of products. The measurement basis of the reportable segments are the same as the Corporation's consolidated financial statements. The Corporation's main reportable segments are solar cells, modules and power facilities.

##### a. Segment revenue and operating results

|                                 | Segment Revenue                |                     |                         |                     |
|---------------------------------|--------------------------------|---------------------|-------------------------|---------------------|
|                                 | For the Year Ended December 31 |                     |                         |                     |
|                                 | 2016                           |                     | 2015                    |                     |
|                                 | From External Customers        | Inter-segment Sales | From External Customers | Inter-segment Sales |
| Solar cells                     | \$ 10,421,694                  | \$ 575,791          | \$ 16,442,493           | \$ 1,559,859        |
| Modules                         | 5,415,999                      | 547,421             | 4,551,562               | 852,773             |
| Power facilities                | 621,370                        | -                   | 1,051,681               | -                   |
| Others                          | <u>78,062</u>                  | <u>417,494</u>      | <u>169,760</u>          | <u>6,488</u>        |
| Total for continuing operations | <u>\$ 16,537,125</u>           | <u>\$ 1,540,706</u> | <u>\$ 22,214,496</u>    | <u>\$ 2,419,120</u> |

|                                            | <b>Segment Profit or Loss</b> |                       |
|--------------------------------------------|-------------------------------|-----------------------|
|                                            | <b>For the Years Ended</b>    |                       |
|                                            | <b>December 31</b>            |                       |
|                                            | <b>2016</b>                   | <b>2015</b>           |
| Solar cells                                | \$ (1,580,447)                | \$ 464,662            |
| Power facilities                           | 236,126                       | 211,333               |
| Others                                     | (46,498)                      | (3,859)               |
| Modules                                    | <u>(482,928)</u>              | <u>(47,147)</u>       |
| Gross (loss) profit of reportable segments | (1,873,747)                   | 624,989               |
| Unrealized intercompany (loss) profit      | <u>(38,626)</u>               | <u>187</u>            |
|                                            | (1,912,373)                   | 625,176               |
| Unallocated amount                         |                               |                       |
| Operating expenses                         | (2,065,022)                   | (1,904,768)           |
| Other income and expenses                  | (2,373,564)                   | (20,477)              |
| Non-operating income and expenses          | <u>(64,648)</u>               | <u>(252,886)</u>      |
| Net loss profit before income tax          | <u>\$ (6,415,607)</u>         | <u>\$ (1,552,955)</u> |

Segment profit or loss represents profit or loss created by each segment without the allocation of operating expenses and non-operating income expenses. This is the measure reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment assets

The Corporation does not provide information on assets regularly to the Corporation's chief operating decision maker; thus, the measure of assets is zero.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from its major products and services.

|                  | <b>For the Year Ended December 31</b> |                      |
|------------------|---------------------------------------|----------------------|
|                  | <b>2016</b>                           | <b>2015</b>          |
| Solar cells      | \$ 10,421,694                         | \$ 16,442,493        |
| Modules          | 5,415,999                             | 4,551,562            |
| Power facilities | 621,370                               | 1,050,681            |
| Others           | <u>78,062</u>                         | <u>169,760</u>       |
|                  | <u>\$ 16,537,125</u>                  | <u>\$ 22,214,496</u> |

d. Geographical information

The Corporation's revenue from continuing operations from external customers by location of customers' countries and information about its noncurrent assets by location of assets are detailed below.

|         | <b>Revenue from External Customers</b> |                      | <b>Noncurrent Assets</b> |                      |
|---------|----------------------------------------|----------------------|--------------------------|----------------------|
|         | <b>For the Year Ended December 31</b>  |                      | <b>December 31</b>       |                      |
|         | <b>2016</b>                            | <b>2015</b>          | <b>2016</b>              | <b>2015</b>          |
| China   | \$ 6,737,691                           | \$ 11,792,180        | \$ 917,264               | \$ 1,688,723         |
| Germany | 3,042,424                              | 1,457,307            | -                        | -                    |
| Taiwan  | 2,103,545                              | 3,097,485            | 8,987,020                | 10,640,826           |
| USA     | 934,078                                | 1,800,083            | 910,107                  | 156,042              |
| Japan   | 906,897                                | 1,177,345            | 774,264                  | 302,264              |
| UK      | 297,712                                | 1,209,915            | -                        | 136,499              |
| Others  | <u>2,514,778</u>                       | <u>1,680,181</u>     | <u>508,549</u>           | <u>-</u>             |
|         | <u>\$ 16,537,125</u>                   | <u>\$ 22,214,496</u> | <u>\$ 12,097,204</u>     | <u>\$ 12,924,354</u> |

Noncurrent assets exclude investments accounted for using the equity method, prepaid investments in shares, financial instruments, deferred tax assets, goodwill, brands and other assets.

e. Information about major customers

Single customers who contributed 10% or more to the Corporation's revenue were as follows:

|           | <b>For the Year Ended December 31</b> |           |               |           |
|-----------|---------------------------------------|-----------|---------------|-----------|
|           | <b>2016</b>                           |           | <b>2015</b>   |           |
|           | <b>Amount</b>                         | <b>%</b>  | <b>Amount</b> | <b>%</b>  |
| Custom BS | \$ 2,653,347                          | 16        | \$ 4,340,257  | 20        |
| Custom CO | 1,657,904                             | 10        | NA (Note)     | NA (Note) |
| Custom BL | NA (Note)                             | NA (Note) | 2,996,229     | 13        |

Note: Revenue less than 10% of the Corporation's revenue.

TABLE 1

NEO SOLAR POWER CORP. AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

| Financing Company        | Borrower   | Financial Statement Account            | Maximum Balance for the Period | Ending Balance | Actual Amount Provided | Interest Rate | Nature of Financing (Note 1) | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company | Financing Company's Total Financing Amount Limit | Note |
|--------------------------|------------|----------------------------------------|--------------------------------|----------------|------------------------|---------------|------------------------------|---------------------|----------------------|------------------------|------------|-------|--------------------------------------------|--------------------------------------------------|------|
|                          |            |                                        |                                |                |                        |               |                              |                     |                      |                        | Item       | Value |                                            |                                                  |      |
| NSP                      | GES USA    | Other receivables from related parties | \$ 325,000                     | \$ -           | \$ -                   | -             | 2                            | \$ -                | Operating capital    | \$ -                   | -          | \$ -  | \$ 1,606,295 (Notes 2, 3, 4 and 5)         | \$ 3,212,590                                     | 2    |
|                          | GES UK     | Other receivables from related parties | 1,109,500                      | 1,109,500      | 1,109,500              | 2.8%          | 2                            | -                   | Operating capital    | -                      | -          | -     | 1,606,295 (Notes 2, 3, 4 and 5)            | 3,212,590                                        | 2    |
| General Energy Solutions | Yong Liang | Other receivables from related parties | 100,000                        | -              | -                      | -             | 2                            | -                   | Operating capital    | -                      | -          | -     | 192,861 (Notes 2, 3, 4 and 5)              | 771,445                                          | 2    |
|                          | Ever Lite  | Other receivables from related parties | 10,000                         | 10,000         | 10,000                 | 2.2%          | 2                            | -                   | Operating capital    | -                      | -          | -     | 192,861 (Notes 2, 3, 4 and 5)              | 771,445                                          | 2    |
|                          | GES UK     | Other receivables from related parties | 234,500                        | 234,500        | 234,500                | 2.2%          | 2                            | -                   | Operating capital    | -                      | -          | -     | 192,861 (Notes 2, 3, 4 and 5)              | 771,445                                          | 2    |
|                          | GES JAPAN  | Other receivables from related parties | 196,000                        | -              | -                      | -             | 2                            | -                   | Operating capital    | -                      | -          | -     | 192,861 (Notes 2, 3, 4 and 5)              | 771,445                                          | 2    |
|                          | GES JAPAN  | Other receivables from related parties | 202,560                        | 202,560        | 202,560                | 2.2%          | 2                            | -                   | Operating capital    | -                      | -          | -     | 2,138,153 (Notes 2, 3, 4 and 5)            | 2,138,153                                        | 2    |
| GES UK                   | GES USA    | Other receivables from related parties | 224,392                        | 224,392        | 224,392                | 2.2%          | 2                            | -                   | Operating capital    | -                      | -          | -     | 2,138,153 (Notes 2, 3, 4 and 5)            | 2,138,153                                        | 2    |
|                          | Hashimoto  | Other receivables from related parties | 13,685                         | -              | -                      | -             | 2                            | -                   | Operating capital    | -                      | -          | -     | 213,815 (Notes 2, 3, 4 and 5)              | 855,261                                          | 2    |
|                          | GES KYUSHU | Other receivables from related parties | 152,401                        | 152,401        | 152,401                | 2.2%          | 2                            | -                   | Operating capital    | -                      | -          | -     | 213,815 (Notes 2, 3, 4 and 5)              | 855,261                                          | 2    |

Note 1: Nature of Financing:  
1) For business;  
2) For short-term financing.

Note 2: The financing company’s total financing amount for one counterparty should not exceed 40% of the financing company’s net asset value. The net asset value of General Energy Solutions is based on the latest audited or reviewed financial statement.

Note 3: The financing company’s total financing should not exceed 20% of its net asset value. A single financing should not exceed the transaction amount between financing company and counterparty within one year and should not exceed the highest amount of purchases or sales.

Note 4: NSP’s total amount of financing for short-term financing need should not exceed 20% of net asset value and the financing for a counterparty should not exceed 10% of net asset value.

Note 5: GES’s total amount of financing for short-term financing need should not exceed 40% of net asset value and the financing for a counterparty should not exceed 10% of net asset value.

Note 6: Overseas subsidiaries wholly-owned directly or indirectly by General Energy Solution are not subject to Note 2. The financing company’s total financing should not exceed three years and the total amount of financing and the financing for a counterparty should not exceed 100% of net asset value.

**TABLE 2**

**NEO SOLAR POWER CORP. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)**

| No. | Financing Company        | Counterparty             |                        | Limits on<br>Endorsement/<br>Guarantee<br>Amount Provided<br>to Each<br>Counter-party<br>(Notes 1 and 2) | Maximum<br>Balance for<br>the Period | Ending Balance | Actual Provided | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity Per Latest<br>Financial<br>Statements (%) | Maximum<br>Endorsement/<br>Guarantee<br>Amount<br>Allowable<br>(Notes 1 and 2) | Endorsement/<br>Guarantee<br>Amount<br>Provided to<br>Subsidiary | Endorsement/<br>Guarantee<br>Amount<br>Provided to<br>the<br>Corporation | Endorsement/<br>Guarantee<br>Amount<br>Provided to<br>Mainland<br>China |
|-----|--------------------------|--------------------------|------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------|----------------|-----------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------|
|     |                          | Name                     | Nature of Relationship |                                                                                                          |                                      |                |                 |                                                                           |                                                                                                                 |                                                                                |                                                                  |                                                                          |                                                                         |
| 0   | NSP                      | NSP UK                   | Subsidiary             | \$ 3,212,590                                                                                             | \$ 360,900                           | \$ 360,900     | \$ 360,900      | \$ -                                                                      | 2.08                                                                                                            | \$ 8,301,475                                                                   | YES                                                              | -                                                                        | -                                                                       |
|     |                          | General Energy Solutions | Subsidiary             | 3,212,590                                                                                                | 1,400,000                            | 1,400,000      | 366,341         | -                                                                         | 8.07                                                                                                            | 8,301,475                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | NSP HK                   | Subsidiary             | 3,212,590                                                                                                | 325,000                              | -              | -               | -                                                                         | -                                                                                                               | 8,301,475                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | Abacus                   | Subsidiary             | 3,212,590                                                                                                | 1,050,000                            | -              | -               | -                                                                         | -                                                                                                               | 8,301,475                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | GES UK                   | Subsidiary             | 3,212,590                                                                                                | 1,115,172                            | -              | -               | -                                                                         | -                                                                                                               | 8,301,475                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | Delsolar HK              | Subsidiary             | 3,212,590                                                                                                | 32,500                               | 32,500         | -               | -                                                                         | 0.19                                                                                                            | 8,301,475                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | CFR                      | Subsidiary             | 3,212,590                                                                                                | 650,000                              | 650,000        | 113,750         | -                                                                         | 3.74                                                                                                            | 8,301,475                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | XYH Suzhou               | Subsidiary             | 3,212,590                                                                                                | 225,000                              | -              | -               | -                                                                         | -                                                                                                               | 8,301,475                                                                      | YES                                                              | -                                                                        | YES                                                                     |
| 1   | General Energy Solutions | Abacus                   | Subsidiary             | 1,928,613                                                                                                | 600,000                              | -              | -               | -                                                                         | -                                                                                                               | 3,857,226                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | Yong Yeh Energy          | Subsidiary             | 1,928,613                                                                                                | 50,000                               | 50,000         | 11,960          | -                                                                         | 2.59                                                                                                            | 3,857,226                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | Yong Han                 | Subsidiary             | 1,928,613                                                                                                | 50,000                               | 50,000         | 28,960          | -                                                                         | 2.59                                                                                                            | 3,857,226                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | GES UK                   | Subsidiary             | 1,928,613                                                                                                | 810,000                              | 810,000        | 474,000         | -                                                                         | 42.00                                                                                                           | 3,857,226                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | Yong Liang               | Subsidiary             | 1,928,613                                                                                                | 630,000                              | 400,000        | 88,100          | -                                                                         | 20.74                                                                                                           | 3,857,226                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          | GES USA                  | Subsidiary             | 1,928,613                                                                                                | 835,949                              | 835,949        | 459,199         | -                                                                         | 43.34                                                                                                           | 3,857,226                                                                      | YES                                                              | -                                                                        | -                                                                       |
|     |                          |                          |                        |                                                                                                          |                                      |                |                 |                                                                           |                                                                                                                 |                                                                                |                                                                  |                                                                          |                                                                         |

Note 1: In accordance with the “Rules of Guarantees by NSP,” the ceiling for total guaranteed amount was 50% of NSP’s net asset value, and the limit on the guaranteed amount for a single party was 20% of NSP’s net asset value. But for business purposes, the limit of the guaranteed amount was the total of the purchases from or sales to NSP within the most recent year.

Note 2: Based on the “Rules of Guarantees by General Energy Solutions,” the ceiling for total guaranteed amount was 200% of General Energy Solutions’ (GES’s) net asset value, and the limit of guaranteed amount for a single party was 100% of GES’s net asset value. But for business purposes, the limit on the guaranteed amount was the total of the purchases from or sales to GES within the most recent year. GES’s net asset value is based on its latest financial statements.

TABLE 3

NEO SOLAR POWER CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES)  
DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name     | Marketable Securities Type and Issuer      | Relationship with the Holding Company | Financial Statement Account                        | December 31, 2016         |                |                             |                                 | Note   |
|--------------------------|--------------------------------------------|---------------------------------------|----------------------------------------------------|---------------------------|----------------|-----------------------------|---------------------------------|--------|
|                          |                                            |                                       |                                                    | Shares (Thousands/ Units) | Carrying Value | Percentage of Ownership (%) | Market Value or Net Asset Value |        |
| NSP                      | Share                                      |                                       |                                                    |                           |                |                             |                                 |        |
|                          | TTMC                                       | Investee                              | Available-for-sale financial assets - noncurrent   | 4,000                     | \$ 69,160      | 5.44                        | \$ 69,160                       | Note 2 |
|                          | SUN APPENNINO CORPORATION                  | Investee                              | Financial assets carried at cost - noncurrent      | -                         | 22,590         | 26.09                       | 22,590                          | Note 1 |
| General Energy Solutions | FICUS CAPITAL CORPORATION                  | Investee                              | Financial assets carried at cost - noncurrent      | -                         | 1,259          | 28.07                       | 1,259                           | Note 1 |
|                          | Share                                      |                                       |                                                    |                           |                |                             |                                 |        |
|                          | Puttable preference share - Phanes Holding | Other related party                   | Debt investment with no active market - noncurrent | 29                        | 306,651        | 100.00                      | 306,651                         | Note 2 |
| Prime Energy             | Share                                      |                                       |                                                    |                           |                |                             |                                 |        |
|                          | TTMC                                       | Investee                              | Available-for-sale financial assets - noncurrent   | 359                       | 6,659          | 0.49                        | 6,659                           | Note 2 |
|                          | EXOJET                                     | Investee                              | Financial assets carried at cost - noncurrent      | 5,885                     | 30,100         | 14.43                       | 30,100                          | Note 1 |
| New Ray Investment       | Share                                      |                                       |                                                    |                           |                |                             |                                 |        |
| GES USA                  | TTMC                                       | Investee                              | Available-for-sale financial assets - noncurrent   | 3,000                     | 51,869         | 4.08                        | 51,869                          | Note 2 |
|                          | Share                                      |                                       |                                                    |                           |                |                             |                                 |        |
|                          | TG ENERGY SOLUTIONS LLC                    | Investee                              | Financial assets carried at cost - noncurrent      | -                         | 646            | 10.00                       | 646                             | Note 1 |

Note 1: The amount is based on the book value.

Note 2: The amount is based on the fair value. For those pertaining to private-placement shares, the amount is based on quoted market prices; and for those that cannot be traded during the lock-up period, the amount is based on relevant market prices.

Note 3: The marketable securities had not been pledged or mortgaged. TTMC’s shares held by both NSP and New Ray Investment through private equity placement were restricted under Article 43-8 of the Securities and Exchange Act as of December 31, 2016.

TABLE 4

NEO SOLAR POWER CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account                       | Counterparty | Relationship | Beginning Balance         |        | Acquisition               |            | Disposal                  |        |                 |                         | Ending Balance            |                     |
|--------------|----------------------------------------|---------------------------------------------------|--------------|--------------|---------------------------|--------|---------------------------|------------|---------------------------|--------|-----------------|-------------------------|---------------------------|---------------------|
|              |                                        |                                                   |              |              | Shares (Thousands/ Units) | Amount | Shares (Thousands/ Units) | Amount     | Shares (Thousands/ Units) | Amount | Carrying Amount | Gain (Loss) on Disposal | Shares (Thousands/ Units) | Amount              |
| NSP          | Share<br>Neo Cathy                     | Investments accounted for using the equity method | -            | -            | -                         | \$ -   | 60,000                    | \$ 600,000 | -                         | \$ -   | \$ -            | \$ -                    | 60,000 (Note 1)           | \$ 598,835 (Note 2) |
|              | NSP BVI                                | Investments accounted for using the equity method | -            | -            | 2,001                     | 66,164 | 43,000                    | 1,360,946  | -                         | -      | -               | -                       | 45,001 (Note 3)           | 1,458,871 (Note 4)  |
| NSP BVI      | CFY                                    | Investments accounted for using the equity method | -            | -            | -                         | -      | 10,672                    | 1,258,881  | -                         | -      | -               | -                       | 10,672 (Note 5)           | 1,263,430 (Note 6)  |

Note 1: In 2016, the Corporation subscribed for 60,000 thousand shares of Neo Cathy Power Corp. for cash of \$600,000 thousand, and the Corporation was able to exercise significant influence over Neo Cathy Power Corp.

Note 2: The ending balance included the recognition of the net investment loss of \$1,165 thousand.

Note 3: In 2016, the Corporation subscribed for 43,000 thousand shares of NSP BVI for cash of USD 43,000 thousand.

Note 4: The ending balance included the recognition of the net investment gain of \$6,372 thousand, and cumulative translation adjustments of \$25,485 thousand.

Note 5: In 2016, the Corporation subscribed for 10,672 thousand shares of CFY for cash of USD 39,000 thousand.

Note 6: The ending balance included the recognition of the net investment gain of \$4,543 thousand, and cumulative translation adjustments of \$6 thousand.

**TABLE 5**

**NEO SOLAR POWER CORP. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name             | Related Party                                       | Nature of Relationship            | Transaction Details |            |                         |                                | Non-arm’s Length Transaction |                 | Notes/Accounts Payable or Receivable |                      | Remark |
|--------------------------|-----------------------------------------------------|-----------------------------------|---------------------|------------|-------------------------|--------------------------------|------------------------------|-----------------|--------------------------------------|----------------------|--------|
|                          |                                                     |                                   | Purchase/<br>Sale   | Amount     | % to<br>Total<br>(Note) | Payment Terms                  | Unit Price                   | Payment<br>Term | Ending Balance                       | % to Total<br>(Note) |        |
| NSP                      | General Energy Solutions<br>DelSolar Wu Jiang       | Subsidiary<br>Subsidiary          | Sale                | \$ 356,569 | 2.35                    | 120 days from the invoice date | \$ -                         | -               | \$ 177,876                           | 6.23                 | -      |
|                          |                                                     |                                   | Sale                | 217,737    | 1.44                    | Open account 30 days           | -                            | -               | -                                    | -                    | -      |
|                          |                                                     |                                   | Purchase            | 629,254    | 5.50                    | Cash on delivery 7 day         | -                            | -               | -                                    | -                    | -      |
| General Energy Solutions | Delta Electronic (Japan) Inc.<br>DelSolar HK        | Other related party<br>Subsidiary | Sale                | 118,042    | 0.78                    | Open account 60 days           | -                            | -               | 1,241                                | 0.04                 | -      |
|                          |                                                     |                                   | Purchase            | 176,752    | 1.55                    | Prepayment                     | -                            | -               | (19,690)                             | 1.93                 | -      |
|                          | Abacus<br>Oryx Solar System Solutions LLC<br>(Oryx) | Subsidiary<br>Other related party | Sale                | 260,061    | 35.00                   | Open account 60 days           | -                            | -               | 258,528                              | 45.81                | -      |
|                          |                                                     |                                   | Sale                | 107,247    | 14.44                   | Open account 60 days           | -                            | -               | -                                    | -                    | -      |
| JRC                      | GES KYUSHU                                          | Associate                         | Purchase            | 184,650    | 9.45                    | Open account 90 days           | -                            | -               | (184,882)                            | 97.54                | -      |

Note: The amounts were based on total notes or accounts receivable (payable) or total purchase (sale) amounts of the buyer (seller).

**TABLE 6**

**NEO SOLAR POWER CORP. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2016**

**(In Thousands of New Taiwan Dollars)**

| Company Name             | Related Party            | Nature of Relationship | Receivable from Related Party | Turnover Rate | Overdue   |                                                 | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|--------------------------|--------------------------|------------------------|-------------------------------|---------------|-----------|-------------------------------------------------|---------------------------------------|-------------------------|
|                          |                          |                        |                               |               | Amount    | Action Taken                                    |                                       |                         |
| NSP                      | GES UK                   | Subsidiary             | \$ 1,129,765                  | -             | \$ -      | Receivable according to the financial situation | \$ -                                  | \$ -                    |
|                          | General Energy Solutions | Subsidiary             | 814,389                       | 0.62          | 678,506   | Receivable according to the financial situation | -                                     | -                       |
|                          | GES ME                   | Subsidiary             | 440,861                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
|                          | Delsolar US              | Subsidiary             | 439,650                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
|                          | NSP NEVADA               | Subsidiary             | 284,125                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
| NSP UK                   | NSP Indygen              | Subsidiary             | 275,005                       | -             | 275,005   | Receivable according to the financial situation | -                                     | -                       |
| Delsolar US              | USD1                     | Subsidiary             | 267,570                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
| General Energy Solutions | JRC                      | Subsidiary             | 125,234                       | -             | 79,114    | Receivable according to the financial situation | 17,108                                | -                       |
|                          | GES UK                   | Subsidiary             | 228,149                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
|                          | Abacus                   | Subsidiary             | 334,657                       | -             | 300,977   | Receivable according to the financial situation | -                                     | -                       |
|                          | Abacus                   | Subsidiary             | 258,528                       | 2.01          | 258,528   | Receivable according to the financial situation | -                                     | -                       |
|                          | GES KYUSHU               | Associate              | 100,081                       | 1.96          | -         | Receivable according to the financial situation | 13,557                                | -                       |
| GES UK                   | GES JAPAN                | Subsidiary             | 201,980                       | -             | -         | Receivable according to the financial situation | 112,483                               | -                       |
|                          | GES KYUSHU               | Associate              | 141,971                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
|                          | GES USA                  | Subsidiary             | 228,135                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |
|                          | JRC                      | Subsidiary             | 1,663,206                     | -             | 1,596,481 | Receivable according to the financial situation | 9,684                                 | -                       |
|                          | Abacus                   | Subsidiary             | 213,053                       | -             | 210,136   | Receivable according to the financial situation | -                                     | -                       |
| GES JAPAN                | GES KYUSHU               | Associate              | 210,535                       | -             | 152,674   | Receivable according to the financial situation | -                                     | -                       |
|                          | Hashimoto                | Associate              | 232,693                       | -             | 199,490   | Receivable according to the financial situation | -                                     | -                       |
|                          | MUNISOL                  | Subsidiary             | 195,343                       | -             | 44,698    | Receivable according to the financial situation | -                                     | -                       |
| GES USA                  |                          |                        |                               |               |           |                                                 |                                       |                         |
| MEGAFIFTEEN              | GES USA                  | Parent company         | 153,684                       | -             | -         | Receivable according to the financial situation | -                                     | -                       |

NEO SOLAR POWER CORP. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company         | Location               | Main Businesses and Products                   | Original Investment Amount |                      | Balance as of December 31, 2016 |                |                | Net Income (Loss)<br>of the Investee | Investment Gain<br>(Loss) | Note             |
|------------------|--------------------------|------------------------|------------------------------------------------|----------------------------|----------------------|---------------------------------|----------------|----------------|--------------------------------------|---------------------------|------------------|
|                  |                          |                        |                                                | December 31,<br>2016       | December 31,<br>2015 | Shares<br>(Thousands)           | % of Ownership | Carrying Value |                                      |                           |                  |
| NSP              | DelSolar Cayman          | Cayman Islands         | Investment company                             | \$ 4,427,839               | \$ 4,427,839         | 139,501                         | 100.00         | \$ 2,307,379   | \$ (1,102,163)                       | \$ (1,101,369)            | Note 1           |
|                  | NSP BVI                  | British Virgin Islands | Investment company                             | 1,426,179                  | 65,233               | 45,001                          | 100.00         | 1,458,871      | 6,372                                | 6,372                     | Note 1           |
|                  | General Energy Solutions | Hsin-chu, Taiwan       | Electronic component manufacturing and selling | 2,116,408                  | 2,116,408            | 145,096                         | 75.89          | 1,449,400      | (321,571)                            | (244,303)                 | Note 1           |
|                  | NSP System               | Tainan, Taiwan         | Investment company                             | 144,200                    | 50,000               | 14,420                          | 100.00         | 145,918        | 15,108                               | 15,108                    | Note 1           |
|                  | New Ray Investment       | Tainan, Taiwan         | Investment company                             | 115,000                    | 115,000              | 11,500                          | 100.00         | 63,461         | (166)                                | (166)                     | Note 1           |
|                  | V5 Technology            | Hsin-chu, Taiwan       | Electronic component manufacturing and selling | 114,084                    | 57,691               | 7,790                           | 60.85          | 53,274         | (56,661)                             | (35,686)                  | Note 2           |
|                  | Prime Energy             | Tainan, Taiwan         | Electronic component manufacturing and selling | 90,000                     | 90,000               | 9,000                           | 100.00         | 51,573         | (157)                                | (157)                     | Note 1           |
|                  | BPS                      | Tainan, Taiwan         | Solar related business                         | 6,000                      | 6,000                | 600                             | 60.00          | 4,865          | (1,420)                              | (852)                     | Note 1           |
|                  | NSP UK                   | London, UK             | Investment company                             | 3,947                      | 1,449                | 80                              | 100.00         | 1,972          | (1,472)                              | (1,472)                   | Note 1           |
|                  | New Castle               | Kaohsiung, Taiwan      | Investment company                             | 550                        | 550                  | 55                              | 55.00          | 539            | (2)                                  | (1)                       | Note 1           |
|                  | DelSolar Singapore       | Singapore              | Investment company                             | 24,320                     | -                    | 1,070                           | 100.00         | (24,213)       | (2,520)                              | (2,520)                   | Note 1           |
|                  | Neo Cathy                | Tainan, Taiwan         | Investment company                             | 600,000                    | -                    | 60,000                          | 40.00          | 598,835        | (2,911)                              | (1,165)                   | Note 1           |
|                  | General Energy Solutions | Yong Liang             | Solar related business                         | 219,000                    | 129,000              | 21,900                          | 100.00         | 212,245        | (8,643)                              | (8,643)                   | Note 1           |
|                  |                          | Yong Han               | Solar related business                         | 36,000                     | 29,000               | 3,600                           | 100.00         | 37,242         | 1,646                                | 1,646                     | Note 1           |
|                  |                          | Yong Zhou              | Solar related business                         | 35,000                     | 35,000               | -                               | 100.00         | 12,066         | (8,565)                              | (8,565)                   | Note 1           |
|                  |                          | Yun Yeh                | Solar related business                         | 8,000                      | 1,000                | 800                             | 100.00         | 7,702          | (206)                                | (206)                     | Note 1           |
|                  | Ever Lite                | Hsin-chu, Taiwan       | Electronic component selling                   | 6,000                      | -                    | -                               | 100.00         | 6,390          | 390                                  | 390                       | Note 1           |
| GES UK           | Abacus                   | Tokyo, Japan           | Solar related business                         | 94,834                     | 94,834               | -                               | 100.00         | 51,314         | (32,004)                             | (32,004)                  | Note 1           |
|                  | JRC                      | Dominican              | Solar related business                         | 1,440                      | -                    | -                               | 1.00           | 1,204          | (24,746)                             | (248)                     | Notes 1 and 7    |
|                  | GES ME                   | Dubai                  | Solar related business                         | -                          | -                    | -                               | 100.00         | (8,018)        | (201)                                | (201)                     | Note 1           |
|                  | GES UK                   | London, UK             | Investment company                             | 2,265,371                  | 2,122,975            | 74,000                          | 100.00         | 2,074,736      | (87,251)                             | (87,251)                  | Note 1           |
|                  | GES USA                  | Delaware, US           | Investment company                             | 557,200                    | 557,200              | 18,780                          | 100.00         | 675,023        | (22,345)                             | (22,345)                  | Note 1           |
|                  | GES PH                   | Manila, Philippines    | Solar related business                         | -                          | 6,029                | -                               | -              | -              | (12)                                 | (12)                      | Note 1           |
|                  | NCH Solar 1              | London, UK             | Solar related business                         | 444,937                    | 533,810              | 8,697                           | 100.00         | 358,727        | 10,613                               | 10,613                    | Note 1           |
|                  | GES Solar 2              | London, UK             | Solar related business                         | 61,326                     | 128,657              | 1,021                           | 100.00         | 27,899         | (11,207)                             | (11,207)                  | Note 1           |
|                  | GES Solar 3              | London, UK             | Solar related business                         | 3,328                      | 3,280                | 67                              | 100.00         | (787)          | (3,372)                              | (3,372)                   | Note 1           |
|                  | GES CANADA               | Canada                 | Investment company                             | 143,952                    | 143,952              | 4,600                           | 100.00         | 94,017         | (24,731)                             | (8,578)                   | Note 1           |
| GES USA          | GES JAPAN                | Fukuoka, Japan         | Investment company                             | 513,062                    | 513,062              | 221                             | 100.00         | 489,792        | (2,660)                              | (2,660)                   | Note 1           |
|                  | ET ENERGY                | Indiana, US            | Solar related business                         | 247,759                    | 247,759              | 8,400                           | 100.00         | 320,302        | 27,933                               | 27,933                    | Note 1           |
|                  | TIPPING POINT            | Ohio, US               | Solar related business                         | 34,471                     | 34,471               | 1,155                           | 100.00         | 18,447         | (52)                                 | (52)                      | Note 1           |
|                  | MEGATWO                  | California, US         | Solar related business                         | -                          | -                    | -                               | -              | (69,630)       | (29,403)                             | (29,403)                  | Notes 1 and 3    |
|                  | MEGATHREE                | Delaware, US           | Solar related business                         | 38,606                     | 38,606               | 1,284                           | 40.00          | 37,845         | 2,676                                | 2,649                     | Note 1           |
|                  | MEGAFIVE                 | California, US         | Solar related business                         | -                          | -                    | -                               | -              | (1,049)        | (428)                                | (428)                     | Notes 1 and 3    |
|                  | MEGASIX                  | California, US         | Solar related business                         | -                          | -                    | -                               | -              | (1,169)        | (1,061)                              | (1,061)                   | Notes 1 and 3    |
|                  | MEGASEVEN                | California, US         | Solar related business                         | -                          | -                    | -                               | -              | (1,931)        | (1,869)                              | (1,869)                   | Notes 1 and 3    |
|                  | MEGAEIGHT                | California, US         | Solar related business                         | 31,940                     | -                    | 990                             | 100.00         | 31,869         | (88)                                 | (88)                      | Note 1           |
|                  | MEGAELEVEN               | New York, US           | Solar related business                         | -                          | -                    | -                               | -              | (902)          | (901)                                | (901)                     | Notes 1 and 3    |
|                  | MEGATWELVE               | Indiana, US            | Solar related business                         | -                          | -                    | -                               | -              | (30)           | (30)                                 | (30)                      | Notes 1 and 3    |
|                  | MEGATHIRTEEN             | Indiana, US            | Solar related business                         | -                          | -                    | -                               | -              | (312)          | (311)                                | (311)                     | Notes 1 and 3    |
|                  | MEGAFOURTEEN             | Massachusetts, US      | Solar related business                         | 59,080                     | -                    | -                               | 55.00          | 58,665         | (623)                                | (343)                     | Notes 1 and 9    |
|                  | MEGAFIFTEEN              | Massachusetts, US      | Solar related business                         | 102,067                    | -                    | -                               | 55.00          | 101,615        | (593)                                | (327)                     | Notes 1 and 9    |
|                  | ASSET ONE                | California, US         | Solar related business                         | 35,448                     | -                    | 1,110                           | 100.00         | 35,792         | 466                                  | 466                       | Note 1           |
|                  | ASSET TWO                | California, US         | Solar related business                         | -                          | -                    | -                               | -              | (127)          | (75)                                 | (75)                      | Notes 1 and 3    |
|                  | ASSET THREE              | Hawaii, US             | Solar related business                         | -                          | -                    | -                               | -              | (5,820)        | (5,813)                              | (5,813)                   | Notes 1 and 3    |
| GES CANADA       | ASSET FOUR               | California, US         | Solar related business                         | -                          | -                    | -                               | -              | (63)           | (63)                                 | (63)                      | Notes 1 and 3    |
|                  | Cenergy                  | California, US         | Solar related business                         | -                          | -                    | -                               | -              | 31,846         | 32,585                               | 32,585                    | Notes 1 and 3    |
|                  | SH4                      | California, US         | Solar related business                         | 22,647                     | -                    | 684                             | 100.00         | 22,510         | 522                                  | 522                       | Note 1           |
|                  | CEDAR FALLS              | Lowa, US               | Solar related business                         | 3,378                      | -                    | 102                             | 100.00         | 5,504          | 2,174                                | 2,174                     | Note 1           |
|                  | SCHENECTADY              | New York, US           | Solar related business                         | -                          | -                    | -                               | -              | (4,970)        | (4,964)                              | (4,964)                   | Notes 1 and 3    |
|                  | VOC                      | New York, US           | Solar related business                         | -                          | -                    | -                               | -              | (1,164)        | (1,162)                              | (1,162)                   | Notes 1 and 3    |
|                  | HEYWOOD                  | Massachusetts, US      | Solar related business                         | -                          | -                    | -                               | -              | (400)          | (400)                                | (400)                     | Notes 1 and 3    |
|                  | SEG                      | New York, US           | Solar related business                         | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
|                  | JRC                      | Dominican              | Solar related business                         | 144,562                    | 146,025              | 5                               | 99.00          | 74,091         | (24,746)                             | (24,498)                  | Note 1           |
|                  | GES KYUSHU               | Fukuoka, Japan         | Solar related business                         | 76,116                     | 76,116               | 25                              | 45.00          | 31,044         | 25,012                               | 11,255                    | Note 1           |
| GES JAPAN        | GES FUKUSHIMA            | Fukuoka, Japan         | Solar related business                         | 34,580                     | 34,580               | 2                               | 100.00         | 21,309         | (9,135)                              | (9,135)                   | Note 1           |
|                  | Hashimoto                | Hoshimoto, Japan       | Solar related business                         | 10,909                     | 10,909               | 2                               | 45.00          | -              | (5,648)                              | (2,541)                   | Note 1           |
| MEGATWO          | MUNISOL                  | Mexico                 | Solar related business                         | -                          | -                    | -                               | -              | (22,690)       | (25,262)                             | (25,262)                  | Notes 1, 3 and 7 |

(Continued)

| Investor Company   | Investee Company         | Location               | Main Businesses and Products        | Original Investment Amount |                      | Balance as of December 31, 2016 |                |                | Net Income (Loss)<br>of the Investee | Investment Gain<br>(Loss) | Note             |
|--------------------|--------------------------|------------------------|-------------------------------------|----------------------------|----------------------|---------------------------------|----------------|----------------|--------------------------------------|---------------------------|------------------|
|                    |                          |                        |                                     | December 31,<br>2016       | December 31,<br>2015 | Shares<br>(Thousands)           | % of Ownership | Carrying Value |                                      |                           |                  |
| ASSET THREE        | SHIMA'S                  | Hawaii, US             | Solar related business              | \$ -                       | \$ -                 | -                               | -              | \$ -           | \$ -                                 | \$ -                      | Notes 1 and 3    |
|                    | WAIMEA                   | Hawaii, US             | Solar related business              | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
|                    | HONOKOWAI                | Hawaii, US             | Solar related business              | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
|                    | ELEELE                   | Hawaii, US             | Solar related business              | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
|                    | HANALEI                  | Hawaii, US             | Solar related business              | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
|                    | KAPPA                    | Hawaii, US             | Solar related business              | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
| Cenergy            | KOLOA                    | Hawaii, US             | Solar related business              | -                          | -                    | -                               | -              | -              | -                                    | -                         | Notes 1 and 3    |
|                    | Inashiki GK              | Japan                  | Solar related business              | -                          | -                    | -                               | -              | -              | 21,565                               | 21,565                    | Notes 1 and 3    |
|                    | Namegata GK              | Japan                  | Solar related business              | -                          | -                    | -                               | -              | -              | 19,187                               | 19,187                    | Notes 1 and 3    |
| NSP System         | Hsin Jin Optoelectronics | Tainan, Taiwan         | Solar related business              | 10,647                     | 10,647               | -                               | 80.00          | 11,452         | 2,778                                | 2,223                     | Note 1           |
|                    | Hsin Jin Solar Energy    | Tainan, Taiwan         | Solar related business              | 13,981                     | 13,981               | -                               | 60.00          | 15,832         | 5,029                                | 3,018                     | Note 1           |
| NSP UK             | NSP Germany              | Cologne, Germany       | Solar related business              | GBP 17                     | GBP 17               | -                               | 90.00          | GBP 31         | GBP 12                               | GBP 11                    | Note 1           |
|                    | PV-Power-Park            | Frankfurt, Germany     | Solar related business              | GBP 20                     | GBP 20               | -                               | 100.00         | GBP 20         | GBP -                                | GBP -                     | Notes 1 and 8    |
|                    | NSP Indygen              | UK                     | Solar related business              | GBP -                      | GBP -                | -                               | -              | GBP -          | GBP -                                | GBP -                     | Notes 1 and 3    |
| CFR                | Rugged Solar LLC         | Delaware, US           | Solar related business              | USD -                      | USD -                | -                               | -              | USD -          | USD -                                | USD -                     | Notes 1 and 3    |
| USD1               | DevCo One                | US                     | Solar related business              | USD -                      | USD -                | -                               | 40.00          | USD 790        | USD 1,976                            | USD 790                   | Note 1           |
|                    | DevCo Two                | US                     | Solar related business              | USD 166                    | USD -                | -                               | 40.00          | USD 264        | USD 245                              | USD 98                    | Note 1           |
| NSP Indygen        | POTTERS BAR              | UK                     | Solar related business              | GBP 900                    | GBP -                | -                               | -              | GBP 900        | GBP -                                | GBP -                     | Notes 1 and 3    |
|                    | CLAY CROSS               | UK                     | Solar related business              | GBP 636                    | GBP -                | -                               | -              | GBP 636        | GBP -                                | GBP -                     | Notes 1 and 3    |
|                    | BELPER                   | UK                     | Solar related business              | GBP 830                    | GBP -                | -                               | -              | GBP 830        | GBP -                                | GBP -                     | Notes 1 and 3    |
|                    | Bryncrychau              | UK                     | Solar related business              | GBP 162                    | GBP -                | -                               | -              | GBP 162        | GBP -                                | GBP -                     | Notes 1 and 3    |
|                    | Meadowley                | UK                     | Solar related business              | GBP 232                    | GBP -                | -                               | -              | GBP 232        | GBP -                                | GBP -                     | Notes 1 and 3    |
|                    | DelSolar Cayman          | Delaware, US           | Investment company                  | USD 14,800                 | USD 14,800           | 1                               | 100.00         | USD 9,101      | USD (3,759)                          | USD (3,759)               | Note 1           |
| DelSolar HK        | DelSolar HK              | Hong Kong              | Investment company                  | USD 125,200                | USD 125,200          | 125,200                         | 100.00         | USD 62,946     | USD (30,317)                         | USD (30,317)              | Note 1           |
|                    | NSP NEVADA               | Nevada, US             | Solar related business              | USD -                      | USD -                | -                               | -              | USD (109)      | USD (109)                            | USD (109)                 | Notes 1 and 3    |
|                    | DelSolar Wu Jiang        | Jiangsu, China         | Solar related business              | USD 125,200                | USD 120,000          | -                               | 100.00         | USD 57,833     | USD (29,906)                         | USD (29,906)              | Notes 1 and 5    |
|                    | NSP JAPAN                | Osaka, Japan           | Solar related business              | USD 97                     | USD 97               | 1                               | 100.00         | USD 333        | USD 278                              | USD 278                   | Note 1           |
|                    | NSP Nanchang             | Jiangxi, China         | Solar related business              | USD 5,000                  | USD 5,000            | -                               | 11.36          | USD 4,721      | USD (4,511)                          | USD (686)                 | Notes 1, 5 and 7 |
| DelSolar US        | DelSolar Development     | Delaware, US           | Solar related business              | USD 4,850                  | USD 4,850            | -                               | 100.00         | USD 4,607      | USD (214)                            | USD (214)                 | Note 1           |
|                    | CFR                      | Delaware, US           | Solar related business              | USD 4,370                  | USD 2,870            | -                               | 100.00         | USD (1,887)    | USD (5,294)                          | USD (5,294)               | Note 1           |
|                    | USD1                     | Delaware, US           | Solar related business              | USD 3,582                  | USD 3,582            | -                               | 100.00         | USD 5,175      | USD 1,664                            | USD 1,664                 | Note 1           |
|                    | CF Vegas                 | Delaware, US           | Solar related business              | USD -                      | USD 741              | -                               | -              | USD -          | USD -                                | USD -                     | Notes 1 and 4    |
|                    | JV2                      | Delaware, US           | Solar related business              | USD 2,000                  | USD -                | -                               | 67.00          | USD 2,000      | USD -                                | USD -                     | Notes 1 and 6    |
|                    | DelSolar Development     | US                     | Solar related business              | USD 1,370                  | USD 1,370            | -                               | 100.00         | USD 1,606      | USD (79)                             | USD (79)                  | Note 1           |
| DelSolar Singapore | DSS-RAL LLC              | US                     | Solar related business              | USD 2,555                  | USD 2,555            | -                               | 100.00         | USD 3,123      | USD (158)                            | USD (158)                 | Note 1           |
|                    | DelSolar India           | India                  | Solar related business              | USD 300                    | USD 300              | 1,435                           | 100.00         | USD (1,407)    | USD (43)                             | USD (43)                  | Note 1           |
|                    | NSP Malaysia             | Malaysia               | Solar related business              | USD 760                    | -                    | 760                             | 100.00         | USD 655        | USD (36)                             | USD (36)                  | Note 1           |
| NSP NEVADA         | Livermore                | Delaware, US           | Solar related business              | USD 200                    | USD 150              | -                               | 75.00          | USD 58         | USD (122)                            | USD (92)                  | Note 1           |
|                    | Hillsboro                | US                     | Solar related business              | USD 335                    | USD -                | -                               | 100.00         | USD 335        | USD -                                | USD -                     | Note 1           |
|                    | Industrial Park          | US                     | Solar related business              | USD 400                    | USD -                | -                               | 100.00         | USD 400        | USD -                                | USD -                     | Note 1           |
| NSP BVI            | MEGAFOURTEEN             | Massachusetts, US      | Solar related business              | 48,278                     | -                    | -                               | 45.00          | 47,998         | (623)                                | (280)                     | Notes 1 and 9    |
|                    | MEGAFIFTEEN              | Massachusetts, US      | Solar related business              | 83,405                     | -                    | -                               | 45.00          | 83,139         | (593)                                | (266)                     | Notes 1 and 9    |
|                    | HI Solar Green 1 LLC     | Hawaii, US             | Solar related business              | USD 34                     | USD -                | -                               | 100.00         | USD 34         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 2 LLC     | Hawaii, US             | Solar related business              | USD 39                     | USD -                | -                               | 100.00         | USD 39         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 3 LLC     | Hawaii, US             | Solar related business              | USD 40                     | USD -                | -                               | 100.00         | USD 40         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 4 LLC     | Hawaii, US             | Solar related business              | USD 39                     | USD -                | -                               | 100.00         | USD 39         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 5 LLC     | Hawaii, US             | Solar related business              | USD 25                     | USD -                | -                               | 100.00         | USD 25         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 6 LLC     | Hawaii, US             | Solar related business              | USD 42                     | USD -                | -                               | 100.00         | USD 42         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 7 LLC     | Hawaii, US             | Solar related business              | USD 28                     | USD -                | -                               | 100.00         | USD 28         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 8 LLC     | Hawaii, US             | Solar related business              | USD 27                     | USD -                | -                               | 100.00         | USD 27         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 9 LLC     | Hawaii, US             | Solar related business              | USD 34                     | USD -                | -                               | 100.00         | USD 34         | USD -                                | USD -                     | Note 1           |
|                    | HI Solar Green 10 LLC    | Hawaii, US             | Solar related business              | USD 36                     | USD -                | -                               | 100.00         | USD 36         | USD -                                | USD -                     | Note 1           |
|                    | CFGP                     | British Virgin Islands | Solar operation management services | USD 6,000                  | USD 2,000            | 30                              | 60.00          | USD 6,057      | USD (65)                             | USD (39)                  | Note 1           |
|                    | NSP HK                   | Hong Kong              | Solar related business              | USD -                      | USD -                | -                               | -              | USD (3)        | USD -                                | USD -                     | Notes 1 and 3    |
|                    | CFY                      | Cayman Islands         | Investment company                  | USD 39,000                 | USD -                | 9,672                           | 26.05          | USD 39,141     | USD 5,157                            | USD 141                   | Note 1           |
|                    | NSP Stars Limited        | British Virgin Islands | trust company                       | USD -                      | USD -                | -                               | -              | USD -          | USD -                                | USD -                     | Note 3           |
|                    | CFY                      | Cayman Islands         | Investment company                  | USD -                      | USD -                | 1,000                           | 2.70           | USD -          | USD 5,157                            | USD -                     | Notes 2 and 10   |
|                    | CFGP (HK)                | Hong Kong              | Solar operation management services | USD 138                    | USD -                | -                               | 100.00         | USD (258)      | USD (396)                            | USD (396)                 | Note 1           |
|                    | CFGP (HK)                | Shanghai, China        | Solar operation management services | USD 138                    | USD -                | -                               | 100.00         | USD (258)      | USD (396)                            | USD (396)                 | Note 1           |
|                    | NSP HK                   | XYH Suzhou             | Solar related business              | USD -                      | USD -                | -                               | -              | USD (3)        | USD -                                | USD -                     | Notes 1 and 7    |
|                    | DelSolar Wu Jiang        | Jiangxi, China         | Solar related business              | USD 39,000                 | USD -                | -                               | 88.64          | USD 29,722     | USD (4,511)                          | USD (3,825)               | Notes 1, 5 and 7 |

(Continued)

|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |             |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Note 1:  | Recognized on the basis of audited financial statements as of December 31, 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             |
| Note 2:  | Recognized on the basis of unaudited financial statements as of December 31, 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |             |
| Note 3:  | The Corporation’s structured entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |             |
| Note 4:  | CF Vegas was disposed of in February 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |             |
| Note 5:  | For investments in Mainland China, refer to Table 8.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |             |
| Note 6:  | As of December 31, 2016, the Corporation’s ownership interest in JV2 was 67% and the Corporation accounted for two thirds of the members of the board. According to the agreement, any material operation and management decision of JV2 shall be vested solely in a Board of Managers which means Delsolar US does not have control over JV2. As specified in the agreement, the percentage interest of both members were 50% and 50%, respectively.                                                                                                                                                                                                                                                      |             |
| Note 7:  | Ownership of MUNISOL was transferred from GES USA to MEGATWO in June 2016; ownership of XYH Suzhou was transferred from Delsolar Wu Jiang to NSP HK in June 2016; ownership of JRC was transferred from 100% ownership by GES CANADA to 99% ownership by GES CANADA and 1% ownership by General Energy Solutions in August 2016; ownership of NSP Nanchang was transferred from 100% ownership by DelSolar HK to 25% ownership by DelSolar HK and 75% ownership by Delsolar Wu Jiang in July 2016. Delsolar Wu Jiang increased its investment in NSP Nanchang in October 2016, and ownership of NSP Nanchang was transferred to 11.36% ownership by DelSolar HK and 88.64% ownership by Delsolar Wu Jiang. |             |
| Note 8:  | UNA 249 Equity Management GmbH (UNA 249) which is the subsidiary of NSP UK had been renamed PV-Power-Park Pro 1 Verwaltungs GmbH (PV-Power-Park) in May 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |             |
| Note 9:  | Ownerships of MEGAFOURTEEN and MEGAFIFTEEN were 55% ownership by GES USA and 45% ownership by NSP NEVADA in November 2016, respectively.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |             |
| Note 10: | NSP Stars Limited has no right to share CFY’s profit before meeting specific conditions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (Concluded) |

**TABLE 8****NEO SOLAR POWER CORP. AND SUBSIDIARIES****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2016****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Equity-method Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type                                                  | Accumulated Outflow of Investment from Taiwan as of January 1, 2016 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2016 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note) | Carrying Value as of December 31, 2016 (Note) | Accumulated Inward Remittance of Earnings as of December 31, 2016 |
|--------------------------------|------------------------------|---------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------|------------------|--------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------|-----------------------------------------------|-------------------------------------------------------------------|
|                                |                              |                                 |                                                                  |                                                                     | Outflow          | Inflow |                                                                       |                                       |                               |                                               |                                                                   |
| DelSolar Wu Jiang              | Solar related business       | US\$ 120,000                    | Indirect investments through the Corporation's 100% subsidiaries | US\$ 120,000                                                        | \$ -             | \$ -   | US\$ 120,000                                                          | 100%                                  | US\$ (29,906)                 | US\$ 57,833                                   | \$ -                                                              |
| NSP Nanchang                   | Solar related business       | US\$ 44,000                     | Indirect investments through the Corporation's 100% subsidiaries | US\$ 5,000                                                          | -                | -      | US\$ 5,000                                                            | 100%                                  | US\$ (4,511)                  | US\$ 34,443                                   | -                                                                 |

| Accumulated Investment in Mainland China as of December 31, 2016 (US\$ in Thousands) | Investment Amount Authorized by the Investment Commission, MOEA (US\$ in Thousands) | Limit on the Corporation's Investment in Mainland China |
|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------|
| US\$ 125,000                                                                         | US\$ 136,440                                                                        | \$ 9,637,771                                            |

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: On December 1, 2015, the Investment Commission, MOEA, authorized the investment of US\$3,440 thousand in NSP (Jiangsu) Limited (tentative name) and, on August 31, 2016, DelSolar HK's investment of US\$8,000 thousand in NSP Nanchang, but the capital has not yet been invested as of December 31, 2016.

**TABLE 9**

**NEO SOLAR POWER CORP. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)**

| No. | Company Name                                | Counterparty             | Flow of Transactions<br>(Note 1) | Intercompany Transactions                                          |            |        |                                                                       |
|-----|---------------------------------------------|--------------------------|----------------------------------|--------------------------------------------------------------------|------------|--------|-----------------------------------------------------------------------|
|     |                                             |                          |                                  | Financial Statements Items                                         | Amount     | Terms  | Percentage to<br>Consolidated Total<br>Gross Sales or<br>Total Assets |
| 0   | <u>For the year ended December 31, 2016</u> |                          |                                  |                                                                    |            |        |                                                                       |
|     | NSP                                         | General Energy Solutions | 1                                | Accounts receivable                                                | \$ 177,876 | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Other receivables                                                  | 636,513    | Note 2 | 2                                                                     |
|     |                                             |                          | 1                                | Accrued expenses                                                   | 246        | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Estimated accrued expenses                                         | 54         | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Sales                                                              | 356,569    | Note 2 | 2                                                                     |
|     |                                             |                          | 1                                | Purchases                                                          | 24         | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Maintenance and repair charges                                     | 54         | Note 2 | -                                                                     |
|     |                                             | GES USA                  | 1                                | Interest income                                                    | 2,126      | Note 2 | -                                                                     |
|     |                                             | Prime Energy             | 1                                | Rental income                                                      | 60         | Note 2 | -                                                                     |
|     |                                             | New Ray Investment       | 1                                | Rental income                                                      | 60         | Note 2 | -                                                                     |
|     |                                             | V5 Technology            | 1                                | Other receivables                                                  | 94         | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Accrued expenses                                                   | 507        | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Estimated accrued expenses                                         | 16         | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Estimated payables to contractors and<br>equipment suppliers       | 1,200      | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Rental income                                                      | 967        | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Maintenance and repair charges                                     | 483        | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Equipment - installation fee                                       | 16         | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Acquisition of property, plant and<br>equipment (advance payments) | 1,200      | Note 2 | -                                                                     |
|     |                                             | BPS                      | 1                                | Accounts receivable                                                | 25,709     | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Sales                                                              | 24,485     | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Rental income                                                      | 188        | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Other income                                                       | 1          | Note 2 | -                                                                     |
|     |                                             | Hsin Jin Optoelectronics | 1                                | Other receivables                                                  | 39,904     | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Rental income                                                      | 28         | Note 2 | -                                                                     |
|     |                                             | DelSolar Wu Jiang        | 1                                | Sales                                                              | 150,409    | Note 2 | 1                                                                     |
|     |                                             |                          | 1                                | Sales return and allowance                                         | (702)      | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Purchases                                                          | 629,254    | Note 2 | 4                                                                     |
|     |                                             |                          | 1                                | Other operating revenues                                           | 68,031     | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Indirect material expenses                                         | 130        | Note 2 | -                                                                     |
|     |                                             |                          | 1                                | Other losses                                                       | 12,228     | Note 2 | -                                                                     |

(Continued)

| No. | Company Name      | Counterparty          | Flow of Transactions<br>(Note 1) | Intercompany Transactions                                 |           |        |                                                              |
|-----|-------------------|-----------------------|----------------------------------|-----------------------------------------------------------|-----------|--------|--------------------------------------------------------------|
|     |                   |                       |                                  | Financial Statements Items                                | Amount    | Terms  | Percentage to Consolidated Total Gross Sales or Total Assets |
| 0   | NSP               | DelSolar India        | 1                                | Other receivables                                         | \$ 49,371 | Note 2 | -                                                            |
|     |                   |                       | 1                                | Refundable deposits                                       | 103       | Note 2 | -                                                            |
|     |                   | DelSolar US           | 1                                | Other receivables                                         | 439,650   | Note 2 | 1                                                            |
|     |                   | NSP NEVADA            | 1                                | Accounts receivable                                       | 12,551    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Other receivables                                         | 284,125   | Note 2 | 1                                                            |
|     |                   |                       | 1                                | Sales                                                     | 12,213    | Note 2 | -                                                            |
|     |                   | CFR                   | 1                                | Other receivables                                         | 19,371    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Refundable deposits                                       | 1,596     | Note 2 | -                                                            |
|     |                   |                       | 1                                | Accrued expense                                           | 200       | Note 2 | -                                                            |
|     |                   | Hsin Jin Solar Energy | 1                                | Other receivables                                         | 11,719    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Rental income                                             | 28        | Note 2 | -                                                            |
|     |                   | Si One                | 1                                | Sales                                                     | 69,249    | Note 2 | -                                                            |
|     |                   | NSP System            | 1                                | Accounts receivable                                       | 16,695    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Sales                                                     | 15,900    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Rental income                                             | 28        | Note 2 | -                                                            |
|     |                   | NSP Japan             | 1                                | Commissions                                               | 19,831    | Note 2 | -                                                            |
|     |                   | NSP Germany           | 1                                | Support fees                                              | 7,506     | Note 2 | -                                                            |
|     |                   | DelSolar HK           | 1                                | Accounts payable                                          | 19,690    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Purchases                                                 | 176,752   | Note 2 | 1                                                            |
|     |                   | NSP Nanchang          | 1                                | Accounts receivable                                       | 392       | Note 2 | -                                                            |
|     |                   |                       | 1                                | Payments in advance                                       | 65,380    | Note 2 | -                                                            |
|     |                   |                       | 1                                | Other operating revenues                                  | 382       | Note 2 | -                                                            |
|     |                   |                       | 1                                | Purchases                                                 | 6,434     | Note 2 | -                                                            |
|     |                   |                       | 1                                | Disposal of property, plant and equipment (selling price) | 738       | Note 2 | -                                                            |
|     |                   | Yun Han               | 1                                | Accounts receivable                                       | 9,743     | Note 2 | -                                                            |
|     |                   |                       | 1                                | Sales                                                     | 9,279     | Note 2 | -                                                            |
|     |                   | Yun Yeh               | 1                                | Accounts receivable                                       | 9,743     | Note 2 | -                                                            |
|     |                   |                       | 1                                | Sales                                                     | 9,279     | Note 2 | -                                                            |
|     |                   | GES ME                | 1                                | Other receivables                                         | 440,861   | Note 2 | 1                                                            |
|     |                   | NSP UK                | 1                                | Other receivables                                         | 11,721    | Note 2 | -                                                            |
|     |                   | GES UK                | 1                                | Other receivables                                         | 1,129,765 | Note 2 | 3                                                            |
|     |                   |                       | 1                                | Interest receivables                                      | 1,054     | Note 2 | -                                                            |
|     |                   |                       | 1                                | Interest income                                           | 1,054     | Note 2 | -                                                            |
| 1   | DelSolar Wu Jiang | V5 Technology         | 3                                | Other operating revenue                                   | 179       | Note 2 | -                                                            |
|     |                   | XYH Suzhou            | 3                                | Other receivables                                         | 114       | Note 2 | -                                                            |
| 2   | DSS-RAL LLC       | DelSolar Development  | 3                                | Other receivables                                         | 21,954    | Note 2 | -                                                            |
| 3   | DelSolar US       | CFR                   | 3                                | Other receivables                                         | 75,629    | Note 2 | -                                                            |
|     |                   | USD1                  | 3                                | Other receivables                                         | 267,570   | Note 2 | 1                                                            |
| 4   | NSP NEVADA        | Livermore             | 3                                | Other receivables                                         | 47,558    | Note 2 | -                                                            |
|     |                   |                       | 3                                | Other payables                                            | 1,210     | Note 2 | -                                                            |
|     |                   | MEGAFOURTEEN          | 3                                | Other receivables                                         | 16,259    | Note 2 | -                                                            |
|     |                   | MEGAFIFTEEN           | 3                                | Other receivables                                         | 31,454    | Note 2 | -                                                            |
|     |                   | Hillsboro             | 3                                | Other receivables                                         | 9,365     | Note 2 | -                                                            |
|     |                   | Industrial Park       | 3                                | Other receivables                                         | 13,652    | Note 2 | -                                                            |

(Continued)

| No. | Company Name             | Counterparty         | Flow of Transactions<br>(Note 1) | Intercompany Transactions  |           |        |                                                              |
|-----|--------------------------|----------------------|----------------------------------|----------------------------|-----------|--------|--------------------------------------------------------------|
|     |                          |                      |                                  | Financial Statements Items | Amount    | Terms  | Percentage to Consolidated Total Gross Sales or Total Assets |
| 5   | USD1                     | CFR                  | 3                                | Other receivables          | \$ 1,918  | Note 2 | -                                                            |
| 6   | NSP System               | Ever Lite Power Inc. | 3                                | Accounts payable           | 1,837     | Note 2 | -                                                            |
|     |                          |                      | 3                                | Purchases                  | 1,750     | Note 2 | -                                                            |
| 7   | NSP UK                   | NSP Indygen          | 3                                | Other receivables          | 275,005   | Note 2 | 1                                                            |
| 8   | NSP Indygen              | POTTERS BAR          | 3                                | Other receivables          | 29,701    | Note 2 | -                                                            |
|     |                          | BELPER               | 3                                | Other receivables          | 33,391    | Note 2 | -                                                            |
|     |                          | CLAY CROSS           | 3                                | Other receivables          | 37,264    | Note 2 | -                                                            |
|     |                          | Bryncrynnau          | 3                                | Other receivables          | 10,957    | Note 2 | -                                                            |
|     |                          | Meadowley            | 3                                | Other receivables          | 8,519     | Note 2 | -                                                            |
| 9   | General Energy Solutions | Yong Liang           | 3                                | Sales                      | 60,876    | Note 2 | -                                                            |
|     |                          |                      | 3                                | Accounts receivable        | 15,889    | Note 2 | -                                                            |
|     |                          |                      | 3                                | Rental income              | 70        | Note 2 | -                                                            |
|     |                          |                      | 3                                | Interest income            | 319       | Note 2 | -                                                            |
|     |                          | Yun Han              | 3                                | Rental income              | 70        | Note 2 | -                                                            |
|     |                          | Yong Zhou            | 3                                | Rental income              | 70        | Note 2 | -                                                            |
|     |                          | Yun Yeh              | 3                                | Rental income              | 70        | Note 2 | -                                                            |
|     |                          | Ever Lite            | 3                                | Other receivables          | 10,053    | Note 2 | -                                                            |
|     |                          |                      | 3                                | Rental income              | 46        | Note 2 | -                                                            |
|     |                          |                      | 3                                | Interest income            | 53        | Note 2 | -                                                            |
|     |                          | GES JAPAN            | 3                                | Other receivables          | 114       | Note 2 | -                                                            |
|     |                          |                      | 3                                | Interest income            | 732       | Note 2 | -                                                            |
|     |                          | Abacus               | 3                                | Sales                      | 260,061   | Note 2 | 2                                                            |
|     |                          |                      | 3                                | Accounts receivable        | 258,528   | Note 2 | 1                                                            |
|     |                          |                      | 3                                | Other receivables          | 334,657   | Note 2 | 1                                                            |
|     |                          | GES UK               | 3                                | Other receivables          | 228,149   | Note 2 | 1                                                            |
|     |                          |                      | 3                                | Interest income            | 2,650     | Note 2 | -                                                            |
|     |                          | JRC                  | 3                                | Other receivables          | 125,234   | Note 2 | -                                                            |
|     |                          | GES ME               | 3                                | Sales                      | 66,150    | Note 2 | -                                                            |
|     |                          |                      | 3                                | Accounts receivable        | 66,911    | Note 2 | -                                                            |
|     |                          |                      | 3                                | Other receivables          | 202       | Note 2 | -                                                            |
| 10  | Yong Zhou                | Yong Liang           | 3                                | Rental income              | 178       | Note 2 | -                                                            |
|     |                          | Yun Han              | 3                                | Rental income              | 178       | Note 2 | -                                                            |
| 11  | GES JAPAN                | GES FUKUSHIMA        | 3                                | Other income               | 9,986     | Note 2 | -                                                            |
|     |                          | Abacus               | 3                                | Other receivables          | 213,053   | Note 2 | 1                                                            |
| 12  | Ever Lite                | Yong Liang           | 3                                | Sales                      | 11,191    | Note 2 | -                                                            |
|     |                          | Yun Yeh              | 3                                | Sales                      | 1,226     | Note 2 | -                                                            |
|     |                          | Yun Han              | 3                                | Sales                      | 1,226     | Note 2 | -                                                            |
| 13  | GES UK                   | GES Solar2           | 3                                | Other income               | 522       | Note 2 | -                                                            |
|     |                          | GES Solar3           | 3                                | Other income               | 522       | Note 2 | -                                                            |
|     |                          | JRC                  | 3                                | Other receivables          | 1,663,206 | Note 2 | 5                                                            |
|     |                          | NCH Solar 1          | 3                                | Other income               | 1,043     | Note 2 | -                                                            |
|     |                          | GES USA              | 3                                | Other receivables          | 228,135   | Note 2 | 1                                                            |
|     |                          | GES USA              | 3                                | Interest income            | 2,179     | Note 2 | -                                                            |
|     |                          | GES JAPAN            | 3                                | Other receivables          | 201,980   | Note 2 | 1                                                            |
|     |                          |                      | 3                                | Interest income            | 3,769     | Note 2 | -                                                            |

(Continued)

| No. | Company Name | Counterparty   | Flow of Transactions<br>(Note 1) | Intercompany Transactions  |         |        |                                                                       |
|-----|--------------|----------------|----------------------------------|----------------------------|---------|--------|-----------------------------------------------------------------------|
|     |              |                |                                  | Financial Statements Items | Amount  | Terms  | Percentage to<br>Consolidated Total<br>Gross Sales or<br>Total Assets |
| 14  | GES USA      | ASSET FOUR     | 3                                | Other receivables          | \$ 63   | Note 2 | -                                                                     |
|     |              | ELEELE         | 3                                | Other receivables          | 7,137   | Note 2 | -                                                                     |
|     |              | HANALEI        | 3                                | Other receivables          | 2,677   | Note 2 | -                                                                     |
|     |              | HONOKOWAI      | 3                                | Other receivables          | 3,174   | Note 2 | -                                                                     |
|     |              | KAPPA          | 3                                | Other receivables          | 7,546   | Note 2 | -                                                                     |
|     |              | KOLOA          | 3                                | Other receivables          | 6,447   | Note 2 | -                                                                     |
|     |              | SHIMA'S        | 3                                | Other receivables          | 1,836   | Note 2 | -                                                                     |
|     |              | WAIMEA         | 3                                | Other receivables          | 5,066   | Note 2 | -                                                                     |
|     |              | ASSET ONE      | 3                                | Other receivables          | 81      | Note 2 | -                                                                     |
|     |              | ASSET THREE    | 3                                | Other receivables          | 71,612  | Note 2 | -                                                                     |
|     |              | ASSET TWO      | 3                                | Other receivables          | 127     | Note 2 | -                                                                     |
|     |              | CEDAR FALLS    | 3                                | Accrued expense            | 1,024   | Note 2 | -                                                                     |
|     |              |                | 3                                | Other receivables          | 76,134  | Note 2 | -                                                                     |
|     |              | Cenergy        | 3                                | Accrued expense            | 3,917   | Note 2 | -                                                                     |
|     |              | ET ENERGY      | 3                                | Other receivables          | 87      | Note 2 | -                                                                     |
|     |              | MEGAELEVEN     | 3                                | Other receivables          | 15,550  | Note 2 | -                                                                     |
|     |              | MEGAFIFTEEN    | 3                                | Accrued expense            | 153,684 | Note 2 | -                                                                     |
|     |              | MEGAFIVE       | 3                                | Other receivables          | 55,583  | Note 2 | -                                                                     |
|     |              | MEGAFOURTEEN   | 3                                | Accrued expense            | 59,008  | Note 2 | -                                                                     |
|     |              |                | 3                                | Other receivables          | 626     | Note 2 | -                                                                     |
|     |              | MEGASEVEN      | 3                                | Other receivables          | 14,869  | Note 2 | -                                                                     |
|     |              | MEGASIX        | 3                                | Other receivables          | 62,476  | Note 2 | -                                                                     |
|     |              | MEGATHIRTEEN   | 3                                | Other receivables          | 16,804  | Note 2 | -                                                                     |
|     |              | MEGATWELVE     | 3                                | Other receivables          | 10,193  | Note 2 | -                                                                     |
|     |              | MEGATWO        | 3                                | Other receivables          | 46,943  | Note 2 | -                                                                     |
|     |              | HEYWOOD        | 3                                | Other receivables          | 18,705  | Note 2 | -                                                                     |
|     |              | MUNISOL        | 3                                | Other receivables          | 195,343 | Note 2 | 1                                                                     |
|     |              | SCHENECTADY    | 3                                | Other receivables          | 29,930  | Note 2 | -                                                                     |
|     |              | SEG            | 3                                | Other receivables          | 16,580  | Note 2 | -                                                                     |
|     |              | SH4            | 3                                | Other receivables          | 81      | Note 2 | -                                                                     |
|     |              | TTIPPING POINT | 3                                | Other receivables          | 7,033   | Note 2 | -                                                                     |
|     |              | VOC            | 3                                | Other receivables          | 4,484   | Note 2 | -                                                                     |
| 15  | NCH Solar 1  | GES Solar2     | 3                                | Sales                      | 5,915   | Note 2 | -                                                                     |
|     |              | GES Solar3     | 3                                | Sales                      | 3,807   | Note 2 | -                                                                     |
|     |              |                | 3                                | Accounts receivable        | 3,624   | Note 2 | -                                                                     |
|     |              | JRC            | 3                                | Sales                      | 44,189  | Note 2 | -                                                                     |
| 16  | GES Solar2   | JRC            | 3                                | Sales                      | 58,670  | Note 2 | -                                                                     |
| 17  | GES Solar3   | JRC            | 3                                | Sales                      | 25,834  | Note 2 | -                                                                     |
|     |              |                | 3                                | Accounts receivable        | 2,712   | Note 2 | -                                                                     |
| 18  | GES CANADA   | JRC            | 3                                | Other receivables          | 68,986  | Note 2 | -                                                                     |
| 19  | ASSET THREE  | ELEELE         | 3                                | Other receivables          | 27,106  | Note 2 | -                                                                     |
|     |              | HANALEI        | 3                                | Other receivables          | 13,478  | Note 2 | -                                                                     |
|     |              | HONOKOWAI      | 3                                | Other receivables          | 23,618  | Note 2 | -                                                                     |
|     |              | KAPPA          | 3                                | Other receivables          | 38,926  | Note 2 | -                                                                     |
|     |              | KOLOA          | 3                                | Other receivables          | 28,309  | Note 2 | -                                                                     |
|     |              | SHIMA'S        | 3                                | Other receivables          | 7,961   | Note 2 | -                                                                     |
|     |              | WAIMEA         | 3                                | Other receivables          | 25,399  | Note 2 | -                                                                     |
|     |              | HEYWOOD        | 3                                | Other receivables          | 9,546   | Note 2 | -                                                                     |

(Continued)

| No. | Company Name                                | Counterparty             | Flow of Transactions<br>(Note 1) | Intercompany Transactions                       |            |        |                                                              |
|-----|---------------------------------------------|--------------------------|----------------------------------|-------------------------------------------------|------------|--------|--------------------------------------------------------------|
|     |                                             |                          |                                  | Financial Statements Items                      | Amount     | Terms  | Percentage to Consolidated Total Gross Sales or Total Assets |
| 20  | ET ENERGY                                   | MEGATWELVE               | 3                                | Other receivables                               | \$ 498     | Note 2 | -                                                            |
|     |                                             | HEYWOOD                  | 3                                | Other receivables                               | 5,927      | Note 2 | -                                                            |
|     |                                             | MUNISOL                  | 3                                | Other receivables                               | 32,279     | Note 2 | -                                                            |
| 21  | CEDAR FALLS                                 | ASSET ONE                | 3                                | Other receivables                               | 1,204      | Note 2 | -                                                            |
|     |                                             | ASSET THREE              | 3                                | Other receivables                               | 728        | Note 2 | -                                                            |
|     |                                             | MEGATHIRTEEN             | 3                                | Other receivables                               | 271        | Note 2 | -                                                            |
|     |                                             | MEGASEVEN                | 3                                | Other receivables                               | 15         | Note 2 | -                                                            |
|     |                                             | MUNISOL                  | 3                                | Other receivables                               | 2,445      | Note 2 | -                                                            |
| 22  | MEGAFOURTEEN                                | NSP NEVADA               | 3                                | Accrued expense                                 | 16,259     | Note 2 | -                                                            |
| 23  | Cenergy                                     | HEYWOOD                  | 3                                | Other receivables                               | 25,178     | Note 2 | -                                                            |
| 0   | <u>For the year ended December 31, 2015</u> |                          |                                  |                                                 |            |        |                                                              |
|     | NSP                                         | General Energy Solutions | 1                                | Accounts receivable                             | \$ 402,206 | Note 2 | 1                                                            |
|     |                                             |                          | 1                                | Other receivables                               | 518        | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Accrued expenses                                | 1,572      | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Payables to contractors and equipment suppliers | 156        | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Sales                                           | 383,892    | Note 2 | 2                                                            |
|     |                                             |                          | 1                                | Cost of sale                                    | (170)      | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Interest income                                 | 8,269      | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Dividend income                                 | 29,019     | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Purchases                                       | 161        | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Manufacturing expenses                          | 12,231     | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Miscellaneous purchases                         | 1,258      | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Acquisition of property, plant and equipment    | 40,394     | Note 2 | -                                                            |
|     |                                             | Prime Energy             | 1                                | Rental income                                   | 60         | Note 2 | -                                                            |
|     |                                             | New Ray Investment       | 1                                | Rental income                                   | 60         | Note 2 | -                                                            |
|     |                                             | V5 Technology            | 1                                | Other receivables                               | 91         | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Rental income                                   | 902        | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Acquisition of property, plant and equipment    | 2,118      | Note 2 | -                                                            |
|     |                                             | BPS                      | 1                                | Other receivables                               | 16         | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Rental income                                   | 75         | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Other income                                    | 3          | Note 2 | -                                                            |
|     |                                             | NSP NEVADA               | 1                                | Other receivables                               | 16,922     | Note 2 | -                                                            |
|     |                                             | NSP System               | 1                                | Rental income                                   | 9          | Note 2 | -                                                            |
|     |                                             | NSP UK                   | 1                                | Prepayments for long-term investments in shares | 2,498      | Note 2 | -                                                            |
|     |                                             | Hsin Jin Optoelectronics | 1                                | Accounts receivable                             | 15,771     | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Other receivables                               | 24,133     | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Sales                                           | 9,085      | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Rental income                                   | 5          | Note 2 | -                                                            |
|     |                                             | Si One                   | 1                                | Other receivables                               | 5          | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Rental income                                   | 5          | Note 2 | -                                                            |
|     |                                             | Hsin Jin Solar Energy    | 1                                | Accounts receivable                             | 28,246     | Note 2 | -                                                            |
|     |                                             |                          | 1                                | Sales                                           | 8,763      | Note 2 | -                                                            |

(Continued)

| No. | Company Name             | Counterparty         | Flow of Transactions<br>(Note 1) | Intercompany Transactions                       |           |        |                                                              |
|-----|--------------------------|----------------------|----------------------------------|-------------------------------------------------|-----------|--------|--------------------------------------------------------------|
|     |                          |                      |                                  | Financial Statements Items                      | Amount    | Terms  | Percentage to Consolidated Total Gross Sales or Total Assets |
| 0   | NSP                      | DelSolar Wu Jiang    | 1                                | Accounts receivable                             | \$ 2,605  | Note 2 | -                                                            |
|     |                          |                      | 1                                | Other receivables                               | 4,185     | Note 2 | -                                                            |
|     |                          |                      | 1                                | Accounts payable                                | 35,152    | Note 2 | -                                                            |
|     |                          |                      | 1                                | Estimated accrued expenses                      | 189       | Note 2 | -                                                            |
|     |                          |                      | 1                                | Sales                                           | 710,867   | Note 2 | 3                                                            |
|     |                          |                      | 1                                | Other income                                    | 6         | Note 2 | -                                                            |
|     |                          |                      | 1                                | Purchases                                       | 1,188,402 | Note 2 | 5                                                            |
|     |                          |                      | 1                                | Maintenance and repair charges                  | 369       | Note 2 | -                                                            |
|     |                          |                      | 1                                | Other receivables                               | 65,200    | Note 2 | -                                                            |
|     |                          | DelSolar US          | 1                                | Other receivables                               | 69,641    | Note 2 | -                                                            |
|     |                          | USD1                 | 1                                | Other receivables                               | 19,843    | Note 2 | -                                                            |
|     |                          | CFR                  | 1                                | Estimated accrued expenses                      | 377       | Note 2 | -                                                            |
|     |                          | Yong Liang           | 1                                | Accounts receivable                             | 207       | Note 2 | -                                                            |
|     |                          |                      | 1                                | Sales                                           | 112,914   | Note 2 | 1                                                            |
|     |                          | Yong Zhou            | 1                                | Accounts receivable                             | 38        | Note 2 | -                                                            |
|     |                          |                      | 1                                | Sales                                           | 36        | Note 2 | -                                                            |
|     |                          | DelSolar India       | 1                                | Other receivables                               | 50,575    | Note 2 | -                                                            |
|     |                          |                      | 1                                | Refundable deposits                             | 103       | Note 2 | -                                                            |
| 1   | DelSolar Wu Jiang        | XYH Suzhou           | 3                                | Other receivables                               | 115       | Note 2 | -                                                            |
| 2   | DSS-RAL LLC              | DelSolar Development | 3                                | Other receivables                               | 17,177    | Note 2 | -                                                            |
| 3   | NSP UK                   | NSP Germany          | 3                                | Prepayments for long-term investments in shares | 107       | Note 2 | -                                                            |
| 4   | General Energy Solutions | Yong Liang           | 3                                | Other receivables                               | 101,688   | Note 2 | -                                                            |
|     |                          |                      | 3                                | Rental income                                   | 70        | Note 2 | -                                                            |
|     |                          |                      | 3                                | Interest income                                 | 1,933     | Note 2 | -                                                            |
|     |                          | Yun Han              | 3                                | Sales                                           | 9,384     | Note 2 | -                                                            |
|     |                          |                      | 3                                | Rental income                                   | 70        | Note 2 | -                                                            |
|     |                          | Yong Zhou            | 3                                | Rental income                                   | 70        | Note 2 | -                                                            |
|     |                          | Yun Yeh              | 3                                | Rental income                                   | 64        | Note 2 | -                                                            |
|     |                          | GES JAPAN            | 3                                | Other receivables                               | 194,810   | Note 2 | -                                                            |
|     |                          |                      | 3                                | Interest income                                 | 3,300     | Note 2 | -                                                            |
|     |                          | Abacus               | 3                                | Other receivables                               | 89,358    | Note 2 | -                                                            |
|     |                          | GES Solar 2          | 3                                | Other receivables                               | 14,687    | Note 2 | -                                                            |
|     |                          | GES USA              | 3                                | Sales                                           | 62,404    | Note 2 | -                                                            |
| 5   | Yong Zhou                | Yong Liang           | 3                                | Rental income                                   | 99        | Note 2 | -                                                            |
|     |                          | Yong Han             | 3                                | Rental income                                   | 99        | Note 2 | -                                                            |
| 6   | GES JAPAN                | GES FUKUSHIMA        | 3                                | Accrued expenses                                | 495       | Note 2 | -                                                            |
|     |                          | Abacus               | 3                                | Other receivables                               | 205,958   | Note 2 | 1                                                            |
| 7   | GES UK                   | GES Solar 2          | 3                                | Other receivables                               | 1,226     | Note 2 | -                                                            |
|     |                          | GES Solar 4          | 3                                | Other receivables                               | 59        | Note 2 | -                                                            |
|     |                          | GES Solar 5          | 3                                | Other receivables                               | 59        | Note 2 | -                                                            |
|     |                          | GES Solar 6          | 3                                | Other receivables                               | 59        | Note 2 | -                                                            |
|     |                          | GES Solar 7          | 3                                | Other receivables                               | 59        | Note 2 | -                                                            |
|     |                          | GES Solar 8          | 3                                | Other receivables                               | 59        | Note 2 | -                                                            |
|     |                          | NCH Solar 1          | 3                                | Accrued expenses                                | 1,719     | Note 2 | -                                                            |
|     |                          | JRC                  | 3                                | Other receivables                               | 1,500,259 | Note 2 | 4                                                            |
|     |                          | GES JAPAN            | 3                                | Interest income                                 | 538       | Note 2 | -                                                            |

(Continued)

| No. | Company Name  | Counterparty  | Flow of Transactions<br>(Note 1) | Intercompany Transactions  |           |        |                                                                       |
|-----|---------------|---------------|----------------------------------|----------------------------|-----------|--------|-----------------------------------------------------------------------|
|     |               |               |                                  | Financial Statements Items | Amount    | Terms  | Percentage to<br>Consolidated Total<br>Gross Sales or<br>Total Assets |
| 8   | GES USA       | ET ENERGY     | 3                                | Other receivables          | \$ 14,426 | Note 2 | -                                                                     |
|     |               |               | 3                                | Interest income            | 103       | Note 2 | -                                                                     |
|     |               | TIPPING POINT | 3                                | Other receivables          | 8,958     | Note 2 | -                                                                     |
|     |               |               | 3                                | Interest income            | 49        | Note 2 | -                                                                     |
|     |               | MEGATWO       | 3                                | Other receivables          | 47,115    | Note 2 | -                                                                     |
|     |               | MEGAFIVE      | 3                                | Other receivables          | 8,498     | Note 2 | -                                                                     |
|     |               | MEGASIX       | 3                                | Other receivables          | 14,659    | Note 2 | -                                                                     |
|     |               | MEGASEVEN     | 3                                | Other receivables          | 60        | Note 2 | -                                                                     |
|     |               | ASSET ONE     | 3                                | Other receivables          | 10,580    | Note 2 | -                                                                     |
|     |               | ASSET TWO     | 3                                | Other receivables          | 54        | Note 2 | -                                                                     |
|     |               | SH4           | 3                                | Other receivables          | 22,580    | Note 2 | -                                                                     |
|     |               | CENERGY       | 3                                | Other receivables          | 98,614    | Note 2 | -                                                                     |
| 9   | NCH Solar 1   | JRC           | 3                                | Sales                      | 1,651     | Note 2 | -                                                                     |
| 10  | GES Solar 2   | GES Solar 3   | 3                                | Other receivables          | 25,667    | Note 2 | -                                                                     |
| 11  | GES FUKUSHIMA | Abacus        | 3                                | Other receivables          | 88        | Note 2 | -                                                                     |
| 12  | MEGATWO       | GES USA       | 3                                | Prepayment for equipment   | 16,177    | Note 2 | -                                                                     |

Note 1: No. 1 represents the transaction from parent company to subsidiary; No. 2 represents the transaction from subsidiaries to parent company; No. 3 represents the transactions between subsidiaries.

Note 2: At normal commercial prices and terms. (Concluded)