

**United Renewable Energy Co., Ltd.
(Formerly Neo Solar Power Corp.)**

**Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
United Renewable Energy Co., Ltd.

Opinion

We have audited the accompanying financial statements of United Renewable Energy Co., Ltd. (“the Corporation”, formerly Neo Solar Power Corp.), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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 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. Based on our audits and the reports of other auditors, 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation’s financial statements for the year ended December 31, 2018 are stated as follows:

Assessment of impairment losses on prepayments of long-term purchase contracts

To stabilize the supply of raw materials in the manufacturing process, the Corporation signed several long-term materials supply agreements and made certain prepayments to be deducted from actual purchases. The assessment of impairment losses on prepayments may be influenced by any worsening of the supplier’s financial position, negative variances in the solar energy industry, and declining prices of raw materials; any of these factors could result in a deceleration in the use of the prepayments. The assessment of impairment losses on prepayments by key management personnel is related to estimations of future cash flows and the

identification of rates for recognizing impairment losses. Therefore, the assessment of impairment losses on prepayments was considered as a key audit matter. The accounting policies on impairment losses on prepayments can be found in Notes 4 and 5 to the accompanying financial statements. For the description of impairment losses on prepayments, refer to Notes 17 and 37 to the financial statements.

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

1. We assessed the reasonableness of the method used by key management personnel for recognizing impairment losses as well as the reasonableness of assumptions.
2. We tested the accuracy of relevant calculations of prepayment deductions and confirmed that the impairment loss was properly recognized when prepayments would not be fully applied.

Business combination

With the anticipated growth in future demand for solar energy, the bright prospect of development of the solar industry, the expansion of the solar energy business and to enhance sustainability, in 2018, the Corporation merged two companies, Gintech Energy Corporation and Solartech Energy Corporation; the Corporation is the surviving entity and renamed United Renewable Energy Co., Ltd. Such acquisition created a bargain purchase gain of NT\$2,261,090 thousand (Note 29). The related accounting policies, significant accounting estimates and basis of consideration are described in Notes 4 and 5 to the financial statements. Such transaction was a significant event and transaction in the current year. The fair value assessments of the acquisition-date assets and liabilities and the amount of the bargain purchase gain were based on the purchase price allocation report; the adopted method and assumptions involve the use of critical accounting judgements and estimations. Therefore, the aforementioned transaction was considered as a key audit matter.

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

1. We reviewed minutes of meetings of the board of directors, inspected consolidated contracts and confirmed documents related to the acquisition price.
2. We inspected and tested whether the management's accounting treatment and recording of the acquisition-date amounts of assets and liabilities at fair value were in accordance with IFRS 3 Business Combinations.
3. We assessed the qualifications of the external expert commissioned for the professional conduct of the business combination and we reviewed the purchase price allocation report issued by the external expert.
4. We tested the data and evidence supporting the method used and assumptions adopted in the determination of the fair value of Gintech Energy Corporation and Solartech Energy Corporation's tangible assets and liabilities presented in the report. We recalculated the bargain purchase gain recognized in the acquisition.

Other Matter

The financial statements of some investee companies accounted for using the equity method were audited by other auditors. The amounts within the financial statements for those investee companies were based solely on the reports of other auditors. As of December 31, 2018 and 2017, the aforementioned investments accounted for using the equity method were NT\$1,807,061 thousand and NT\$1,980,454 thousand, respectively. For the years ended December 31, 2018 and 2017, the Corporation's share of losses on the aforesaid investment accounted for using the equity method was NT\$(365,241) thousand and NT\$(14,751) thousand, respectively.

The financial statements of some investee companies accounted for using the equity method as of and for the year ended December 31, 2018, which are based on a different framework of the accompanying 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 accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The financial statement amounts for the aforementioned investee companies were based on the reports of other auditors and the result of additional audit procedures performed 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, 2018 and 2017, the aforesaid investments accounted for using the equity method were NT\$234,182 thousand and NT\$165,055 thousand, respectively. For the years ended December 31, 2018 and 2017, the amounts of the share in the gains of the aforesaid investments accounted for using the equity method were NT\$62,984 thousand and NT\$68,149 thousand, respectively.

The financial statements of some investee companies accounted for using the equity method as of and for the year ended December 31, 2017, which were based on a framework different from the accompanying financial statements and which we have not audited, were audited by other auditors. We have performed compulsory audit procedures and have made adjustments to the other financial statements for them to conform with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The financial statement amounts for the aforementioned investee companies were based on the reports of other auditors. As of December 31, 2017, the aforesaid investments accounted for using the equity method were NT\$81,718 thousand. For the year ended December 31, 2017, the Corporation's share of the losses of the aforesaid investments accounted for using the equity method was NT\$(18,562) thousand.

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 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 Yi-Hsin Kao and Yu-Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

UNITED RENEWABLE ENERGY CO., LTD.
(Formerly Neo Solar Power Corp.)

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017		LIABILITIES AND EQUITY	2018		2017	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 7,227,824	15	\$ 2,577,652	9	Short-term bank loans (Notes 18, 34 and 36)	\$ 4,783,903	10	\$ 5,748,074	21
Financial assets at fair value through other comprehensive income - current (Notes 4, 5, 8 and 34)	133,333	-	-	-	Short-term bills payable (Notes 18 and 34)	-	-	199,585	1
Notes and accounts receivable, net (Notes 4, 5, 11 and 34)	1,982,136	4	1,130,496	4	Financial liabilities at fair value through profit or loss - current (Notes 4, 7, and 34)	-	-	5,742	-
Accounts receivable from related parties (Notes 4, 5, 11, 34 and 35)	552,155	1	242,898	1	Contract liabilities - current (Notes 24 and 35)	187,109	-	-	-
Other receivables (Notes 4, 11 and 34)	103,614	-	9,603	-	Notes and accounts payable (Note 34)	1,781,360	4	883,048	3
Other receivables from related parties (Notes 4, 11, 34 and 35)	726,555	2	2,228,268	8	Accounts payable - related parties (Notes 34 and 35)	203,288	-	24,829	-
Current tax assets (Notes 4, 5 and 26)	5,224	-	4,417	-	Bonuses payable to employees and directors (Note 25)	2,649	-	2,649	-
Inventories (Notes 4, 5 and 12)	1,827,730	4	1,241,348	5	Payables to contractors and equipment suppliers (Notes 34 and 35)	236,006	1	117,671	-
Prepayments (Notes 4, 5, 17, 35 and 37)	347,032	1	126,599	-	Accrued expenses (Notes 4, 20, 34, 35 and 37)	1,384,826	3	1,869,217	7
Non-current assets held for sale (Notes 4, 13 and 15)	-	-	137,688	1	Provisions - current (Notes 4 and 21)	-	-	1,535	-
Other current assets (Notes 17, 34 and 36)	<u>4,591,156</u>	<u>10</u>	<u>569,356</u>	<u>2</u>	Receipts in advance (Note 33)	-	-	228,430	1
Total current assets	<u>17,496,759</u>	<u>37</u>	<u>8,268,325</u>	<u>30</u>	Current portion of long-term bank loans (Notes 4, 18, 19, 34 and 36)	6,833,484	15	2,615,113	9
					Other current liabilities (Notes 4 and 20)	<u>64,178</u>	<u>-</u>	<u>7,703</u>	<u>-</u>
NON-CURRENT ASSETS					Total current liabilities	<u>15,476,803</u>	<u>33</u>	<u>11,703,596</u>	<u>42</u>
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5, 8, 9, 10 and 34)	1,512,133	3	-	-	NON-CURRENT LIABILITIES				
Available-for-sale financial assets - non-current (Notes 4, 5, 8, 9 and 34)	-	-	59,000	-	Bonds payable (Notes 4, 19, 34 and 36)	-	-	3,425,011	13
Financial assets carried at cost - non-current (Notes 4, 5, 8, 10 and 34)	-	-	23,849	-	Long-term bank loans (Notes 18, 34 and 36)	6,412,415	14	1,183,850	4
Investments accounted for using the equity method (Notes 4, 14, 29, 30 and 31)	8,671,913	18	6,669,856	24	Provisions - non-current (Notes 4 and 21)	265,706	-	207,274	1
Property, plant and equipment (Notes 4, 5, 13, 15, 35 and 36)	13,537,834	29	6,524,410	24	Deferred tax liabilities (Notes 4, 5 and 26)	55,611	-	46,059	-
Intangible assets (Notes 4 and 16)	8,051	-	-	-	Guarantee deposits (Note 34)	1,457	-	85	-
Deferred tax assets (Notes 4, 5 and 26)	607,735	1	46,059	-	Credit balance of investments accounted for using the equity method (Notes 4 and 14)	134,504	-	18,127	-
Prepayments - non-current (Notes 4, 5, 17, 35 and 37)	2,396,216	5	763,727	3	Other non-current liabilities (Notes 4 and 20)	<u>-</u>	<u>-</u>	<u>1,813</u>	<u>-</u>
Refundable deposits (Notes 4, 18, 32, 34, 35 and 36)	794,359	2	585,491	2	Total noncurrent liabilities	<u>6,869,693</u>	<u>14</u>	<u>4,882,219</u>	<u>18</u>
Other receivables from related parties - non-current (Notes 4, 11, 34 and 35)	2,228,508	5	2,862,904	10	Total liabilities	<u>22,346,496</u>	<u>47</u>	<u>16,585,815</u>	<u>60</u>
Other non-current assets (Notes 4, 17 and 36)	<u>-</u>	<u>-</u>	<u>1,861,596</u>	<u>7</u>	EQUITY (Notes 4, 19, 23, 28, 29, 30 and 31)				
Total noncurrent assets	<u>29,756,749</u>	<u>63</u>	<u>19,396,892</u>	<u>70</u>	Common shares	25,157,599	54	10,192,564	37
					Capital surplus	1,011,023	2	6,028,165	22
					Retained earnings				
					Accumulated deficit	(369,468)	(1)	(4,611,501)	(17)
					Other equity	(873,443)	(2)	(529,826)	(2)
					Treasury shares	<u>(18,699)</u>	<u>-</u>	<u>-</u>	<u>-</u>
					Total equity	<u>24,907,012</u>	<u>53</u>	<u>11,079,402</u>	<u>40</u>
TOTAL	<u>\$ 47,253,508</u>	<u>100</u>	<u>\$ 27,665,217</u>	<u>100</u>	TOTAL	<u>\$ 47,253,508</u>	<u>100</u>	<u>\$ 27,665,217</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2018		2017	
	Amount	%	Amount	%
NET SALES (Notes 4, 24, 35 and 37)	\$ 10,310,120	100	\$ 9,119,985	100
COST OF SALES (Notes 4, 5, 12, 25, 35 and 37)	<u>11,259,715</u>	<u>109</u>	<u>11,195,316</u>	<u>123</u>
GROSS LOSS	(949,595)	(9)	(2,075,331)	(23)
REALIZED (UNREALIZED) GAINS FROM SALES	<u>101,353</u>	<u>1</u>	<u>(13,242)</u>	<u>-</u>
REALIZED GROSS LOSS	<u>(848,242)</u>	<u>(8)</u>	<u>(2,088,573)</u>	<u>(23)</u>
OPERATING EXPENSES (Notes 11, 25 and 35)				
Selling	266,150	3	396,189	4
General and administrative	423,659	4	435,155	5
Research and development	193,666	2	214,575	2
Expected credit loss on trade receivables	<u>29,101</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>912,576</u>	<u>9</u>	<u>1,045,919</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 4, 5, 13, 15, 25 and 35)	<u>(2,403)</u>	<u>-</u>	<u>(157,946)</u>	<u>(2)</u>
LOSS FROM OPERATIONS	<u>(1,763,221)</u>	<u>(17)</u>	<u>(3,292,438)</u>	<u>(36)</u>
NONOPERATING INCOME AND EXPENSES				
Gain from bargain purchase (Notes 29)	2,261,090	22	-	-
Reversal of contract compensation interest	239,274	2	-	-
Gain (loss) on financial instruments at fair value through profit or loss (Notes 4, 7 and 19)	82,825	1	(122,296)	(1)
Other income (Notes 4, 25 and 35)	81,702	1	14,140	-
Interest income (Notes 4, 25 and 35)	46,693	-	59,446	1
Dividends income (Notes 4 and 35)	2,000	-	2,400	-
Gain on disposal of investment	-	-	36,506	-
Expected credit loss (Notes 4 and 11)	(8,400)	-	-	-
Other gains and losses (Notes 4 and 35)	(15,029)	-	(121)	-
Foreign exchange (loss) gain, net (Notes 4 and 25)	(46,059)	-	69,625	1
Finance costs (Note 25)	(395,444)	(4)	(586,979)	(6)
Share of loss of subsidiaries and associates (Notes 4 and 14)	<u>(953,725)</u>	<u>(9)</u>	<u>(334,083)</u>	<u>(4)</u>
Total non-operating expenses	<u>1,294,927</u>	<u>13</u>	<u>(861,362)</u>	<u>(9)</u>

(Continued)

UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2018		2017	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	\$ (468,294)	(4)	\$ (4,153,800)	(45)
INCOME TAX EXPENSE (Notes 4, 5 and 26)	<u>-</u>	<u>-</u>	<u>(363)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(468,294)</u>	<u>(4)</u>	<u>(4,154,163)</u>	<u>(45)</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 25)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(394,342)	(4)	-	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,664)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	110,942	1	(281,849)	(3)
Unrealized gain on available-for-sale financial assets	-	-	(10,160)	-
Share of other comprehensive (loss) income of subsidiaries				
Exchange differences on translating foreign operations	(1,996)	-	(24,609)	(1)
Unrealized gain on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>(8,463)</u>	<u>-</u>
Total other comprehensive loss	<u>(288,060)</u>	<u>(3)</u>	<u>(325,081)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (756,354)</u>	<u>(7)</u>	<u>\$ (4,479,244)</u>	<u>(49)</u>
LOSS PER SHARE (Note 27)				
Basic loss per share	<u>\$ (0.34)</u>		<u>\$ (4.08)</u>	
Diluted loss per share	<u>\$ (0.34)</u>		<u>\$ (4.08)</u>	

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

(Concluded)

UNITED RENEWABLE ENERGY CO., LTD.
(Formerly Neo Solar Power Corp.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Common Shares		Capital Surplus					Other Equity					Treasury Shares	Total Equity
			Shares (In Thousands)	Common Shares	Share Premium	Changes in Capital Surplus from Investments in Associates and Joint Venture Accounted for Using the Equity Method	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 Accumulated Deficits	Foreign Currency Translation Reserve	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2017	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
Offset of deficit against capital surplus	-	-	(6,309,786)	-	-	-	-	6,309,786	-	-	-	-	-	-
Additional paid-in capital reclassification	-	-	120,462	-	-	(3,022)	(117,440)	-	-	-	-	-	-	-
Cancellation of restricted shares for employees	(214)	(2,138)	-	-	-	-	(1,627)	-	-	-	-	3,765	-	-
Issuance of restricted shares for employees	1,855	18,550	-	-	-	-	8,255	-	-	-	-	(26,805)	-	-
Compensation costs of restricted shares for employees	-	-	-	-	-	-	-	-	-	-	-	7,668	-	7,668
Actual disposals or acquisitions of interests in subsidiaries	-	-	-	-	(14,023)	-	-	(445,947)	(40,612)	-	-	-	-	(500,582)
Effect of reorganization	-	-	-	-	-	-	-	(11,391)	-	-	-	-	-	(11,391)
Net loss for the year ended December 31, 2017	-	-	-	-	-	-	-	(4,154,163)	-	-	-	-	-	(4,154,163)
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	(306,458)	-	(18,623)	-	-	(325,081)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	(4,154,163)	(306,458)	-	(18,623)	-	-	(4,479,244)
BALANCE AT DECEMBER 31, 2017	1,019,256	10,192,564	6,020,328	-	-	-	7,837	(4,611,501)	(437,906)	-	(71,882)	(20,038)	-	11,079,402
Effect of retrospective application	-	-	-	-	-	-	-	98,826	-	(130,891)	71,882	-	-	39,817
BALANCE AT JANUARY 1, 2018	1,019,256	10,192,564	6,020,328	-	-	-	7,837	(4,512,675)	(437,906)	(130,891)	-	(20,038)	-	11,119,219
Share of changes in capital surplus of associates or joint ventures	-	-	-	42,000	-	-	-	-	-	-	-	-	-	42,000
Offset of deficit against capital surplus	-	-	(4,611,501)	-	-	-	-	4,611,501	-	-	-	-	-	-
Issuance of ordinary share for cash	334,292	3,342,917	(561,610)	-	-	-	-	-	-	-	-	-	-	2,781,307
Issuance of shares in business combination	1,157,899	11,578,990	115,790	-	-	-	-	-	-	-	-	-	-	11,694,780
Treasury shares owned by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(18,699)	(18,699)
Issuance of restricted shares for employees	6,121	61,211	-	-	-	-	(17,628)	-	-	-	-	(15,316)	-	28,267
Cancellation of restricted shares for employees	(1,809)	(18,083)	-	-	-	-	15,807	-	-	-	-	2,276	-	-
Compensation costs of restricted shares for employees	-	-	-	-	-	-	-	-	-	-	-	16,492	-	16,492
Net loss for the year ended December 31, 2018	-	-	-	-	-	-	-	(468,294)	-	-	-	-	-	(468,294)
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	108,946	(397,006)	-	-	-	(288,060)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	(468,294)	108,946	(397,006)	-	-	-	(756,354)
BALANCE AT DECEMBER 31, 2018	2,515,759	\$ 25,157,599	\$ 963,007	\$ 42,000	\$ -	\$ -	\$ 6,016	\$ (369,468)	\$ (328,960)	\$ (527,897)	\$ -	\$ (16,586)	\$ (18,699)	\$ 24,907,012

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

(With Deloitte & Touche auditor's report dated March 22, 2019)

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (468,294)	\$ (4,153,800)
Adjustments for:		
Depreciation	1,579,561	1,417,747
Amortization	1,052	-
Expected credit loss	37,501	-
Impairment loss recognized on accounts receivable	-	92,291
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(5,742)	17,244
Loss on disposal of property, plant and equipment	-	115,660
Gain (loss) on disposal of noncurrent assets held for sale	2,403	(1,383)
Gain on disposal of investment	-	(36,506)
Reclassified from property, plant and equipment to expenses	2,707	6,535
Impairment loss on property, plant and equipment	-	43,669
(Reversal) Impairment loss on prepayments	(78,924)	487,558
Recognized loss on purchase contracts	398,581	575,580
Allowance (reversal of allowance) for loss on inventories	4,982	(253,658)
(Realized) unrealized gain from sales	(101,353)	13,242
Gain from bargain purchase	(2,261,090)	-
Reversal of provisions	-	(4,113)
(Gain) net loss on foreign exchange	22,687	(97,553)
Share of loss of subsidiaries and associates	953,725	334,083
Compensation costs of restricted shares for employees	16,492	7,668
Dividend income	(2,000)	(2,400)
Interest income	(46,693)	(59,446)
Finance costs	395,444	586,979
Reversal of contracts compensation interest	(239,274)	-
Total amount of adjustment	<u>680,059</u>	<u>3,243,197</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	617,909	1,043,132
Accounts receivable from related parties	(21,888)	(3,020)
Other receivables	622,883	38,585
Other receivables from related parties	327,402	(153,093)
Inventories	581,782	1,085,123
Prepayments (including noncurrent)	90,131	153,218
Other current assets	(233,784)	7,266
Contract liabilities - current	58,729	-
Notes and accounts payable	(335,313)	(50,434)
Accounts payable - related parties	(122,845)	7,942
Accrued expenses	(1,377,785)	(321,651)
Provisions	58,432	37,205
Receipts in advance	(137,628)	172,213
Other current liabilities	10,548	(215)
Refunded (paid) income taxes	<u>1,098</u>	<u>(716)</u>
Net cash generated from operating activities	<u>351,436</u>	<u>1,104,952</u>

(Continued)

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (59,086)	\$ -
Net cash outflow from acquisition of investment accounted for using the equity method	(15,473)	(1,678,884)
Net cash inflow on disposal of subsidiaries	43,634	967
Proceeds from sale of non-current assets held for sale	135,189	1,209,182
Acquisition of property, plant and equipment	(313,024)	(721,971)
Proceeds from disposal of property, plant and equipment	-	1,741
Increase in refundable deposits	(220,152)	(575,303)
Decrease in refundable deposits	23,450	164,991
Decrease (increase) in other receivables from related parties - non-current	696,697	(1,679,240)
Financings provided to related parties	-	(1,282,890)
Repayments by related parties	1,263,183	916,350
Net cash inflow on business combinations	4,721,266	-
Increase in restricted assets	(1,011,181)	(1,429,380)
Increase in pledged time deposits	(317,246)	(166,856)
Decrease in other non-current assets	8,825	3,342
Interest received	39,820	47,586
Dividends received from associates	48,838	-
Dividends received from available-for-sale financial assets	<u>2,000</u>	<u>2,400</u>
Net cash generated (used in) from investing activities	<u>5,046,740</u>	<u>(5,187,965)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	17,668,479	25,638,288
Decrease in short-term bank loans	(20,097,081)	(25,404,347)
Decrease in short-term bill payable	(201,393)	-
Proceeds from long-term bank loans	2,977,075	3,730,573
Repayments of long-term bank loans	(3,610,661)	(3,091,610)
Increase in guarantee deposits	7	50
Decrease in guarantee deposits	(102)	-
Proceeds from issuance of ordinary shares	2,781,307	-
Interest paid	<u>(305,497)</u>	<u>(180,557)</u>
Net cash (used in) generated from financing activities	<u>(787,866)</u>	<u>692,397</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>39,862</u>	<u>(78,853)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,650,172	(3,469,469)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,577,652</u>	<u>6,047,121</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 7,227,824</u>	<u>\$ 2,577,652</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

(Concluded)

UNITED RENEWABLE ENERGY CO., LTD. (FORMERLY NEO SOLAR POWER CORP.)

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATION

United Renewable Energy Co., Ltd. (formerly Neo Solar Power Corp.) (the Corporation) was incorporated in the Republic of China on August 26, 2005. The Corporation specializes in manufacturing high-quality solar cells, solar cell modules and wafers. The Corporation's main business activities include researching, developing, designing, manufacturing and selling solar cells as well as participating in other solar-related businesses. Its ordinary shares have been listed on the Taiwan Stock Exchange (TSE) since January 2009. On October 1, 2018, the Corporation merged the former Gintech Energy Corporation (Gintech Energy) and Solartech Energy Corporation (Solartech Energy) with the Corporation as the surviving company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation's board of directors on March 20, 2019 .

3. APPLICATION OF NEW/AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation's accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
<u>Financial asset classification</u>					
Cash and cash equivalents, notes and accounts receivable, accounts receivable from related parties, pledged time deposits, restricted assets, refundable deposits and other receivables	Loans and receivables	Amortized cost	\$ 12,059,095	\$ 12,059,095	(1)
Equity securities	Available for sale	FVTOCI	82,849	81,440	(2)
<u>Financial liabilities classification</u>					
Short-term loans, short-term bills payable, notes and accounts payable, accounts payable to related parties, payables to contractors and equipment suppliers, accrued expenses, long-term loans and bonds payable	Amortized cost	Amortized cost	14,967,707	14,967,707	
Derivatives	Held for trading	Held for trading	5,742	5,742	

Financial Assets	Carrying Amount as of December 31, 2017 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
FVTOCI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
- Equity instruments							
Add: Reclassification from available-for-sale	-	82,849	(1,409)	81,440	41,893	(43,302)	(2)
	-	82,849	(1,409)	81,440	41,893	(43,302)	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from loans and receivables	-	12,059,095	-	12,059,095	-	-	(1)
	-	12,059,095	-	12,059,095	-	-	
Total	<u>\$ -</u>	<u>\$ 12,141,944</u>	<u>\$ (1,409)</u>	<u>\$ 12,140,535</u>	<u>\$ 41,893</u>	<u>\$ (43,302)</u>	

	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Investments accounted for using the equity method	\$ 6,669,856	\$ 41,226	\$ 6,711,082	\$ 56,933	\$ (15,707)	(3)

(1) Cash and cash equivalents, notes and accounts receivable, accounts receivable from related parties, pledged time deposits, restricted assets, refundable deposits and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of future 12-month or lifetime expected credit losses under IFRS 9.

(2) As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Corporation elected to designate all of these investments as at FVTOCI under IFRS 9. As a result, the related other equity-unrealized gain/loss on available-for-sale financial assets in the amount of \$38,773 thousand would result in an increase in other equity - unrealized gain/loss on financial assets at FVTOCI.

As equity investments previously measured at cost under IAS 39 are remeasured at fair value under IFRS 9, the adjustments would result in an decrease in financial assets at FVTOCI of \$1,409 thousand, an decrease in other equity - unrealized gain/loss on financial assets at FVTOCI of \$1,409 thousand on January 1, 2018.

For those equity investments previously classified as available-for-sale financial assets (including measured at cost financial assets) under IAS 39, the impairment losses that the Corporation had recognized have been accumulated in retained earnings. Since these investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, the adjustments would result in a decrease in other equity - unrealized gain/loss on financial assets at FVTOCI of \$80,666 thousand and an increase in retained earnings of \$41,893 thousand on January 1, 2018.

- (3) As a result of the retrospective application of IFRS 9, the investment accounted for using the equity method of \$41,226 thousand was retained with the other equity - unrealized gain/loss on available-for-sale financial assets of \$33,109 thousand reclassified to other equity - unrealized gain/loss on financial assets at FVTOCI, and then retained earnings were increased by \$56,933 thousand through decrease of other equity - unrealized gain/loss on financial assets at FVTOCI by \$48,816 thousand on January 1, 2018.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

The Corporation elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and elects not to restate prior reporting periods with the cumulative effect of the initial application recognized at the date of initial application.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017 (IAS 18 and Revenue-related Interpretations)	Adjustments Arising from Initial Application	Carrying Amount as of January 1, 2018 (IFRS 15)	Note
Provisions - current	\$ 1,535	\$ (1,535)	\$ -	(1)
Receipts in advance	228,430	(90,802)	137,628	
Contract liabilities - current	-	90,802	90,802	
Other current liabilities	<u>7,703</u>	<u>1,535</u>	<u>9,238</u>	(1)
Total effect on liabilities	<u>\$ 237,668</u>	<u>\$ -</u>	<u>\$ 237,668</u>	

- (1) Prior to the application of IFRS 15, the Corporation recognized the estimation of sales returns and allowances as provisions. Under IFRS 15, the Corporation recognizes such estimation as a refund liability (classified under accrued expenses and other current liabilities).

- (2) Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability.

Had the Corporation applied the requirements of hedge accounting under IAS 18 in 2017, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on assets, liabilities and equity for current year

	December 31, 2018
Decrease in provisions - current	\$ (1,478)
Decrease in receipts in advance	(187,109)
Increase in contract liabilities - current	187,109
Increase in other current liabilities	<u>1,478</u>
Total effect on liabilities	<u>\$ -</u>

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Corporation will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into. Contracts identified as containing a lease of power facility, which are currently identified as containing a lease under IAS 17 and IFRIC 4, will not meet the definition of a lease under IFRS 16 and will be accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Corporation as lessee

Upon initial application of IFRS 16, the Corporation will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the interest and principal portions of lease liabilities will be classified within financing activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Corporation anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Except for the following practical expedients which are to be applied, the Corporation will apply IAS 36 to all right-of-use assets.

The Corporation expects to apply the following practical expedients:

- a) The Corporation will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Corporation will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Corporation will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Corporation will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Corporation as lessor

The Corporation will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right of Use Asset	\$ -	\$ 271,916	\$ 271,916
Investment accounted for using the equity method	<u>8,671,913</u>	<u>(306,410)</u>	<u>8,365,503</u>
Total effect on assets	<u>\$ 8,671,913</u>	<u>\$ (34,494)</u>	<u>\$ 8,637,419</u>
Lease liabilities - current	<u>\$ -</u>	<u>\$ 271,916</u>	<u>\$ 271,916</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 271,916</u>	<u>\$ 271,916</u>
Retained Earnings	<u>\$ (369,468)</u>	<u>\$ (306,410)</u>	<u>\$ (675,878)</u>
Total effect on equity	<u>\$ (369,468)</u>	<u>\$ (306,410)</u>	<u>\$ (675,878)</u>

Except for the above impact, as of the date the 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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate 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 the Corporation 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 Corporation's interest as an unrelated investor in the associate or joint venture, i.e. the Corporation's share of the gain or loss is eliminated. Also, when the Corporation loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation's interest as an unrelated investor in the associate or joint venture, i.e. the Corporation's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the 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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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.

When preparing its financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates or joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial

statements, adjustments arising from the differences between accounting treatments on an individual basis and a consolidated basis were made to investments accounted for using the equity method, shares of (profit) loss of subsidiaries and associates, and shares of other comprehensive income (loss) of subsidiaries and associates, as appropriate, in these financial statements.

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. 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 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 non-controlling 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.

e. Foreign currencies

In preparing the financial statements of the Corporation, transactions in currencies other than the Corporation'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.

Nonmonetary 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.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods. Inventories 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 inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

g. Investments in subsidiaries

The Corporation uses the equity method to account for its investment in subsidiaries.

Subsidiaries are the entities (including structured entities) controlled by the Corporation.

Under the equity method, investments in subsidiaries 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 subsidiaries. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Corporation's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in the subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized 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.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill is not reversed in subsequent periods.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously 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.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and side stream transactions between subsidiaries are recognized in the Corporation's financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

h. Investments in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Under the equity method, investments in an associate 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. The Corporation also recognizes the changes in the Corporation's share of the equity of associates 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 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.

When the Corporation subscribes for additional new shares of an 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 capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Corporation's ownership interest is reduced due to its additional subscription of the new shares of the 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 investments 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 equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), 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.

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 is deducted from 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.

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

i. Property, plant and equipment

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

1. 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 CGU 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. Non-current assets held for sale

Non-current 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 non-current 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.

Non-current 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

2018

The Corporation classified its financial assets into the following categories: financial asset at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and financial liability with no active market are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits, which are highly liquid, readily convertible to a known amount of cash. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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 34.

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

2018

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI and lease receivables.

The Corporation always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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.

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.

Before 2017, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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 34.

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 conversion options component of the convertible bonds issued by the Corporation that is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company'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 notes 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 to manage its exposure to foreign exchange 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.

Before 2017, derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, such that their risks and characteristics are not closely related to those of the hybrid contracts and the contracts are not measured at fair value through profit or loss. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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.

The warranty of obligations products that meet the eligibility criteria 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

2018

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of solar cell, modules and power facilities construction. Sales of solar cell, modules and electric power plants are recognized as revenue when the goods are delivered to the customer's specific location to fulfill contractual obligation.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, which states net of discounts and other similar sales returns and allowances. In consideration of historical experience and other factors related to contract conditions, the Corporation recognizes such sales returns and allowances as contract liabilities shown in the consolidated balance sheet as other current liabilities.

If there is a need to cut or remove material before processing, such processed products do not transfer substantially all the risks and rewards to the customer, thus revenue can not be recognized.

2) Processing revenue

Revenue is recognized from providing process of solar cells services to customers. Processing revenue is recognized as a sale when customer obtains control over the assets to fulfill contractual obligation.

2017

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 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) 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.

1) The Corporation as lessor

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, 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.

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. Business model assessment for financial assets - 2018

The Corporation determines the business model at a level that reflects how corporation of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Corporation monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Corporation understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. 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.

d. 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 Corporation'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.

e. 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.

f. Assessment of impairment losses on prepayments of long-term purchase contract

To ensure the stability of supply of raw materials in the manufacturing process, the Corporation entered into several long-term materials supply agreements, and made certain prepayments for later purchase deduction.

The purchase price was negotiated between the parties of the contract, and the purchase quantity of materials was depend on the provisions of the contract in addition to the operation of the supplier. The Corporation assesses if the prepayment impair, when the deduction of prepayment slow down. Operation and financial positions of suppliers deteriorate and cannot provide stable supply, adverse changes in the supply and demand of the market cause the actual purchase volume to be insufficient, and the raw material price declines, which may indicate impairment of prepayment.

g. Income taxes

The replicability 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.

h. Assessment of bargain purchase gain

The fair value assessment of the acquisition-date assets and liabilities and the amount of the bargain purchase gain were based on the purchase price allocation report. The impact of the recognition of bargain purchase gain due to the adopted method and assumptions which involve the use of critical accounting judgements and estimations. For further disclosures of assessment of bargain purchase gain, refer to Note 35 to the Corporation's consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Demand deposits	\$ 7,107,002	\$ 2,443,369
Checking accounts	15,186	3
Cash on hand	651	280
Cash equivalents		
Time deposits	<u>104,985</u>	<u>134,000</u>
	<u>\$ 7,227,824</u>	<u>\$ 2,577,652</u>

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

	December 31	
	2018	2017
Bank balance	0%-1.015%	0%-0.17%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 5,742</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2017</u>				
Buy	Buy USD/Sell NTD	January 29, 2018	USD 6,000/ NTD	178,620
Buy	Buy USD/Sell NTD	January 29, 2018	USD 4,000/ NTD	119,080
Buy	Buy USD/Sell NTD	March 1, 2018	USD 5,000/ NTD	148,775
Buy	Buy USD/Sell NTD	March 14, 2018	USD 5,000/ NTD	149,200
Sell	Sell GBP/Buy USD	February 21, 2018	GBP 5,000/ USD	6,710
Sell	Sell GBP/Buy USD	February 22, 2018	GBP 4,000/ USD	5,372
Sell	Sell EUR/Buy USD	February 27, 2018	EUR 3,000/ USD	3,574
Sell	Sell EUR/Buy USD	February 27, 2018	EUR 3,000/ USD	3,575
Sell	Sell GBP/Buy USD	February 28, 2018	GBP 2,000/ USD	2,684

The Corporation entered into derivative transactions during 2017 to manage exposures of assets and liabilities denominated in foreign currency related to exchange rate changes.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – 2018

	December 31, 2018
<u>Current</u>	
Domestic investments	
Domestic quoted shares	
CTCI Corporation (“CTCI”)	<u>\$ 133,333</u>
<u>Non-current</u>	
Domestic investments	
Domestic quoted shares	
Sino-American Silicon Products Inc. (“SAS”)	\$ 1,337,855
ThinTech Materials Technology Co., Ltd. (“TTMC”)	66,240
Unlisted ordinary shares	
EXOJET Technology Corporation (“EXOJET”)	45,962
Taiwan Special Chemicals Corporation (“TSCC”)	18,601
NTNU Innovation Investment Holding Company (“NTNU”)	2,000
	<u>1,470,658</u>
Overseas investments	
Unlisted ordinary shares	
ASIA GLOBAL VENTURE CAPITAL CO., LTD	22,137
SUN APPENNINO CORPORATION	19,338
FICUS CAPITAL CORPORATION	-
	<u>41,475</u>
	<u>\$ 1,512,133</u>

The Corporation invested in corporation mentioned above for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with The Corporation's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 9 and 10 for information relating to their reclassification and comparative information for 2017.

The Corporation's investment in TTMC's private-placement shares under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

Refer to Note 36 for the amount of investments in equity instruments at FVTOCI pledged by the Corporation to secure borrowings.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

**December 31,
2017**

Non-current

Domestic quoted shares

ThinTech Materials Technology Co., Ltd. ("TTMC")	<u>\$ 59,000</u>
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Under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

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

10. FINANCIAL ASSETS CARRIED AT COST - 2017

**December 31,
2017**

Overseas unlisted common shares

SUN APPENNINO CORPORATION	\$ 22,590
FICUS CAPITAL CORPORATION	<u>1,259</u>

\$ 23,849

Classified according to financial asset measurement categories

Available-for-sale financial assets	<u>\$ 23,849</u>
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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 financial assets carried at cost have not been pledged as security or for other purposes.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes and accounts receivable</u>		
Notes and accounts receivable	\$ 2,311,036	\$ 1,472,104
Accounts receivable from related parties	574,141	242,898
Less: Allowance for impairment loss	<u>(350,886)</u>	<u>(341,608)</u>
	<u>\$ 2,534,291</u>	<u>\$ 1,373,394</u>
<u>Other receivables</u>		
Other receivables from related parties	\$ 2,963,463	\$ 5,091,172
Sales tax refund receivable	90,677	8,909
Others	12,937	694
Less: Allowance for impairment loss	<u>(8,400)</u>	<u>-</u>
	<u>\$ 3,058,677</u>	<u>\$ 5,100,775</u>

a. Notes and accounts receivable

2018

The credit periods for the sale of goods were (a) 30 to 90 days after the end of the month; (b) 7 to 150 days from the invoice date; and (c) 45 to 90 days for letters of credit. No interest was charged on account receivables. For overdue account receivables, interest was charged on the basis of management's judgment.

In order to minimize credit risk, the management of the Corporation has delegated 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 individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Corporation's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Corporation's different customer base.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Corporation's provision matrix.

December 31, 2018

	Not Past Due	Less Than or Equal to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 180 Days	Signs of Counterparty Default	Total
Expected credit loss rate	0%-0.02%	0%-0.10%	0%-2.84%	0%-15.92%	0%-29.08%	0%-31.85%	0%-26.15%	0%-100%	100%	
Gross carrying amount	\$ 1,257,611	\$ 289,134	\$ 361,737	\$ 156,248	\$ 28,199	\$ 65,130	\$ 4,060	\$ 397,230	\$ 325,828	\$ 2,885,177
Loss allowance (Lifetime ECL)	(49)	(65)	(1,678)	(924)	(2,684)	(19,513)	(145)	-	(325,828)	(350,886)
Amortized cost	<u>\$ 1,257,562</u>	<u>\$ 289,069</u>	<u>\$ 360,059</u>	<u>\$ 155,324</u>	<u>\$ 25,515</u>	<u>\$ 45,617</u>	<u>\$ 3,915</u>	<u>\$ 397,230</u>	<u>\$ -</u>	<u>\$ 2,534,291</u>

The movements of the loss allowance of trade receivables are as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ 341,608
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	<u>341,608</u>
Add: Impairment losses	29,101
Less: Amounts written off	<u>(19,823)</u>
Balance at December 30, 2018	<u>\$ 350,886</u>

2017

The Corporation applied the same credit policy in 2018 and 2017. In determining the recoverability of accounts receivable, the Corporation considered any change in the credit quality of the accounts receivable 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 accounts receivable 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, 2017, the amounts of collateral or other credit enhancements for these receivables were \$10,950 thousand. 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:

	December 31, 2017
Up to 60 days	\$ 1,354,385
61-90 days	19,003
91-120 days	-
More than 120 days	<u>341,614</u>
Total	<u>\$ 1,715,002</u>

The above analysis was based on the past due days from end of credit term.

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

	December 31, 2017
Up to 60 days	\$ 119,389
61-90 days	19,003
91-120 days	-
More than 120 days	<u>6</u>
Total	<u>\$ 138,398</u>

The above analysis was based on the past due days from end of credit term.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 249,420	\$ -	\$ 249,420
Add: Impairment loss recognized on receivables	92,291	-	92,291
Less: Amount written off during the year	<u>(103)</u>	<u>-</u>	<u>(103)</u>
Balance at December 31, 2017	<u>\$ 341,608</u>	<u>\$ -</u>	<u>\$ 341,608</u>

The allowance for impairment loss included individually impaired accounts receivable amounting to \$341,608 thousand as of December 31, 2017. 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 accounts receivable and the present value of the expected proceeds received from liquidation. The Corporation did not hold any collateral on these impaired receivables.

b. Other receivables

2018

The credit period was 60 days after the end of the month.

In order to minimize credit risk, the management of the Corporation has delegated 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 individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

Loss allowance of finance lease receivables was estimated at the reporting date. For those with credit risk that did not increase significantly since initial recognition, 12-month ECL was applied; for those with credit risk that increased significantly since initial recognition, lifetime ECL was applied.

The aging of other receivables is as follows:

	December 31, 2018
Up to 60 days	\$ 2,465,895
61-90 days	-
91-120 days	-
More than 120 days	<u>601,182</u>
Total	<u>\$ 3,067,077</u>

The aging of other receivables that were impaired is as follows:

	December 31, 2018
Up to 60 days	<u>\$ 8,400</u>

The above analysis was based on the past due days from end of credit term.

The movements of the loss allowance of other receivables are as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	-
Add: Impairment losses	<u>8,400</u>
Balance at December 31, 2018	<u>\$ 8,400</u>

2017

The credit period was basically 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 their current financial position.

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

	December 31, 2017
Neither past due nor impaired	\$ 4,308,433
Past due but not impaired - 61 days to 90 days	-
Past due but not impaired - 91 days to 120 days	12,270
Past due but not impaired - more than 120 days	<u>780,072</u>
	<u>\$ 5,100,775</u>

Above analysis was based on the past due days from end of credit term.

Loans receivable were as follows:

	Collateral	Interest Rate	December 31	
			2018	2017
Fixed rate NTD-denominated loans receivables at NTD200,000 thousand (1)	\$ -	1.608%	\$ 200,000	\$ -
Fixed rate USD-denominated loans receivables at USD3,500 thousand (1)	-	5%	107,590	358,176
Fixed rate NTD-denominated loans receivables at NTD68,000 thousand (1)	-	3%	24,000	-
Fixed rate USD-denominated loans receivables at USD35,000 thousand (1)	-	2.8%	<u>-</u>	<u>1,044,680</u>
			<u>\$ 331,590</u>	<u>\$ 1,402,856</u>

- 1) The repayments of US\$8,500 thousand and of NT\$44,000 thousand were received in 2018, and the remaining principal is expected to be received in full on the maturity date.

12. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 1,169,033	\$ 787,016
Raw materials	521,647	375,964
Power facilities construction in progress	129,540	-
Work in progress	<u>7,510</u>	<u>78,368</u>
	<u>\$ 1,827,730</u>	<u>\$ 1,241,348</u>

In 2018, the cost of sales related to inventories was \$11,295,715 thousand, which included (1) unallocated fixed manufacturing overheads of \$770,259 thousand; (2) income of \$4,432 thousand from the sale of scraps; (3) losses on purchase contracts of \$319,657 thousand; (4) reversal of inventory write-downs of \$9,207 thousand; and (5) loss of 14,189 thousand from the disposal of obsolete inventories.

In 2017, the cost of sales related to inventories was \$11,195,316 thousand, which included (1) unallocated fixed manufacturing overheads of \$1,021,397 thousand; (2) income of \$7,509 thousand from the sale of scraps; (3) losses on purchase contracts of \$1,063,138 thousand; (4) reversal of inventory write-downs of \$288,547 thousand; and (5) loss of 34,889 thousand from the disposal of obsolete inventories.

The inventories had not been pledged as security or for other purposes.

13. NONCURRENT ASSETS HELD FOR SALE

	December 31	
	2018	2017
Machinery and equipment	\$ -	\$ 134,006
Office equipment	-	9
Miscellaneous equipment	<u>-</u>	<u>3,673</u>
	<u>\$ -</u>	<u>\$ 137,688</u>

On November 10, 2015, the Corporation's board of directors approved the disposal of the parcel of assets to TS Solartech Sdn Bhd. by installment payment. The first disposal had been completed on November 27, 2015; the second parcel of machinery and equipment was intended for transfer out before 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. The Corporation intended to dispose of the above equipment and reclassified such asset to non-current assets classified as held for sale in fourth quarter 2017. The Corporation assessed that there were indications of impairment because their recoverable amounts measured at fair value on a non-recurring basis of \$137,668 thousand were estimated to be less than their carrying amounts, and thus, an impairment loss of \$31,593 thousand was recognized, and the disposal was completed in the first quarter of 2018.

The non-recurring fair value, which is within Level 3 of the fair value hierarchy, has been measured using both the cost approach and the transaction price to the annual revenue for the recent sales of a comparable business with adjustments applied to reflect other factors that market participants would take into account. The significant unobservable inputs are primary market participants take into account.

On May 9, 2017, the Corporation's board of directors approved the disposal of the building in Zhunan and its auxiliary equipment and reclassified such assets to non-current assets classified as held for sale in the second quarter of 2017. The Corporation signed the disposal contract on July 11, 2017, and assessed that there were no indications of impairment because the selling price was higher than the carrying amount; the disposal was completed in the third quarter of 2017.

In the first quarter of 2017, the Corporation intended to dispose of a parcel of machinery and equipment 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 measured at fair value on a non-recurring basis of \$45,097 thousand was estimated to be less than their carrying amount; and thus, an impairment loss of \$12,076 thousand was recognized for the three months ended March 31, 2017, and the disposal was completed in the second quarter of 2017.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 7,544,603	\$ 5,970,838
Credit balance of investments accounted for using the equity method	<u>134,504</u>	<u>18,127</u>
	7,679,107	5,988,965
Investments in associates	<u>992,806</u>	<u>680,891</u>
	<u>\$ 8,671,913</u>	<u>\$ 6,669,856</u>

a. Investments in subsidiaries

	December 31	
	2018	2017
Unlisted companies		
Ultimate Energy Solution Limited (“UES”)	\$ 1,863,226	\$ -
DelSolar Holding (Cayman) Ltd. (“DelSolar Cayman”)	1,775,871	2,112,365
General Energy Solutions Inc. (“GES”)	1,533,985	1,846,412
NSP Systems (BVI) Ltd. (“NSP BVI”)	1,407,681	1,278,419
GES Energy Middle East FZE (“GES ME”)	368,249	353,995
Apex Solar Corporation (“Apex”)	157,341	-
NSP System Development Corp. (“NSP System”)	145,785	162,163
NSP UK Holding Limited (“NSP UK”)	143,188	117,666
Prime Energy Corp. (“Prime Energy”)	80,222	50,832
New Ray Investment Corp. (“New Ray Investment”)	64,262	57,518
Solartech Japan Corporation (“Solartech JP”)	34,333	-
Zhongyang Corporation (“Zhongyang”)	31,439	-
Huiyang Corporation (“Huiyang”)	30,295	-
DelSolar Holding Singapore Pte Ltd. (“DelSolar Singapore”)	18,692	(18,127)
Best Power Service Corp. (“BPS”)	14,880	9,595
Solartech Materials Corporation (“SMC”)	9,658	-
Utech Solar Corporation (“Utech”)	(134,504)	-
	<u>7,544,603</u>	<u>5,970,838</u>
Credit balance of investments accounted for using the equity method	<u>134,504</u>	<u>18,127</u>
	<u>\$ 7,679,107</u>	<u>\$ 5,988,965</u>

As of December 31, 2018 and 2017, the Corporation continued recognition of its share of further losses of Utech and of DelSolar Singapore, which was experiencing losses, causing credit balances on the carrying values of investments. The credit balances on the carrying values were reclassified into credit balance of investments accounted for using the equity method.

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

	December 31	
	2018	2017
UES	100.00%	-
DelSolar Cayman	100.00%	100.00%
GES	100.00%	100.00%
NSP BVI	100.00%	100.00%
GES ME	100.00%	100.00%
Apex	100.00%	-
NSP System	100.00%	100.00%
NSP UK	100.00%	100.00%
Prime Energy	100.00%	100.00%
New Ray Investment	100.00%	100.00%
Solartech JP	100.00%	-
Zhongyang	100.00%	-
Huiyang	100.00%	-
DelSolar Singapore	100.00%	100.00%
BPS	60.00%	60.00%
SMC	100.00%	-
Utech	98.30%	-

The acquisitions of the following subsidiaries, UES, Apex, Solartech JP, Zhongyang, Huiyang, SMC and Utech, were due to the absorption merging of two corporations, Gintech Energy and Solartech Energy on October 1, 2018.

The movement details of the subsidiaries held by the Corporation, refer to Note 30 and 31.

Refer to Note 47 to the Corporation's consolidated financial statements for the details of the subsidiaries indirectly held by the Corporation.

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, 2018 and 2017 were based on the associates' financial statements audited by the auditors for the same years.

The investment in the subsidiaries had not been pledged as collateral for bank loans.

b. Investments in associates

	December 31	
	2018	2017
Material associates		
Neo Cathay Power Corp. ("Neo Cathay")	\$ -	\$ 599,173
Associates that are not individually material		
Neo Cathay	616,896	-
TS Solartech SDN BHD ("TSST")	254,093	-
V5 Technology	69,860	72,402
Gintung Energy Corporation ("Gintung")	44,424	-
JNV SOLAR POWER Co., LTD ("JSP")	7,533	9316
Sunshine PV Corporation ("Sunshine PV")	-	-
Solar PV Corp. ("Solar PV")	-	-
	<u>992,806</u>	<u>81,718</u>
	<u>\$ 992,806</u>	<u>\$ 680,891</u>

1) Material associates

As of December 31, 2018, the Corporation did not have material associates.

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

	December 31, 2017
Neo Cathay	40.00%

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

Neo Cathay

	December 31, 2017
Current assets	\$ 681,238
Non-current assets	817,097
Current liabilities	<u>(400)</u>
Equity	<u>\$ 1,497,935</u>
Proportion of the Corporation's ownership	40.00%
Equity attributable to the Corporation/ Investment carrying value	<u>\$ 599,173</u>
	For the Year Ended December 31, 2017
Operating revenue	<u>\$ -</u>
Loss from operations	<u>\$ (11,584)</u>
Net income (loss) for the period	<u>\$ 846</u>
Other comprehensive income	<u>\$ -</u>
Total comprehensive income (loss) for the period	<u>\$ 846</u>

2) Aggregate information of associates that are not individually material

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

Name of Associate	<u>December 31</u>	
	2018	2017
Neo Cathay	40.00%	-
TSST	42.12%	-
V5 Technology	41.43%	41.43%
Gintung	36.38%	-
JSP	35.00%	35.00%
Sunshine PV	19.47%	-
Solar PV	19.92%	-

The acquisitions of the following associates, TSST, Gintung, Sunshine PV and Solar PV, were due to the absorption merging of two corporations, Gintech Energy and Solartech Energy on October 1, 2018.

Aggregate information of associates that are not individually material were as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
The Corporation's share of:		
Net (loss) income for the period	\$ (103,477)	\$ (12,362)
Other comprehensive (loss) income for the period	<u>(36,641)</u>	<u>-</u>
Total comprehensive (loss) income for the period	<u>\$ (140,118)</u>	<u>\$ (12,362)</u>

The Corporation had recognized impairment loss of equity investment of Sunshine PV, an associate, so that the Corporation did not recognize any share of profit or loss of associates. However, based on the changes in the Corporation's share of equity of associates attributable to the Corporation was \$4,026 thousand, as of December 31, 2018.

The Corporation had recognized impairment loss of equity investment of Solar PV, an associate, so that the Corporation did not recognize any share of profit or loss of associates. However, based on the changes in the Corporation's share of equity of associates attributable to the Corporation was \$361 thousand, as of December 31, 2018.

The information of the main business, principal operating place and registry country of the above associates and joint ventures is shown in Table 7 "Information on Investees".

Except for TSST and CFY, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investment were calculated based on the financial statements that have been audited. Management believes there is no material impact on the financial statements that have not been audited.

The investments in the associates had been pledged as collateral for bank loans, refer to Note 36.

15. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	2018	2017
<u>Carrying amounts</u>		
Land	\$ 1,436,596	\$ 440,596
Buildings	5,983,064	1,774,910
Machinery and equipment	5,505,983	4,088,330
Research and development equipment	4,660	9,307
Office equipment	14,005	1,404
Leasehold improvements	16	24
Transportation equipment	1,002	-
Miscellaneous equipment	120,268	46,007
Advance payments and construction in progress	<u>472,240</u>	<u>163,832</u>
	<u>\$ 13,537,834</u>	<u>\$ 6,524,410</u>

Year Ended December 31, 2017

	Balance, Beginning of Year	Additions	Deduction	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 440,596	\$ -	\$ -	\$ -	\$ 440,596
Buildings	4,327,670	-	(99,820)	(1,468,862)	2,758,988
Machinery and equipment	14,035,013	-	(169,950)	696,466	14,561,529
Research and development equipment	59,521	-	(1,083)	38	58,476
Office equipment	56,121	-	(7,113)	(11,843)	37,165
Miscellaneous equipment	2,056	-	-	(1,994)	62
Leasehold improvements	302,573	159	(19,564)	(491)	282,677
Property under acceptance or construction	590,353	676,278	-	(1,102,799)	163,832
	<u>19,813,903</u>	<u>\$ 676,437</u>	<u>\$ (297,530)</u>	<u>\$ (1,889,485)</u>	<u>18,303,325</u>

Accumulated depreciation

Buildings	1,212,420	\$ 184,168	\$ (27,757)	\$ (384,753)	984,078
Machinery and equipment	9,012,582	1,189,527	(68,219)	(88,770)	10,045,120
Research and development equipment	37,405	12,719	(955)	-	49,169
Office equipment	49,558	3,269	(7,099)	(9,967)	35,761
Leasehold improvements	1,403	200	-	(1,565)	38
Miscellaneous equipment	233,559	27,864	(16,725)	(8,028)	236,670
	<u>10,546,927</u>	<u>\$ 1,417,747</u>	<u>\$ (120,755)</u>	<u>\$ (493,083)</u>	<u>11,350,836</u>

Accumulated impairment

Machinery and equipment	451,858	\$ 42,639	\$ (17,952)	\$ (48,466)	428,079
Miscellaneous equipment	891	1,030	-	(1,921)	-
	<u>452,749</u>	<u>\$ 43,669</u>	<u>\$ (17,952)</u>	<u>\$ (50,387)</u>	<u>428,079</u>
	<u>\$ 8,814,227</u>				<u>\$ 6,524,410</u>

Year Ended December 31, 2018

	Balance, Beginning of the Period	Acquired from Business Combinations	Additions	Deductions	Reclassifications	Balance, End of Period
<u>Cost</u>						
Land	\$ 440,596	\$ 996,000	\$ -	\$ -	\$ -	\$ 1,436,596
Buildings	2,758,988	4,389,300	-	-	-	7,148,288
Machinery and equipment	14,561,529	2,709,000	-	(2,000)	63,366	17,331,895
Research and development equipment	58,476	1,808	-	-	450	60,734
Office equipment	37,165	4,915	102	-	9,380	51,562
Leasehold improvements	62	-	-	-	-	62
Transportation equipment	-	1,088	-	-	-	1,088
Miscellaneous equipment	282,677	105,027	-	(398)	4,141	391,447
Property under acceptance or construction	163,832	-	388,452	-	(80,044)	472,240
	<u>18,303,325</u>	<u>\$ 8,207,138</u>	<u>\$ 388,554</u>	<u>\$ (2,398)</u>	<u>\$ (2,707)</u>	<u>26,893,912</u>

Accumulated depreciation

Buildings	984,078	\$ -	\$ 181,146	\$ -	\$ -	1,165,224
Machinery and equipment	10,045,120	-	1,354,713	(2,000)	-	11,397,833
Research and development equipment	49,169	-	6,905	-	-	56,074
Office equipment	35,761	-	1,796	-	-	37,557
Leasehold improvements	38	-	8	-	-	46
Transportation equipment	-	-	86	-	-	86
Miscellaneous equipment	236,670	-	34,907	(398)	-	271,179
	<u>11,350,836</u>	<u>\$ -</u>	<u>\$ 1,579,561</u>	<u>\$ (2,398)</u>	<u>\$ -</u>	<u>12,927,999</u>

Accumulated impairment

Machinery and equipment	428,079	\$ -	\$ -	\$ -	\$ -	428,079
	<u>\$ 6,524,410</u>					<u>\$ 13,537,834</u>

The recognition of an impairment in 2017 refer to Note 13 for related disclosure.

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
Leasehold improvements	4-11 years
Transportation equipment	3-5 years
Miscellaneous equipment	3-16 years

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

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings.

The Corporation insured its property, plant and equipment in accordance the carrying amount of property, plant and equipment within the amount of \$44,641,100 thousand.

For the year ended December 31, 2018, there were reclassifications from property under acceptance or construction of \$2,707 thousand to other expense.

For the year ended December 31, 2017, there were reclassifications from property under acceptance or construction of \$6,535 thousand to other expenses, from building, machinery and equipment and miscellaneous equipment of \$1,339,480 thousand to non-current assets classified as held for sale; the deductions were purchase discount and adjustment to cost of property, plant and equipment of \$41,422 thousand, disposal of property, plant and equipment of \$117,401 thousand.

16. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Carrying amounts of each class</u>		
Software	<u>\$ 8,051</u>	<u>\$ -</u>
		Software
<u>Cost</u>		
Balance at January 1, 2018		\$ -
Acquired from Business Combinations		<u>9,103</u>
Balance at December 31, 2018		<u>\$ 9,103</u>
<u>Accumulated amortization</u>		
Balance at January 1, 2018		\$ -
Amortization		<u>1,052</u>
Balance at December 31, 2018		<u>\$ 1,052</u>
		<u>\$ 8,051</u>

Amortization expense is on a straight-line basis over the following estimated useful lives of the assets:

Software 1-4 years

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

17. PREPAYMENTS AND OTHER ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Prepayments</u>		
Prepayments to suppliers	\$ 2,417,797	\$ 876,415
Prepayments for equipment	200,486	551
Others	<u>124,905</u>	<u>13,360</u>
	<u>\$ 2,743,248</u>	<u>\$ 890,326</u>
<u>Other assets</u>		
Restricted assets - current	\$ 3,465,720	\$ 360,079
Pledged time deposits	526,523	209,277
Overpaid sales tax	337,588	-
Restricted assets - non-current	-	1,861,336
Others	<u>261,325</u>	<u>260</u>
	<u>\$ 4,591,156</u>	<u>\$ 2,430,952</u>
<u>Prepayments</u>		
Current	\$ 347,032	\$ 126,599
Non-current	<u>2,396,216</u>	<u>763,727</u>
	<u>\$ 2,743,248</u>	<u>\$ 890,326</u>
<u>Other assets</u>		
Current	\$ 4,591,156	\$ 569,356
Non-current	<u>-</u>	<u>1,861,596</u>
	<u>\$ 4,591,156</u>	<u>\$ 2,430,952</u>

The Corporation recognized an impairment loss on prepayments after an assessment; refer to Note 37.

18. LOANS

a. Short-term bank loans

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Secured borrowings</u>		
Bank loans	\$ 200,000	\$ -
<u>Unsecured borrowings</u>		
Line of credit borrowings (1)	<u>4,583,903</u>	<u>5,748,074</u>
	<u>\$ 4,783,903</u>	<u>\$ 5,748,074</u>

- 1) The range of weighted average effective interest rates on bank loans was 0.8800%-4.0698% and 0.8000%-3.4567% per annum as of December 31 2018 and 2017, respectively.
- 2) The unused amount of short-term bank loan facilities were \$4,357,293 thousand and \$3,499,632 thousand, as of December 31, 2018 and 2017, respectively.
- 3) The assets pledged as collaterals for short-term bank loans are shown in Note 36.

b. Short-term bills payable

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Commercial papers	\$ -	\$ 200,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>(415)</u>
	<u>\$ -</u>	<u>\$ 199,585</u>

Outstanding short-term bills payable were as follows:

December 31, 2017

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate
<u>Commercial paper</u>				
Taiwan Cooperative Bills Finance Corporation	<u>\$ 200,000</u>	<u>\$ 415</u>	<u>\$ 199,585</u>	0.972%

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

c. Long-term bank loans

	December 31	
	2018	2017
<u>Secured loan</u>		
3.6 billion syndicated loan from Mega Bank (1)	\$ 2,832,000	\$ -
4.2 billion syndicated loan from First Bank (1)	2,570,000	-
3.3 billion syndicated loan from Taiwan Cooperative Bank KGI Bank loan	1,327,550	2,160,000
0.55 billion syndicated loan from First Bank (1)	250,000	-
Union Bank of Taiwan loan (1)	178,750	-
	11,660	-
<u>Unsecured loan</u>		
King's Town Bank	1,210,000	1,470,000
0.5 billion syndicated loan from First Bank (1)	337,500	-
Cota Commercial Bank loan (1)	16,664	-
<u>Other borrowings</u>		
Machinery and equipment Financing from EQUVO Pte., Ltd.	672,941	-
Inventory Financing from JihSun International Leasing & Finance Co., Ltd.	90,370	-
Inventory Financing from Taichung Bank Leasing & Finance Co., Ltd	71,555	-
Inventory Financing from Hotai Finance Corporation	58,562	-
Inventory Financing from IBT Leasing Corporation Limited	3,850	18,963
Inventory Financing from Robina Finance Leasing Corporation Limited	-	150,000
	<u>9,631,402</u>	<u>3,798,963</u>
Less: Current portion	<u>(3,218,987)</u>	<u>(2,615,113)</u>
	<u>\$ 6,412,415</u>	<u>\$ 1,183,850</u>
The range of interest rate	1.6894%- 6.9239%	1.6200%- 3.7510%
The period of contracts	December 30, 2014 to September 26, 2022	November 5 2015 to May 10, 2021

Note 1: Acquisitions through business combinations of Gintech Energy and Solartech Energy on October 1, 2018.

1) The bank borrowing restrictions are as follows:

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

- a) Current ratio (Current assets ÷ Current liabilities): At least 100%; and
- b) Debt to equity ratio (Total liabilities and the guarantee balance ÷ Tangible net worth): No more than 150%;

The Corporation did not violate the required financial ratios as of December 31, 2018.

During the credit period, from 2019, the agreement on the First Bank syndicated loans requires the maintenance of certain financial ratios based on the Corporation's annual and semiannual nonconsolidated financial reports. The related restrictions are as follows:

- a) Current ratio (Current assets ÷ Current liabilities): At least 100%;
- b) Debt to equity ratio (Total liabilities and the guarantee balance ÷ Tangible net worth): No more than 120%;
- c) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 1; and
- d) Tangible net worth: At least \$6 billion.

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

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

The Corporation did not violate the required financial ratios as of December 31, 2018.

The Corporation did not meet the required current ratio, debt to equity ratio and interest coverage ratio as of December 31, 2017; thus, the Corporation paid the related compensation expenses under the loan agreements during 2018.

2) Other loan restrictions are as follows:

The Corporation entered into a loan agreement with IBT Leasing Co., Ltd., Jih Sun International Leasing & Finance Co., Ltd. and other non-financial institutions. Notes payable were used by the Corporation to repay the outstanding principal amount, including interest, in equal installments; as of December 31, 2018 and 2017, the sum of all outstanding installments were \$228,357 thousand and \$172,415 thousand, including interest amounting to \$4,020 thousand and \$3,452 thousand, respectively.

The amount of refundable deposits for inventory buyback financing was \$220,000 thousand and 15,000 thousand as of December 31, 2018 and 2017, respectively.

The assets pledged as collaterals for long-term bank loans are shown in Note 36.

The unused amount of long-term bank loan facilities were \$790,000 thousand and zero as of December 31, 2018 and 2017, respectively.

19. BONDS PAYABLE

	December 31	
	2018	2017
Secured overseas convertible bonds	\$ 3,614,497	\$ 3,425,011
Less: Current portion	<u>(3,614,497)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,425,011</u>

a. Secured overseas convertible bonds

On October 27, 2016, the Corporation 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 were as follows:

	The Host Liability Instrument		The Conversion Option and Derivative Instrument of Redemption Option	
	US\$	NT\$	US\$	NT\$
The date of issue	\$ 111,553	\$ 3,518,939	\$ 5,532	\$ 174,728
Rate adjusted	-	81,974	-	8
Interest charged at an effective interest rate	631	20,244	-	-
Accrued interest payable	(160)	(5,119)	-	-
Fair value changes gain	<u>-</u>	<u>-</u>	<u>(5,520)</u>	<u>(174,349)</u>
Balance at December 31, 2016	112,024	3,616,038	12	387
Rate adjusted	-	(273,624)	-	-
Interest charged at an effective interest rate	3,627	109,977	-	-
Accrued interest payable	(903)	(27,380)	-	-
Fair value changes gain	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(387)</u>
Balance at December 31, 2017	114,748	3,425,011	-	-
Rate adjusted	-	103,951	-	-
Interest charged at an effective interest rate	3,744	112,981	-	-
Accrued interest payable	(909)	(27,446)	-	-
Fair value changes gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 117,583</u>	<u>\$ 3,614,497</u>	<u>\$ -</u>	<u>\$ -</u>

The 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 Corporation's annual and semiannual non-consolidated 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 3; and
- 4) Tangible net worth: At least 10 billion.

The Corporation did not meet the required current ratio, debt to equity ratio and interest coverage ratio as of December 31, 2017; thus, the Corporation transferred \$1,861,336 thousand into the escrow account as required under the agreement. However, these financial ratios did not meet this requirement which was not considered a breach.

The Corporation did not violate the required financial ratios as of December 31, 2018.

The assets pledged as collaterals for bonds payable are shown in Note 36.

20. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Accrued expenses</u>		
Bonus	\$ 270,138	\$ 137,323
Loss on contracts	260,480	851,730
Salaries	187,665	101,445
Interests	119,884	356,554
Others	<u>546,659</u>	<u>422,165</u>
	<u>\$ 1,384,826</u>	<u>\$ 1,869,217</u>
<u>Other liabilities</u>		
Advanced receipts from customers	\$ 54,165	\$ 2,586
Receipts under custody	8,535	5,117
Others	<u>1,478</u>	<u>1,813</u>
	<u>\$ 64,178</u>	<u>\$ 9,516</u>
Current	\$ 64,178	\$ 7,703
Non-current	<u>-</u>	<u>1,813</u>
	<u>\$ 64,178</u>	<u>\$ 9,516</u>

21. PROVISIONS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Customer returns and rebates	\$ -	\$ 1,535
<u>Non-current</u>		
Warranties	\$ 265,706	\$ 207,274
	<u>Years Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Customer returns and rebates</u>		
Balance at January 1	\$ 1,535	\$ 4,751
Reclassified to refund liability	(1,535)	-
Additions	-	2,046
Usage	-	(1,149)
Reversals	-	(4,113)
Balance at December 31	\$ -	\$ 1,535
<u>Warranties</u>		
Balance at January 1	\$ 207,274	\$ 170,966
Additions	59,725	37,578
Usage	(1,293)	(1,270)
Balance at December 31	\$ 265,706	\$ 207,274

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 Corporation has adopted IFRS 15 starting from January 1, 2018. The Corporation recognized the estimation of sales returns and allowances as refund liability, which was classified under other current liabilities.

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.

22. 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.

23. EQUITY

a. Shares capital

1) Common shares

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares authorized (in thousands)	<u>3,200,000</u>	<u>1,200,000</u>
Amount of shares authorized	<u>\$ 32,000,000</u>	<u>\$ 12,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,515,759</u>	<u>1,019,256</u>
Shares issued	\$ 25,157,599	\$ 10,192,564
Share premiums	<u>963,007</u>	<u>6,020,328</u>
	<u>\$ 26,120,606</u>	<u>\$ 16,212,892</u>

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

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

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 was approved by the shareholders in their meeting on June 14, 2017. On January 29, 2018, the Corporation's board of directors resolved not to continue handling the private-placement issuance.

On October 16, 2017, the Corporation considered the development of the solar energy industry and the growth of future requirements in its investment strategy in order to expand its share in the solar energy industry and strengthen operating ability. The Corporation's board of directors approved to increase the investment in GES by 46,104,764 ordinary shares of GES by public tender offer (approximately 24.11% of the total issued ordinary shares of GES), and GES will become a 100%-owned subsidiary of the Corporation. As of November 6, 2017, the acquisition date, the Corporation acquired 43,090,282 shares, and obtained a total of 3,014,482 shares from other shareholders in November and December 2017.

On October 16, 2017, the Corporation's board of directors approved to sign the merger intent letter with Gintech and SEC, with the Corporation as the surviving company after the merger, and will be renamed United Renewable Energy Co., Ltd. as soon as possible after the effective date of the merger in order to reflect the equality and common objective of the merged companies which is to pursue progress of the merged company.

On January 29, 2018, the Corporation's board of directors approved to sign a merger agreement with Gintech and SEC, and the date of the merger is October 1, 2018. On March 28, 2018, the Corporation, Gintech and SEC approved the merger in their shareholders' meeting.

In connection with the combined contract, Gintech and SEC are entitled to convert outstanding ordinary shares, including private equity and restricted employee share options, through a share swap at a 1:1.39 and 1:1.17 ratio ("sum of the consideration"), respectively. Regarding the share swap, the Corporation expected a total capital increase of NT\$11,644,007 thousand and issued new shares amounted to 1,164,401 thousand shares (including 40,122 thousand shares of private-placement shares.), all ordinary shares, with a par value of NT\$10 which was approved by the FSC on July 23, 2018. On August 3, 2018, the Corporation's board of directors ruled that, due to the cancellation of part of the issue of employee rights shares issued by the Corporation, Gintech

and SEC, the conversion equity was changed, and the new shares issued by the merger and capital increase were adjusted from 1,164,401 thousand shares to 1,164,020 thousand shares, the base date of the merger and the date of listing of the new shares issued by the capital increase were October 1, 2018.

To meet the needed amount of consideration to be paid for the combination through the issuance of ordinary shares and the liquidity requirement of the merged entity, the Corporation processed a NT\$14,000,000 thousand capital increase. The Corporation's total amount of capital is NT\$32,000,000 thousand after the capital increase. The number of ordinary shares issued with a par value of NT\$10 was 3,200,000 thousand shares.

On January 29, 2018, the Corporation's board of directors approved to increase its capital by an issuance of up to 380,000 thousand shares through private-placement shares, which was also subject to approval by the shareholders in their meeting on March 28, 2018. On October 1, 2018, the Corporation's board of directors approved an increase of its capital by \$2,781,307 thousand through a private placement of 334,292 thousand new ordinary shares at NT\$8.32 per share with the effective date on October 15, 2018.

To integrate the overall resources and to improve the operational efficiency of the Corporation, on February 22, 2019, the Corporation's board of directors approved to sign a simplified merger agreement with 100% sharing subsidiary, GES, according to Article 19 of the Corporate Mergers and Acquisitions Act and other relevant laws and regulations, with the Corporation as the surviving company and GES as the extinct company after the merger ("the merger"). Considering that the entire issued share capital of GES was held by the Corporation, the share capital of GES held by the Corporation will be cancelled at no cost on the date of the merger. In the merger, the Corporation does not need to pay in exchange for shares. The tentative date of the merger is March 31, 2019. If the date of the merger, other related matters or matters not resolved need to change because of the administrative guidance by competent authorities, laws, or changes in our objective or social environment, it is proposed to fully authorize the chairman or his designee to handle the matter.

b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premiums	\$ 963,007	\$ 5,899,866
May only be used to offset a deficit (2)		
Share of changes in capital surplus of associates or joint ventures	42,000	-
Share premiums - employee restricted shares	-	117,440
Share premiums - Arising from employee share options	-	3,022
May not be used for any purpose		
Arising from employee restricted shares	<u>6,016</u>	<u>7,837</u>
	<u>\$ 1,011,023</u>	<u>\$ 6,028,165</u>

- 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 actual disposal or acquisition, or from changes in capital surplus of a subsidiary accounted for using the equity method and adjustments for the capital surplus generated from the convertible bonds when they expire.

c. Retained earnings and dividend policy

Under the dividend policy, if the Corporation made a 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 the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after the amendment, refer to Note 25 (f).

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.

The offset of accumulated deficits for 2017 and 2016 had been proposed by the shareholders' meeting on June 20, 2018 and on June 14, 2017, respectively. The information is as follows:

	Offset of Accumulated Deficits	
	For the Year Ended December 31	
	2017	2016
Offset of Accumulated Deficits with capital surplus	<u>\$ 4,611,501</u>	<u>\$ 6,309,786</u>
		Offset of Accumulated Deficits
Offset of Accumulated Deficits with capital surplus		<u>\$ 369,468</u>

The offset of accumulated deficit in 2018 is subject to resolution in the shareholders' meeting expected to be held on June 17, 2019.

d. Other equity items

1) Unrealized loss on available-for-sale financial instruments

	For the Year Ended December 31, 2017
Balance at January 1	\$ (53,259)
Unrealized loss on revaluation of available-for-sale financial assets	(10,160)
Unrealized loss on revaluation of available-for-sale financial assets of the subsidiaries accounted for using the equity method	<u>(8,463)</u>
Balance at December 31	<u>\$ (71,882)</u>

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

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ (71,882)
Adjustment on initial application of IFRS 9	<u>(59,009)</u>
Balance at January 1 per IFRS 9	(130,891)
Recognized during the period	
Unrealized gain - equity instruments	(394,342)
The losses of investments accounted for using the equity method	<u>(2,664)</u>
Balance at December 31	<u>\$ (527,897)</u>

e. Treasury shares

Purpose of Buy-back	Shares Held by Subsidiaries (In Thousands of Shares)
Number of shares at January 1, 2018	-
Acquisitions through business combinations	<u>1,883</u>
Number of shares at December 31, 2018	<u>1,883</u>

The Corporation acquired treasury shares as result of merging Gintech on October 1, 2018.

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>December 31, 2018</u>			
Utech	1,883	<u>\$ 18,699</u>	<u>\$ 14,747</u>

The shares of the Corporation held by Utech has been treated as treasury stock. They are same as general shareholders except for the rights of cash injection and the rights of voting.

24. REVENUE

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

	Years Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 9,977,340	\$ 8,725,726
Processing fees revenue	56,344	124,691
Revenue from the sale of power facilities	2,463	-
Service revenue	143	-
Revenue from other activities	<u>273,830</u>	<u>269,568</u>
	<u>\$ 10,310,120</u>	<u>\$ 9,119,985</u>

a) Contracts with customers

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of solar cell, modules and power facilities construction. Sales of solar cell, modules and electric power plants are recognized as revenue when the goods are delivered to the customer's specific location to fulfill contractual obligation.

Revenue from the sale of goods is measured at the fair value of the consideration receive or receivable, which states net of discounts and other similar sales returns and allowances. In consideration of historical experience and other factors related to contract conditions, the Corporation recognizes such sales returns and allowances as contract liabilities shown in the consolidated balance sheet as other current liabilities.

If there is a need to cut or remove material before processing, such processed products do not transfer substantially all the risks and rewards to the customer, thus revenue cannot be recognized.

b) Processing revenue

Revenue is recognized from providing process of solar cells services to customers. Processing revenue is recognized as a sale when customer obtains control over the assets to fulfill contractual obligation.

b) Contract balances

	December 31, 2018
Accounts receivable (Note 11)	<u>\$ 1,982,136</u>
Accounts receivable - related party (Note 11)	<u>\$ 552,155</u>
Contract liabilities - current	
Sale of goods	<u>\$ 187,109</u>

Revenue of the reporting period recognized from the contract liabilities incurred from the beginning of the year is as follows:

	For the Year Ended December 31, 2018
From contract liabilities incurred from the beginning of the year	
Sale of goods	<u>\$ 74,703</u>
c) Disaggregation of revenue	
	For the Year Ended December 31, 2018
Geographical markets	
Taiwan	\$ 5,663,337
Germany	1,982,989
Others	<u>2,663,794</u>
	<u>\$ 10,310,120</u>
Timing of revenue recognition	
Satisfied at a point in time	<u>\$ 10,310,120</u>

25. NET (LOSS) PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income and expenses

	Years Ended December 31	
	2018	2017
Gain (loss) on disposal of non-current assets held for sale	\$ (2,403)	\$ 1,383
Impairment loss on property, plant and equipment	-	(43,669)
Loss on disposal of property, plant and equipment	<u>-</u>	<u>(115,660)</u>
	<u>\$ (2,403)</u>	<u>\$ (157,946)</u>

b. Interest income and other income

	Years Ended December 31	
	2018	2017
Interest income		
Financing provided to related parties	\$ 25,246	\$ 46,880
Bank deposits	20,779	12,565
Others	<u>668</u>	<u>1</u>
	<u>\$ 46,693</u>	<u>\$ 59,446</u>

(Continued)

	Years Ended December 31	
	2018	2017
Other income		
Late payment	\$ 24,926	\$ -
Insurance compensation income	19,801	4,627
Rental income	8,381	3,420
Government grants	2,693	407
Compensation income	1,693	956
Others	<u>24,208</u>	<u>4,730</u>
	<u>\$ 81,702</u>	<u>\$ 14,140</u>

(Concluded)

c. Finance costs

	Years Ended December 31	
	2018	2017
Interest on bank loans	\$ 240,396	\$ 188,714
Interest on convertible bonds	112,981	109,977
Interest on contract compensation	13,024	286,388
Other interest expenses	<u>29,043</u>	<u>1,900</u>
	<u>\$ 395,444</u>	<u>\$ 586,979</u>

d. Depreciation and amortization

	Years Ended December 31	
	2018	2017
Property, plant and equipment	<u>\$ 1,579,561</u>	<u>\$ 1,417,747</u>
Intangible assets	<u>\$ 1,052</u>	<u>\$ -</u>
An analysis of depreciation by function		
Operating costs	\$ 1,505,413	\$ 1,353,716
Operating expenses	<u>74,148</u>	<u>64,031</u>
	<u>\$ 1,579,561</u>	<u>\$ 1,417,747</u>
An analysis of amortization by function		
Operating costs	\$ 84	\$ -
Operating expenses	<u>968</u>	<u>-</u>
	<u>\$ 1,052</u>	<u>\$ -</u>

e. Employee benefits expense

	Years Ended December 31	
	2018	2017
Post-employment benefits (Note 22)		
Defined contribution plans	\$ 59,044	\$ 53,847
Share-based payments		
Equity-settled share-based payments	16,492	7,668
Other employee benefits	<u>1,518,902</u>	<u>1,289,717</u>
Total employee benefits expense	<u>\$ 1,594,438</u>	<u>\$ 1,351,232</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,213,385	\$ 991,036
Operating expenses	<u>381,053</u>	<u>360,196</u>
	<u>\$ 1,594,438</u>	<u>\$ 1,351,232</u>

f. Bonuses to employees and directors

The amendments stipulate distribution of employees' compensation and remuneration of directors at rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The Corporation incurred a deficit for the years ended December 31, 2018, 2017 and 2016; and 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 financial statements have been authorized for issue, the differences are accounted for as a change in the accounting estimate in the following year.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Net (loss) gain on foreign currency exchange

	Years Ended December 31	
	2018	2017
Foreign exchange gains	\$ 2,437,907	\$ 615,147
Foreign exchange losses	<u>(2,483,966)</u>	<u>(545,522)</u>
Net (loss) profit	<u>\$ (46,059)</u>	<u>\$ 69,625</u>

h. Components of other comprehensive income reclassification

	Years Ended December 31	
	2018	2017
Unrealized loss on financial assets at FVTOCI		
Arising during the year		
Unrealized gain - equity instruments	\$ (394,342)	\$ -
The losses of investments accounted for using the equity method	<u>(2,664)</u>	<u>-</u>
	<u>\$ (397,006)</u>	<u>\$ -</u>
Unrealized (losses) gains on available-for-sale financial assets:		
Arising during the year		
Unrealized gain - equity instruments	\$ -	\$ (10,160)
The losses of investments accounted for using the equity method	<u>-</u>	<u>(8,463)</u>
	<u>\$ -</u>	<u>\$ (18,623)</u>
Exchange difference on translating foreign operations:		
Arising during the year		
Exchange difference on translating foreign operations	\$ 110,942	\$ (281,849)
The losses of investments accounted for using the equity method	<u>(1,996)</u>	<u>(24,609)</u>
	<u>\$ 108,946</u>	<u>\$ (306,458)</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Current year	\$ -	\$ -
Prior periods	<u>-</u>	<u>(363)</u>
Income tax expense recognized in profit or loss	<u>\$ -</u>	<u>\$ (363)</u>

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

	For the Year Ended December 31	
	2018	2017
Loss before tax	<u>\$ (468,294)</u>	<u>\$ (4,153,800)</u>
Income tax benefit at calculated statutory rate	\$ 93,659	\$ 706,146
Non-deductible expenses in determining taxable income	352,852	(60,430)
Unrecognized loss carryforwards	(452,594)	(420,630)
Unrecognized deductible temporary differences	6,083	(225,086)
Adjustments for prior years' tax expense	<u>-</u>	<u>(363)</u>
Income tax expense recognized in profit or loss	<u>\$ -</u>	<u>\$ (363)</u>

In 2017, the applicable corporate income tax rate used by the Corporation entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Current tax assets and liabilities

	For the Year Ended December 31	
	2018	2017
Current tax assets		
Tax refund receivable	\$ 3,318	\$ 4,417
Acquired from business combinations	<u>1,906</u>	<u>-</u>
	<u>\$ 5,224</u>	<u>\$ 4,417</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, 2018

	Balance, Beginning of Year	Movements	Balance, End of Year
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation differences on property, plant and equipment	\$ 7,452	\$ (25)	\$ 7,427
Write-downs of inventories	1,254	423	1,677
Others	<u>37,353</u>	<u>561,278</u>	<u>598,631</u>
	<u>\$ 46,059</u>	<u>\$ 561,676</u>	<u>\$ 607,735</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Unrealized foreign exchange gain	\$ 17,381	\$ 2,419	\$ 19,800
Unrealized gain or financial instructions at fair value through profit or loss	28,678	927	29,605
Others	<u>-</u>	<u>6,206</u>	<u>6,206</u>
	<u>\$ 46,059</u>	<u>\$ 9,552</u>	<u>\$ 55,611</u>

For the year ended December 31, 2017

	Balance, Beginning of Year	Movements	Balance, End of Year
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation differences on property, plant and equipment	\$ 8,332	\$ (880)	\$ 7,452
Write-downs of inventories	4,263	(3,009)	1,254
Others	<u>19,016</u>	<u>18,337</u>	<u>37,353</u>
	<u>\$ 31,611</u>	<u>\$ 14,448</u>	<u>\$ 46,059</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Unrealized foreign exchange gain	\$ -	\$ 17,381	\$ 17,381
Unrealized gain or financial instructions at fair value through profit or loss	<u>31,611</u>	<u>(2,933)</u>	<u>28,678</u>
	<u>\$ 31,611</u>	<u>\$ 14,448</u>	<u>\$ 46,059</u>

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

	<u>December 31</u>	
	2018	2017
Loss carryforwards		
Expiry in 2017	\$ -	\$ 3,336,455
Expiry in 2018	-	152,401
Expiry in 2023	114,308	-
Expiry in 2024	7,397	-
Expiry in 2025	255,777	485,635
Expiry in 2026	1,251,072	1,516,103
Expiry in 2027	1,977,191	2,474,297
Expiry in 2028	<u>2,971,137</u>	<u>-</u>
	<u>\$ 6,576,882</u>	<u>\$ 7,964,891</u>
Deductible temporary differences	<u>\$ 4,961,177</u>	<u>\$ 5,965,795</u>

Under Article 38 of the Business Mergers and Acquisitions Act, any loss of the Corporation and of DelSolar, Gintech Energy and Solartech Energy 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 5 years. The last deduction year is due in 2018.

Under Article 43 of the Business Mergers and Acquisitions Act, amended on July 8, 2015, any loss of the Corporation, of Gintech Energy and of Solartech Energy from within ten 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 10 years. The last deduction year is due in 2028.

e. Information on tax-exemption

As of December 31, 2018, profits attributable to the following expansion projects were exempt from income tax for five years under the Statute for Upgrading Industries:

<u>Statute for Upgrading Industries</u>	<u>Period</u>
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
Expansion of the manufacturing plant acquired through a business combination	January 1, 2017 - December 31, 2021

f. Income tax assessments

The Corporation's income tax returns through 2015 have been assessed by the tax authorities.

27. LOSS PER SHARE

Unit: NT\$ Per Share

	<u>Years Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Basic loss per share	\$ (0.34)	\$ (4.08)
Diluted loss per share	\$ (0.34)	\$ (4.08)

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

Net loss for the year

	<u>Years Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Loss for the year	\$ (468,294)	\$ (4,154,163)
Effect of dilutive potential common shares:		
Interest on convertible bonds (after tax)	-	-
Loss used in the computation of diluted loss per share	\$ (468,294)	\$ (4,154,163)

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

	Years Ended December 31	
	2018	2017
Weighted average number of common shares used in the computation of basic loss per share	1,380,522	1,017,105
Effect of dilutive potential common shares:		
Convertible bonds	-	-
Restricted employee share options	-	-
Employee compensation or bonuses issued to employees	-	-
Employee share options	<u>-</u>	<u>-</u>
Weighted average number of common shares used in the computation of diluted loss per share	<u>1,380,522</u>	<u>1,017,105</u>

Since the Corporation is allowed to settle the remuneration of employees by cash or shares, the Corporation assumed 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.

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

28. SHARE-BASED PAYMENT ARRANGEMENTS

The Corporation replaced DelSolar's employee share options because of a business combination. Other information on the replaced employee share option plan is as follows:

	Plan 6 in 2010		Plan 7 in 2010	
	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$/Per Share)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$/Per Share)
<u>For the year ended December 31, 2017</u>				
Balance at combination date	26	\$ 51.90	234	\$ 61.90
Options canceled	<u>(26)</u>	51.90	<u>(234)</u>	61.90
Ending balance	<u>-</u>	-	<u>-</u>	-
Options exercisable, end of year	<u>-</u>	-	<u>-</u>	-

Restricted share plan for employees

On March 21, 2017, the Corporation'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 in their meeting proposed to offer the restricted share plan for employees. The issuance of 2,100 thousand shares was approved by the Financial Supervisory Commission (FSC) on July 24, 2017.

On August 8, 2017, the Corporation'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 per share and distributed out of earnings, which was granted on September 15, 2017 and issued on September 30, 2017. On the granted date, an actual amount of \$18,550 thousand was issued, which consisted of 1,855 thousand shares with a fair value of \$14.45 per share.

The Corporation replaced restricted share plan for employees due to the merger in October 1, 2018.

Replaced employee share option plan was as follows:

Restricted share plan for employees	Original Number (In Thousands)	Outstanding Number (In Thousands)	Adjustment by Percentage of Outstanding Number (In Thousands)
Gintech Energy	2,000	881	1,225
Solartech Energy	4,455	4,185	4,896

Information on issued employee restricted shares was as follows:

	Shares (In Thousands)	
	For Year Ended December 31	
	2018	2017
Beginning balance	1,761	761
Acquisitions through business combinations	6,121	-
Additions	-	1,855
Vested	(821)	(641)
Canceled	<u>(1,809)</u>	<u>(214)</u>
Ending balance	<u>5,252</u>	<u>1,761</u>

a. Formerly Neo Solar Power Corp. and Gintech Energy

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, the Corporation 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, the Corporation 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.

b. Formerly Solartech Energy

Employees are able to subscribe for the restricted shares at \$5 per share when they meet the vesting conditions. To meet the vesting conditions, an employee has to meet performance conditions over the vesting period as follows:

- 1) Still on service three years after the grant date with a high rating based on the prior year's performance appraisal - vesting of 100% 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.

If an employee fails to meet the vesting conditions, the Corporation will buy back the restricted shares at the offering price and have them canceled.

The Corporation recognized compensation costs of \$16,492 thousand and \$7,668 thousand for the years ended December 31, 2018 and 2017, respectively.

29. BUSINESS COMBINATIONS

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Gintech Energy	Solar-related business	October 1, 2018	100	\$ 7,314,880
Solartech Energy	Solar-related business	October 1, 2018	100	<u>4,399,288</u>
				<u>\$ 11,714,168</u>

a. Gain on bargain purchase due to consolidation

	Gintech Energy	Solartech Energy
Consideration transferred	\$ 7,314,880	\$ 4,399,288
Plus: Non-controlling interests	27,179	214
Less: Fair value of identifiable net assets acquired of Gintech Energy and Solar Energy	(6,023,001)	(5,296,758)
Less: Fair value of identifiable net assets acquired of Gintech Energy and Solar Energy's subsidiaries	<u>(2,002,146)</u>	<u>(707,746)</u>
	<u>\$ (683,088)</u>	<u>\$ (1,578,002)</u>

Gintech Energy and Solartech Energy were acquired in order to continue the expansion of the Corporation's activities in manufacturing solar cells and other solar related business. For details about the acquisition of Gintech Energy and Solartech Energy, refer to Note 23 and Note 35 to the Corporation's consolidated financial statements for the year ended December 31, 2018.

30. DISPOSAL OF SUBSIDIARIES

True Honour Limited was an investment company which was cancelled in October 2018 and returned the shares in December 2018.

The Corporation did not acquire any shares issued for cash of V5 Technology in August 2017, and the Corporation's equity interests in V5 Technology decreased from 60.85% to 41.43%, and control of V5 Technology passed to the acquirer on that date. For details about the disposal of V5 Technology, refer to Note 37 to the Corporation's consolidated financial statements for the year ended December 31, 2018.

31. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On October 16, 2017, the Corporation considers the development of the solar energy industry and the growth of the future requirement in its investment strategy, in order to expand the solar energy industry and strengthen the operating ability. The Corporation's board of directors approved to increase the investment in GES by 46,104,764 ordinary shares of GES by public tender offer (approximately 24.11% of the total issued ordinary shares of GES), and GES will become 100%-owned subsidiary of the Corporation. As of November 6, 2017, the acquisition date, the Corporation acquired 43,090,282 shares, and obtained a total of 3,014,482 shares from other shareholders in November and December, 2017.

The above transactions were accounted for as equity transactions since the Corporation did not cease to have control over these subsidiaries. For details about the acquisition of GES, refer to Note 38 to the Corporation's consolidated financial statements for the year ended December 31, 2018.

32. OPERATING LEASE ARRANGEMENTS

The Corporation as lessee

The Corporation leases Hsin-chu plants, Zhu-nan plants and lands and Hukou plants from the Science-Based Industrial Park Administration and GES, respectively, under renewable agreements expiring in December 2026, December 2037 and December 2019, with annual rentals of \$10,260 thousand, \$9,269 thousand and \$4,606 thousand, respectively.

The Corporation leases Taipei office, Kaohsiung office, Taipei parking lots and Zhu-nan dormitory, the lease periods range from 1 to 4 years, with annual rentals of \$4,080 thousand, \$716 thousand, \$80 thousand and \$3,648 thousand, respectively.

As of December 31, 2018 and 2017, refundable deposits paid under operating leases were \$2,167 thousand and \$348 thousand, respectively.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Up to 1 year	\$ 32,659	\$ 14,784
Over 1 year and up to 5 years	87,391	45,645
Over 5 years	<u>160,545</u>	<u>41,039</u>
	<u>\$ 280,595</u>	<u>\$ 101,468</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payment	<u>\$ 29,025</u>	<u>\$ 31,385</u>

33. 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.

34. FINANCIAL INSTRUMENTS

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

December 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable	<u>\$ 3,614,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,561,877</u>	<u>\$ 3,561,877</u>

December 31, 2017

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable	<u>\$ 3,425,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390,979</u>	<u>\$ 3,390,979</u>

The fair values of the financial assets and financial liabilities included in the Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis, with the most significant unobservable input being the discount rate that reflects the credit risk of counterparties.

The fair value of the liability component of convertible bonds, assuming redemptions on October 27, 2019 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	\$ 1,471,188	\$ 66,240	\$ -	\$ 1,537,428
Equity securities				
Domestic unlisted shares	-	-	66,563	66,563
Foreign unlisted shares	-	-	41,475	41,475
	<u>\$ 1,471,188</u>	<u>\$ 66,240</u>	<u>\$ 108,038</u>	<u>\$ 1,645,466</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	<u>\$ -</u>	<u>\$ 59,000</u>	<u>\$ -</u>	<u>\$ 59,000</u>
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 5,742</u>	<u>\$ -</u>	<u>\$ 5,742</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, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments
<u>Financial assets</u>	
Balance at January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	22,440
Balance at January 1, 2018 per IFRS 9	22,440
Acquisitions through business combinations	42,738
Purchases	59,086
Recognized in profit or loss - unrealized	<u>(16,226)</u>
Balance at December 31, 2018	<u>\$ 108,038</u>

For the year ended December 31, 2017

	Financial Assets at Fair Value through Profit or Loss Redemption and Conversion Options
<u>Financial liabilities</u>	
Balance at January 1, 2017	\$ 387
Recognized in profit or loss Unrealized	_____(387)
Balance at December 31, 2017	\$ _____

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	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Securities listed in the ROC	The Corporation's investments in private-placement shares that 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

a) Domestic and foreign unlisted shares

The fair values of domestic and foreign unlisted shares are mainly determined by the asset approach and the market approach.

A market approach is a method of determining the appraisal value of assets or liabilities, based on the selling price of similar items. The Black-Scholes model was used to determine the fair value of domestic and foreign unlisted shares, and the most significant unobservable inputs were price multiplier and volatility. An increase in the price multiplier used in isolation would result in an increase in the fair value of these equity instruments. An increase in the volatility used in isolation would result in a decrease in the fair value of these equity instruments. As of December 31, 2018, the price multiplier and volatility used to determine the fair value of domestic unlisted shares were 1.4100 and 30.00%, respectively, while the price multiplier and volatility used to determine the fair value of foreign unlisted shares were 1.3100 and 35.06%, respectively.

Sensitivity analysis

The Corporation's sensitivity analysis evaluated that the fair values of financial instruments were reasonable, except for the impact of possible changes in the evaluation model or evaluation parameters which may cause different outputs in the result of the evaluation. For financial instruments defined as Level 3 inputs, the impacts of possible changes in the evaluation method on profit or loss and other comprehensive income or loss in the current period are as follows:

	Input	Increase (+)/ Decrease (-)	Profit or Loss Changes Arising From Fair Value Movements	OCI Changes Arising From Fair Value Movements
For the year ended				
<u>December 31, 2018</u>				
Financial assets at fair value through other comprehensive income				
Domestic unlisted shares	1.4100	+5.0%	-	\$ 2,236
	1.4100	-5.0%	-	(2,236)
	30.00%	+1.0%	-	(647)
	30.00%	-1.0%	-	647
Foreign unlisted shares	1.3100	+5.0%	-	967
	1.3100	-5.0%	-	(967)
	35.06%	+1.0%	-	(346)
	35.06%	-1.0%	-	<u>349</u>
				<u>\$ 3</u>

b) Conversion and redemption options

The fair values of redemption and conversion options are determined using the binomial tree valuation model where the significant unobservable input 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, 2018 and 2017, the historical volatility used was 42.75% and 27.08%, respectively.

c. Categories of financial instruments

	<u>December 31</u>	
	2018	2017
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ -	\$ 12,059,095
Available-for-sale financial assets (Note 2)	-	82,849
Financial assets at amortized cost (Note 3)	17,516,717	-
Financial assets at FVTOCI		
Equity instruments	1,645,466	-
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	-	5,742
Measured at amortized cost (Note 4)	20,902,698	14,967,707

Note 1: The loans and receivables included cash and cash equivalents, net notes and accounts receivable, accounts receivable-related parties, pledged time deposits, restricted deposits, refundable deposits, other receivables, etc. and were carried at amortized cost.

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

Note 3: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, accounts receivable from related parties, pledged time deposits, restricted deposits, refundable deposits and other receivables, etc. and were carried at amortized cost.

Note 4: The financial liabilities included short-term loans, short-term bills payable, notes and accounts payable, accounts payable - related parties, payables to contractors and equipment suppliers, accrued expense, long-term loans, bonds payable, 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.

	<u>USD Impact</u>		<u>EUR Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(Loss) or profit	\$ 1,405	\$(53,163)	\$ 8,632	\$ 18,542	\$ (294)	\$ (453)

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Fair value interest rate risk		
Financial assets	\$ 1,425,867	\$ 928,768
Financial liabilities	(8,177,642)	(9,041,388)
Cash flow interest rate risk		
Financial assets	10,572,722	4,664,784
Financial liabilities	(9,972,044)	(4,486,799)

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 assets and liabilities 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 net profit for 2018 and 2017 would increase by \$6,007 thousand and \$1,780 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 increased during the current period mainly because of the increase in variable-rate debt instruments.

c) Other price risk

The Corporation is exposed to equity price risk on financial asset at FVTOCI 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 2018 would decrease by \$82,273 thousand as a result of the changes in the fair value of financial assets at FVTOCI.

If equity prices had been 5% lower, other comprehensive income for 2017 would decrease by \$2,950 thousand, as a result of the changes in fair value of impaired AFS investments.

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

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 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 32% and 25% in total accounts receivable as of December 31, 2018 and 2017, 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 for 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, 2018

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,878,452	\$ 682,302	\$ 253,645	\$ 58,497
Variable interest rate liabilities	80,526	1,215,241	3,001,342	6,051,742
Fixed interest rate liabilities	<u>713,452</u>	<u>2,465,312</u>	<u>4,516,195</u>	<u>522,915</u>
	<u>\$2,672,430</u>	<u>\$4,362,855</u>	<u>\$7,771,182</u>	<u>\$6,633,154</u>

December 31, 2017

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 607,451	\$ 525,879	\$ 147,776	\$ 514,967
Variable interest rate liabilities	32,551	254,726	3,118,904	1,207,356
Fixed interest rate liabilities	<u>1,483,959</u>	<u>2,556,057</u>	<u>1,342,655</u>	<u>3,508,663</u>
	<u>\$2,123,961</u>	<u>\$3,336,662</u>	<u>\$4,609,335</u>	<u>\$5,230,986</u>

As of December 31, 2018 and 2017, 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, 2017

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
<u>Net settled</u>				
Foreign exchange forward contracts	<u>\$ 162</u>	<u>\$ 5,580</u>	<u>\$ -</u>	<u>\$ -</u>

35. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationship with the Corporation

Related Party	Relationship with the Corporation
Delta Electronics Inc.	Investors with significant influence on certain group entities (Note 1)
Zhongyang	Subsidiary (Note 2)
Ever Lite Power Inc. (Ever Lite)	Subsidiary (Note 3)
GES	Subsidiary
Apex	Subsidiary (Note 2)
Solartech JP	Subsidiary (Note 2)
SMC	Subsidiary (Note 2)
Hsin Jin Optoelectronics (Hsin Jin Optoelectronics)	Subsidiary
Utech	Subsidiary (Note 2)
BPS	Subsidiary
Prime Energy	Subsidiary
Huiyang	Subsidiary (Note 2)
NSP System	Subsidiary
Neo Solar Power (Nanchang) Ltd. (NSP Nanchang)	Subsidiary
Hsin Jin Solar Energy Co., Ltd. (Hsin Jin Solar Energy)	Subsidiary
New Ray Investment	Subsidiary
Si Two Corp. (Si Two)	Subsidiary
Beryl Construction LLC (Beryl)	Subsidiary
Clean Focus Renewables Inc. (CFR)	Subsidiary
DelSolar Cayman	Subsidiary
DelSolar US Holdings (Delaware) Corporation (DelSolar US)	Subsidiary
GDL Bryncrynu Ltd. (Bryncrynu)	Subsidiary (Note 10)
GDL Upper Meadowley Ltd. (Meadowley)	Subsidiary (Note 10)
GES ME	Subsidiary
General Energy Solutions UK Limited (GES UK)	Subsidiary
Gintech (Thailand) Limited (Gintech Thailand)	Subsidiary (Note 2)
Neo Solar Power Vietnam Co., Ltd. (NSP Vietnam)	Subsidiary
NSP Germany GmbH (NSP Germany)	Subsidiary
NSP Indygen UK Ltd. (NSP Indygen)	Subsidiary
NSP SYSTEM NEVADA HOLDING CORP. (NSP NEVADA)	Subsidiary
NSP UK	Subsidiary
UKEG POTTERS BAR LIMITED (POTTERS BAR)	Subsidiary (Note 10)
TTMC	Other related parties
Taiwan Speciality Chemicals Corporation	Other related parties (Note 4)
SAS	Other related parties (Note 4)
Delta Electronics (Americas) Ltd.	Other related parties (Note 5)
Delta Electronics (Japan), Inc.	Other related parties (Note 5)
Delta Electronics (Switzerland) AG	Other related parties (Note 5)
Delta Greentech Ltd.-Turkey	Other related parties (Note 5)
Si One Corp. (Si One)	Associates (Note 6)
Da Li Energy Co., Ltd. (Da Li Energy)	Associates (Note 6)
Sunshine PV	Associates (Note 2)
Neo Cathay Electric Power Corp. (Neo Cathay Electric)	Associates (Note 6)
Neo Cathay	Associates
JSP	Associates
V5 Technology	Associates (Note 7)
Gintung Energy	Associates (Note 2)

(Continued)

Related Party	Relationship with the Corporation
Yong Han Ltd. (“Yong Han”)	Associates (Note 8)
Yun Yeh Ltd. (“Yun Yeh”)	Associates (Note 8)
Clean Focus Corporation (CFC)	Associates (Note 9)
CFY	Associates (Note 9)

(Concluded)

Note 1: On October 15, 2018, Delta Company originally held 6.64% of the equity of the Corporation. After the election of the directors of the Corporation on November 20, 2018, the directors representing Delta Company resigned from the board of directors of the Corporation and did not meet the definition of related parties. Therefore, only the outstanding amount as of December 31, 2018 and transactions from January 1, 2018 to November 20, 2018 were disclosed as related party transactions.

Note 2: The acquisition of subsidiaries and associates are due to absorption merging the two corporations, Gintech Energy and Solartech Energy on October 1, 2018.

Note 3: The subsidiaries were GES’s subsidiaries.

Note 4: After the date of merger, October 1, 2018, the Corporation and the directors of the Corporation became the shareholders of SAS and TSCC and became their directors. SAS and TSCC meet the definition of other related parties. Therefore, the outstanding amounts and transactions after October 31, 2018 were disclosed as related party transactions.

Note 5: After the election of the directors of the Corporation on November 20, 2018, directors representing Delta Company resigned from the board of directors of the Corporation. The subsidiaries of Delta Company, Delta Electronics (Americas) Ltd., Delta Electronics (Japan), Inc., Delta Electronics (Switzerland) AG and Delta Greentech Ltd.-Turkey did not meet the definition of related parties. Therefore, only the outstanding amount as of December 31, 2018 and transactions from January 1, 2018 to November 20, 2018 were disclosed as related party transactions.

Note 6: The associates were Neo Cathay’s subsidiaries.

Note 7: V5 Technology had become an associate of the Corporation since August 14, 2017 because the Corporation did not acquire any shares issued for cash of V5 Technology; thus, the Corporation disclosed the trading transactions only from August 14, 2017 and the balances as of December 31, 2018 and 2017.

Note 8: Yong Han and Yun Yeh had become subsidiaries of Neo Cathay since March 30, 2018 and were deemed associates; thus, the Corporation disclosed the trading transactions from March 30, 2018 and the balances as of March 30, 2018.

Note 9: CFY is NSP BVI’s associate. CFC is CFY’s subsidiary.

Note 10: Non-subsidiaries after disposal in October 2018.

b. Sales of goods

	<u>For the Year Ended December 31</u>	
	2018	2017
Associates	\$ 432,568	\$ 133,132
Subsidiaries	328,952	845,767
Other related parties	50,677	54,081
Investors with significant influence	<u>78</u>	<u>5</u>
	<u>\$ 812,275</u>	<u>\$ 1,032,985</u>

c. Other income

	<u>For the Year Ended December 31</u>	
	2018	2017
Subsidiaries		
GES UK	\$ 18,104	\$ 1,753
NSP System	13,228	28
Others	4,366	965
Associates	14,568	377
Other related parties	<u>79</u>	<u>138</u>
	<u>\$ 50,345</u>	<u>\$ 3,261</u>

d. Dividend income

	<u>For the Year Ended December 31</u>	
	2018	2017
Other related parties		
TTMC	<u>\$ 2,000</u>	<u>\$ 2,400</u>

e. Interest revenue

	<u>For the Year Ended December 31</u>	
	2018	2017
Associates		
CFY	\$ 13,969	\$ 16,971
Others	750	-
Subsidiaries		
GES UK	10,044	29,909
Others	<u>483</u>	<u>-</u>
	<u>\$ 25,246</u>	<u>\$ 46,880</u>

The Corporation's interest revenue was composed of interest income from financings provided to associates.

f. Purchases of goods

	For the Year Ended December 31	
	2018	2017
Subsidiaries	\$ 425,103	\$ 101,227
Investors with significant influence	484	470
Other related parties	<u>113</u>	<u>-</u>
	<u>\$ 425,700</u>	<u>\$ 101,697</u>

g. Other expenses

	For the Year Ended December 31	
	2018	2017
Subsidiaries	\$ 9,430	\$ 7,733
Associates	1,194	12
Investors with significant influence	652	15,736
Other related parties	<u>-</u>	<u>1,126</u>
	<u>\$ 11,276</u>	<u>\$ 24,607</u>

h. Accounts receivable

	December 31	
	2018	2017
Subsidiaries		
Gintech (Thailand)	\$ 258,237	\$ -
NSP System	95,436	42,196
Zhongyang	64,870	-
BPS	5,892	14,207
Beryl	-	33,907
GES	-	24,754
Others	-	25,567
Associates		
CFC	118,079	94,861
Others	31,627	-
Other related parties	-	7,401
Investors with significant influence	-	5
Less: Allowance for impairment loss - Associates	<u>(21,986)</u>	<u>-</u>
	<u>\$ 552,155</u>	<u>\$ 242,898</u>

i. Other receivables from related parties

	December 31	
	2018	2017
Subsidiaries		
DelSolar US	\$ 993,716	\$ 1,038,741
NSP NEVADA	578,952	879,682
GES ME	571,235	389,403
GES	465,402	380,114
GES UK	-	1,054,803
Others	210,065	985,393
Associates	141,562	363,036
Other related parties	2,531	-
Less: Allowance for impairment loss - Associates	<u>(8,400)</u>	<u>-</u>
	<u>\$ 2,955,063</u>	<u>\$ 5,091,172</u>

Other receivables were temporary payments of project fees that the Corporation paid for its subsidiaries and associates and overdue accounts receivable. Temporary payments were temporary payments of investments and organization costs that the Corporation paid for its subsidiaries. Refer to Note 39 for information relating to financing between the Corporation and its related parties. The aging of overdue accounts receivable was as follows:

December 31, 2018

Related Party Category/Name	Up to 60 days	61-90 days	91-120 days	More than 120 days
Subsidiaries				
GES	\$ -	\$ -	\$ 6,486	\$ 409,772
Beryl	-	-	-	46,509
NSP NEVADA	-	-	-	34,280
Gintech (Thailand)	<u>-</u>	<u>-</u>	<u>3,472</u>	<u>50</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,958</u>	<u>\$ 490,611</u>

December 31, 2017

Related Party Category/Name	Up to 60 days	61-90 days	91-120 days	More than 120 days
Subsidiaries				
GES	\$ -	\$ -	\$ -	\$ 315,938
NSP Indygen	-	-	-	70,395
POTTERS BAR	-	-	-	70,116
BELPER	-	-	-	70,012
CLAY CROSS	-	-	-	67,394
Bryncrynu	-	-	-	64,303
Meadowley	-	-	-	63,033
NSP NEVADA	-	-	-	13,228
Beryl	<u>-</u>	<u>-</u>	<u>12,269</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,269</u>	<u>\$ 734,419</u>

The outstanding receivables from related parties were unsecured; no impairment allowance for these receivables was recognized in 2018 and 2017.

j. Payments in advance

	<u>December 31</u>	
	2018	2017
Other related parties		
SAS	\$ 1,118,451	\$ -
Subsidiaries	<u>150,967</u>	<u>54,835</u>
	<u>\$ 1,269,418</u>	<u>\$ 54,835</u>

k. Refundable deposits

	<u>December 31</u>	
	2018	2017
Subsidiaries	<u>\$ 3,137</u>	<u>\$ 1,699</u>

l. Accounts payable

	<u>December 31</u>	
	2018	2017
Subsidiaries		
Gintech (Thailand)	\$ 203,003	\$ -
NSP Nanchang	-	24,617
Others	217	-
Other related parties	68	-
Investors with significant influence	<u>-</u>	<u>212</u>
	<u>\$ 203,288</u>	<u>\$ 24,829</u>

m. Contract liabilities

Related Party Category	<u>December 31</u>	
	2018	2017
Subsidiaries		
Zhongyang	\$ 28,396	\$ -
Other related parties	1,195	-
Associates	<u>154</u>	<u>-</u>
	<u>\$ 29,745</u>	<u>\$ -</u>

n. Receipts in advance

	<u>December 31</u>	
	2018	2017
Subsidiaries	\$ -	\$ 8,338
Other related parties	<u>-</u>	<u>3,493</u>
	<u>\$ -</u>	<u>\$ 11,831</u>

o. Payables to contractors and equipment suppliers

	December 31	
	2018	2017
Investors with significant influence		
Delta Electronics Inc.	\$ 12,936	\$ 16,857
Associates	<u>-</u>	<u>1,700</u>
	<u>\$ 12,936</u>	<u>\$ 18,557</u>

p. Other accrued expenses

	December 31	
	2018	2017
Subsidiaries	\$ 9,002	\$ 1,997
Other related parties	2,973	8,661
Investors with significant influence	193	711
Associates	<u>11</u>	<u>600</u>
	<u>\$ 12,179</u>	<u>\$ 11,969</u>

Other accrued expenses were expenses and construction fee temporarily paid by related parties for the Corporation.

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

q. Acquisitions of property, plant and equipment

	For the Year Ended December 31	
	2018	2017
Investors with significant influence		
Delta Electronics Inc.	\$ 26,830	\$ 53,465
Subsidiaries	<u>-</u>	<u>1,700</u>
	<u>\$ 26,830</u>	<u>\$ 55,165</u>

r. Acquisitions of Financial assets

	December 31	
Related Party Category	2018	2017
Subsidiaries		
Prime Energy	<u>\$ 59,085</u>	<u>\$ -</u>

The Corporation paid \$15,473 thousand and \$1,678,884 thousand in cash to acquire additional new shares of its subsidiaries and association in 2018 and 2017, respectively. Refer to Note 39 for information about financing, endorsements and guarantees provided to related parties.

s. Compensation of key management personnel

The compensation of directors and other members of key management personnel for 2018 and 2017 was as follows:

	For the Year Ended December 31	
	2018	2017
Short-term benefits	\$ 59,574	\$ 46,918
Share-based payments	7,721	3,228
Post-employment benefits	<u>979</u>	<u>812</u>
	<u>\$ 68,274</u>	<u>\$ 50,958</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.

36. 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 deposits for the government:

	December 31	
	2018	2017
Property, plant and equipment	\$ 11,908,305	\$ 5,638,149
Restricted assets (classified as other current and non-current assets)	3,465,720	2,221,415
Financial assets at fair value through other comprehensive income	1,337,855	-
Refundable deposits	794,359	585,491
Investments accounted for using the equity method	616,896	-
Pledged time deposits (classified as other current assets)	<u>526,523</u>	<u>209,277</u>
	<u>\$ 18,649,658</u>	<u>\$ 8,654,332</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND 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 purchase contracts:

- a) The Corporation entered into long-term material supply agreements with multiple suppliers of raw material for silicon chip; the longest contract duration can be effective until December 31, 2022. The Corporation has to make advance payments as amounts of guarantee and such suppliers shall meet the supply of materials in accordance with contract terms. For the year ended December 31, 2018 and 2017, after the contract assessment, the Corporation had recognized impairment loss of \$487,558 thousand and \$575,580 thousand on prepayment and purchasing agreement, respectively due to continuously recording losses and facing deterioration in economic and financial conditions by certain suppliers. The Corporation recognized a reversal of the impairment loss of \$78,924 thousand and purchasing agreement losses for \$398,581 thousand for the year ended December 31, 2018. The Corporation recognized repayments of USD57,944 thousand (approximately NT\$1,813,309 thousand),

EUR 8,636 thousand (approximately NT\$397,190 thousand) shown in the balance sheet as of December 31, 2018.

2) Unused letters of credit amounted to approximately USD 3,649 thousand as of December 31, 2018.

b. Contingencies

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

The Corporation filed an appeal with Wujiang District Intermediate People's Court on July 3, 2015 to request CEEG (Shanghai) and CEEG (Nanjing), both are CD group companies, to return RMB48,230 thousand. Wujiang District Intermediate People's Court ruled in the Corporation's favor on September 23, 2015, but company CD appealed to the court of second instance 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 RMB48,230 thousand and CEEG (Nanjing) assumed joint liability.

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. The Corporation recognized all above mentioned account receivables as a loss. After reaching an agreement on April 12, 2018, CEEG (Shanghai) had repaid its RMB918 thousand debt to the Corporation with 2,394 pieces of solar cell assemblies. DelSolar Wu Jiang received a total of RMB20,537 thousand through cash appropriated by the enforcement of the court and cash payments received from CEEG (Shanghai) as of March 18, 2019. CEEG (Shanghai) has repaid a debt to DelSolar Wu Jian with solar cells assemblies for 3,148 thousand as of March 18, 2019; CEEG (Shanghai) will continuously to repay the outstanding amount on the basis of RMB300 thousand per month to DelSolar Wu Jiang.

In addition, the controversy associated with payment for goods between the Corporation and CEEG's (Shanghai): 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 USD1,255 thousand. The Corporation prevailed in the proceeding on December 23, 2016, and CEEG (Shanghai) has to pay USD1,254 thousand in overdue payments and USD25 thousand in overdue penalties to the Corporation. The Corporation has applied to the court for a compulsory enforcement of the award.

2) 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 company K requested to increase the payment to \$500,000 thousand in August 2016. The Corporation has filed a counterclaim against the company K to Hsin-chu district court on March 21, 2017 to reimburse prepayment and to demand payment of \$20,000 thousand in partial claims.

On October 13, 2017, the Hsin-chu district court ruled that the Corporation should pay company K \$500,000 thousand and accrued interest payable at 5% per annum beginning from December 31, 2015. Simultaneously, Hsin-chu district court dismissed the Corporation's request for return of advance payment against supplier K. In the first court session, the Corporation considered the result of verdict as having a lot of violations; thus, the Corporation has engaged an attorney to lodge an appeal to safeguard the legitimate rights of the Corporation. Based on conservatism concept, the Corporation accrued a potential loss and necessary adjustment will be made depending on the ruling.

- 3) In March 2015, the Corporation 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. the Corporation believed that there were unsolved issues on the long-term materials supply agreement which will need further clarification from both parties. Therefore, the Corporation engaged an attorney to assist on the process.

AH, the raw material supplier, requested that the Corporation pay the remaining unpaid amount of EUR36,089 thousand for the incomplete work under the outstanding WAFER procurement contract from 2009 to 2012, which was signed between the supplier and the Corporation before the acquisition of DelSolar. AH also requested that the Corporation 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 EUR68,372 thousand should be paid by the Corporation 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 the Corporation. the Corporation received the result of arbitration in November 2017, the tribunal ruled that the Corporation should comply with the conditions of the purchase agreement. However, in consideration of the transaction price of wafer each year, significant reduction of the agreed price is necessary. The tribunal adjudicated that EUR28,160 thousand should be paid by the Corporation with additional interest to AH and AH should grant 22,908 thousand pieces of wafers to the Corporation. Having made a preliminary assessment, the Corporation evaluated the impact of the arbitration was immaterial. On May 31, 2013, the acquisition date of DelSolar, the Corporation has provided reserves USD15,454 and accrued a probable losses and interest expense with the result of the arbitration. In order to meet the result settled by the arbitration, the Corporation and AH make the payments and delivery of silicon wafers in accordance with the agreement. The Corporation has paid the principal of EUR27,500 thousand and interest payable of EUR1,175 thousand to the supplier AH in 2018. There will not be any other rights and obligations of delivering silicon wafers on both parties. As of December 31, 2018, the Corporation has recognized additional losses on purchasing contracts for 398,581 thousand and made a reversal of compensation for interests for 239,274 thousand.

- 4) 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 the Corporation's debentures of payments of goods. the Corporation's made a statement that the Corporation continuously disagreed with the demand of company CE since February 2016; therefore, company CE advocated that the Corporation should pay a total of \$60,480 thousand and an accrued interest payable at 5% per annum. In August 2017, the Hsin-chu district court ruled that the Corporation should pay CE company \$60,480 thousand and accrued interest payable 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 the Corporation instructed legal counsels to subsequently answer the charges. The Corporation considered the result of the verdict as having a lot of violation, and has engaged an attorney to lodge an appeal. The case is currently before the Taiwan High Court. The Corporation has accrued a probable losses and will adjust any amount base on the result of such verdict, if necessary.
- 5) The Corporation entered into a gas distribution agreement with EQ company on May 1, 2011. The agreement stated that EQ company would provide nitrogen, pure oxygen and other gases to GEC factories located at the Hsin-chu Industrial Science Park in Zhu-nan, Miaoli. After the business combination between the Corporation and GEC, the Corporation undertook all the rights, obligations and liabilities of the above mentioned agreement. The Corporation terminated the contract earlier in accordance with the section 7.5 of the agreement due to the factories in Zhu-nan was closed permanently on October 31, 2016. Under the section 7.5 of the agreement about the calculation and amount of early termination, EQ company continuously requested an unreasonable price and thus, no consensus has been reached between the two delegations through ongoing

negotiation. EQ company has filed an application for arbitration to request a payment of NTD 60,900 thousand with an annual interest of 5%. The Corporation has instructed counsel to respond the unreasonable request.

- 6) Company CE 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 the ROC courts. With respect to the enforcement of such arbitral awards, company CE requested the issuance of an order to obtain the right of withholding payments of goods from Gintech; the company Gintech stated that there was no existing creditor's right as the company received the order to withhold. As a result, CE has filed an application for arbitration to ensure the existing creditor's right of NTD 5,000 thousand on March 14, 2016. Additionally, CE has filed another application to expand the request to further ensure the existing creditor's right of NTD 10,000 thousand. CE company has instructed counsel to respond the request from Gintech.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies 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			
	2018		2017	
	Foreign Currencies (In Thousands)	Exchange Rate	Foreign Currencies (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary assets				
USD	\$ 218,705	30.7400	\$ 206,434	29.8480
EUR	14,999	35.2200	18,675	35.4860
JPY	23,475	0.2781	44	0.2634
RMB	33,216	4.4760	30	4.5551
GBP	2,038	38.9500	13,781	40.0205
Nonmonetary assets				
USD	176,599	30.7910	126,009	29.8480
USD	805	28.9978	42	29.9100
EUR	600	32.2300	600	37.6500
GBP	3,676	38.9500	3,022	40.0205
MYR	52,054	7.1190	-	-
<u>Financial liabilities</u>				
Monetary liabilities				
USD	217,791	30.7400	242,057	29.8480
EUR	10,097	35.2200	8,224	35.4860
JPY	44,610	0.2781	34,500	0.2634
RMB	485	4.4760	6,749	4.5551
GBP	23	38.9500	2	40.0205

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$(46,059) thousand and \$69,625 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 Corporation.

39. SEPARATELY DISCLOSED ITEMS

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

- a. Financings provided to others: Table 1 (attached)
- b. Endorsements/guarantees provided: Table 2 (attached)
- c. Marketable securities held (not including investments in subsidiaries, associates, and joint ventures): Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None
- f. 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 4 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- i. Trading in derivative instruments: None
- j. Related information of investees over which the Corporation exercises significant influence: Table 6 (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 7 (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: Tables 8 (attached)

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FINANCING PROVIDED TO OTHERS
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 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note	
													Item	Value				
0	The Corporation	GES UK	Other receivables from related party	YES	USD 35,000	\$ -	\$ -	2.80	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 2,490,701	\$ 4,981,402	Note 2 and 6	
		CFY	Other receivables from related party	YES	\$ 1,109,500	USD 3,500	USD 3,500	5.00	2	-	Operating capital	-	-	-	2,490,701	4,981,402	Note 2 and 6	
		Apex	Other receivables from related party	YES	\$ 915,090	\$ 106,929	\$ 106,929	3.00	2	-	Operating capital	-	-	-	2,490,701	4,981,402	Note 2	
		Zhongyang	Other receivables from related party	YES	\$ 550,000	\$ 300,000	\$ 24,000	3.00	2	-	Operating capital	-	-	-	(Note 2, 3 and 4)	2,490,701	4,981,402	Note 2
		Sunshine PV	Other receivables from related party	YES	500,000	200,000	-	3.00	2	-	Operating capital	-	-	-	2,490,701	4,981,402	Note 2	
		Huiyang	Other receivables from related party	YES	200,000	200,000	200,000	1.608	2	-	Operating capital	200,000	-	-	(Note 2, 3 and 4)	2,490,701	4,981,402	Note 2
		Fukushima Plant 1	Other receivables from related party	YES	150,000	130,000	-	3.00	2	-	Operating capital	-	-	-	(Note 2, 3 and 4)	2,490,701	4,981,402	Note 2
			Other receivables from related party	Note 6	JPY 70,000	-	-	-	2	-	Operating capital	-	-	-	(Note 2, 3 and 4)	2,490,701	4,981,402	Note 2 and 6
					\$ 18,991													

Note 1: Nature of financing:
 1) For business
 2) For short-term financing

Note 2: The financing company's total financing amount for one borrower should not exceed 40% of the financing company's net asset value.

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 borrower within one year and should not exceed the highest amount of purchases or sales.

Note 4: The total amount of financing for short-term financing needs should not exceed 20% of net asset value and the financing to a borrower should not exceed 10% of net asset value.

Note 5: Overseas subsidiaries wholly-owned directly or indirectly 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.

Note 6: Solartech Energy has disposed of the shares of Fukushima Plant 1 in January 2018 and it became a non-related party on the reporting date.

Note 7: The exchange rate is depending on the decision of the board of directors, agreed with financing.

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**ENDORSEMENTS/GUARANTEES PROVIDED
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(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	GES	Subsidiary	\$ 4,981,402	\$ 1,653,000	\$ 1,653,000	\$ 1,092,961	-	6.64	\$ 12,453,506	YES	-	-
		Zhongyang	Subsidiary	4,981,402	1,380,000	770,000	752,294	-	3.09	12,453,506	YES	-	-
		ECOVE solar energy corporation	Note 1	4,981,402	719,110	-	-	-	-	12,453,506	YES	-	-
		Gintech (Thailand)	Subsidiary	4,981,402	623,825	623,825	397,103	-	2.50	12,453,506	YES	-	-
		NSP System	Subsidiary	4,981,402	500,000	500,000	163,200	-	2.01	12,453,506	YES	-	-
		NSP UK	Subsidiary	4,981,402	367,956	-	-	-	-	12,453,506	YES	-	-
		NSP Indygen	Subsidiary	4,981,402	364,500	364,500	364,500	-	1.46	12,453,506	YES	-	-
		CFR	Subsidiary	4,981,402	310,000	305,510	305,510	-	1.23	12,453,506	YES	-	-
		GES UK	Subsidiary	4,981,402	310,000	305,510	305,510	-	1.23	12,453,506	YES	-	-
		Apex	Subsidiary	4,981,402	263,000	263,000	261,000	-	1.06	12,453,506	YES	-	-
		Solar Japan	Subsidiary	4,981,402	146,489	-	-	-	-	12,453,506	YES	-	-
		Fukushima Plant 1	Note 2	4,981,402	145,417	-	-	-	-	12,453,506	YES	-	-

Note 1: Gintech Energy has disposed of the share of ECOVE solar energy corporation September, 2018, so it is non related party on the reporting date.

Note 2: Solartech Energy has disposed of the shares of Fukushima Plant 1 in January 2018 and it became a non-related party on the reporting date.

Note 3: In accordance with the "Rules of Guarantees by the Corporation," the ceiling for the total guaranteed amount was 50% of the Corporation's net asset value, and the limit on the guaranteed amount for a single party was 20% of the Corporation's net asset value. But for business purposes, the limit of the guaranteed amount was the total of the purchases from or sales to the Corporation within the most recent year.

**UNITED RENEWABLE ENERGY CO., LTD.
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**MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	Shares CTCI	Investee	Financial assets at fair value through other comprehensive income- current	3,003	\$ 133,333	0.39	\$ 133,333	-
	SAS	Investee	Financial assets at fair value through other comprehensive income- non-current	21,860	1,337,855	3.73	1,337,855	Note 1
	TTMC	Investee	Financial assets at fair value through other comprehensive income- non-current	4,000	66,240	5.44	66,240	Notes 2 and 3
	EXOJET	Investee	Financial assets at fair value through other comprehensive income- non-current	5,885	45,962	12.06	45,962	-
	TSCC	Investee	Financial assets at fair value through other comprehensive income- non-current	1,691	18,601	0.58	18,601	-
	NTNU	Investee	Financial assets at fair value through other comprehensive income- non-current	200	2,000	2.60	2,000	-
	ASIA GLOBAL VENTURE CAPITAL II CO., LTD.	Investee	Financial assets at fair value through other comprehensive income- non-current	1,000	22,137	10.00	22,137	-
	SUN APPENNINO CORPORATION	Investee	Financial assets at fair value through other comprehensive income- non-current	-	19,338	26.09	19,338	-
	FICUS CAPITAL CORPORATION	Investee	Financial assets at fair value through other comprehensive income- non-current	-	-	28.07	-	-

Note 1: The asset has been pledged as collaterals for long-term bank loans and financing facilities. For the details refer to Note 36.

Note 2: The above amount is based on 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: TTMC's shares held by the Corporation and New Ray Investment through private equity placement were restricted under Article 43-8 of the Securities and Exchange Act.

Note 4: The above marketable securities had not been pledged or mortgaged as of December 31, 2018.

**UNITED RENEWABLE ENERGY CO., LTD.
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**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	GES	Subsidiary	Sale	\$ 130,258	1.26	60 days from the invoice date	\$ -	-	\$ -	-	-
	NSP System	Subsidiary	Sale	127,546	1.24	60 days from the invoice date	-	-	95,436	3.21	-
	CFC	Associate	Sale	233,984	2.27	60 days from the invoice date	-	-	118,079	4.09	-
	JSP	Associate	Sale	198,580	1.93	60 days from the invoice date	-	-	31,643	1.10	-

Note 1: The amounts were based on total notes or accounts receivable (payable) or total purchase (sale) amounts of the buyer (seller).

**UNITED RENEWABLE ENERGY CO., LTD.
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**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	DeiSolar US	Subsidiary	\$ 993,716	-	\$ -	Receivable according to the financial situation	\$ -	\$ -
	NSP NEVADA	Subsidiary	578,952	-	34,365	Receivable according to the financial situation	-	-
	GES ME	Subsidiary	571,235	-	-	Receivable according to the financial situation	-	-
	GES	Subsidiary	465,402	0.30	401,316	Receivable according to the financial situation	200	-
	Gintech (Thailand)	Subsidiary	264,429	-	163,387	Receivable according to the financial situation	302,974	-
	Sunshine PV	Associate	430,503	-	421,955	Receivable according to the financial situation	-	430,503
	CFY	Associate	133,141	-	114,412	Receivable according to the financial situation	-	-
	CFC	Associate	118,079	2.20	118,079	Receivable according to the financial situation	-	21,980

UNITED RENEWABLE ENERGY CO., LTD.
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NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	% of Ownership	Carrying Value			
The Corporation	UES	Independent State of Somoa	Investment company	\$ 1,910,636	\$ Note 2	61,930	100.00	\$ 1,863,226	\$ (89,195)	\$ (89,195)	-
	DelSolar Cayman	Cayman Islands	Investment company	4,597,639	4,582,166	145,126	100.00	1,775,871	(356,660)	(356,249)	-
	GES	Hsin-chu, Taiwan	Electronic component manufacturing and selling	3,070,777	3,070,777	191,200	100.00	1,533,985	(369,132)	(368,747)	-
	NSP BVI	British Virgin Islands	Investment company	1,426,179	1,426,179	45,001	100.00	1,407,681	53,546	53,546	Note 1
	GES ME	Dubai	Solar related business	418,805	418,805	4	100.00	368,249	3,379	3,379	-
	Apex	Hsin-chu, Taiwan	Solar related business	145,994	Note 2	48,500	100.00	157,341	7,756	7,756	-
	NSP System	Tainan, Taiwan	Solar related business	144,200	144,200	14,420	100.00	145,785	18,796	31,151	-
	NSP UK	London, UK	Investment company	138,967	138,967	3,580	100.00	143,188	26,242	26,242	-
	Prime Energy	Tainan, Taiwan	Electronic component manufacturing and selling	90,000	90,000	9,000	100.00	80,222	(151)	(151)	-
	New Ray Investment	Tainan, Taiwan	Investment company	115,000	115,000	11,500	100.00	64,262	1,314	1,314	-
	Solartech Japan	Japan	Solar related business	36,205	Note 2	2	100.00	34,333	(2,693)	(2,693)	-
	Zhongyang	Hsin-chu, Taiwan	Solar related business	24,121	Note 2	3,500	100.00	31,439	7,318	7,318	-
	Huiyang	Hsin-chu, Taiwan	Solar related business	30,427	Note 2	3,100	100.00	30,295	(132)	(132)	-
	DelSolar Singapore	Singapore	Investment company	29,743	29,743	1,250	100.00	18,692	47,981	3,917	-
	BPS	Tainan, Taiwan	Solar related business	6,000	6,000	600	60.00	14,880	8,135	5,285	-
	SMC	Hsin-chu, Taiwan	Solar related business	9,720	Note 2	1,000	100.00	9,658	(62)	(62)	-
	Utech	Miaoli, Taiwan	Electronic component manufacturing	57,169	Note 2	63,675	98.30	(134,504)	(186,513)	(172,974)	-
	True Honour Limited	Independent State of Somoa	Investment company	-	Note 2	-	-	-	47	47	Note 3
	Neo Cathay	Tainan, Taiwan	Investment company	600,000	600,000	60,000	40.00	616,896	44,306	17,723	-
	TSST	Malaysia	Solar related business	417,692	Note 2	97,701	42.12	254,093	(42,363)	(126,958)	Note 1
	V5 Technology	Hsin-chu, Taiwan	Electronic component manufacturing and selling	114,084	114,084	7,790	41.43	69,860	(2,714)	(2,542)	-
Gintung	Taoyuan, Taiwan	Electronic component manufacturing	34,341	Note 2	13,460	36.38	44,424	27,717	10,083	-	
JSP	Taipei, Taiwan	Solar related business	10,500	10,500	1,050	35.00	7,533	(5,095)	(1,783)	-	
Sunshine PV	Hsin-chu, Taiwan	Solar related business	-	Note 2	13,281	19.47	-	(20,676)	-	Note 4	
Solar PV	Cayman Islands	Investment company	-	Note 2	30,500	19.92	-	(1,812)	-	Note 4	

Note 1: Recognized on the basis of unaudited financial statements as December 31, 2018.

Note 2: The acquisition of subsidiaries is due to the absorption merging of two corporations, Gintech Energy and Solartech Energy on October 1, 2018.

Note 3: True Honour Limited was an investment company which was cancelled in October 2018 and returned the shares in December 2018.

Note 4: The Corporation had recognized impairment loss on equity investment in Sunshine PV and Solar PV, an associate, and so the Corporation did not recognize any share of profit or loss of the associate.

Note 5: For investments in Mainland China, refer to Table 7.

UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Fund		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
DelSolar Wu Jiang	Solar related business	USD 120,000 \$ 3,688,800	Indirect investments through the Corporation's 100% - owned subsidiary	USD 120,000 \$ 3,688,800	\$ -	\$ -	USD 120,000 \$ 3,688,800	USD (11,415) \$ (344,463)	100	USD (11,415) \$ (344,463) (Note 1)	USD 37,136 \$ 1,141,551 (Note 1)	\$ -
NSP Nanchang	Solar related business	USD 44,000 \$ 1,352,560	Indirect investments through the Corporation's 100% - owned subsidiary	USD 5,000 \$ 153,700	-	-	USD 5,000 \$ 153,700	USD (15,983) \$ (482,293)	100	USD (15,983) \$ (482,293) (Note 1)	USD 9,724 \$ 298,902 (Note 1)	-
JiangXi Solar PV Corp. (Note 2)	Solar related business	USD 18,450 \$ 567,153	Indirect investments through the Corporation's 100% - owned subsidiary	USD 18,450 \$ 567,153	-	-	USD 18,450 \$ 567,153	USD (32) \$ (966)	19.92	USD - \$ -	USD - \$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
USD 143,450 \$ 4,409,653	USD 161,032 (Note 3) \$ 4,950,124	\$ 14,944,207

Note 1: Amount was recognized on the basis of reviewed financial statements.

Note 2: The acquisition of subsidiaries is due to the absorption merging of two corporations, Gintech Energy and Solartech Energy on October 1, 2018.

Note 3: 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, authorized DelSolar HK's investment of US\$8,000 thousand in NSP Nanchang, but the capital has not yet been invested as of December 31, 2018.

Note 4: The Corporation had recognized impairment loss on the equity investment in JiangXi Solar PV Corp., an associate, so that the Corporation did not recognize any share of profit or loss of associates.

Note 5: The exchange rate used is the rate on December 31, 2018.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**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
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Ending Balance	%		
NSP Nanchang	Sales	\$ 69	-	Specifically negotiated terms	Specifically negotiated terms	Specifically negotiated terms	\$ -	-	\$ -	-
	Other operating revenue	6,986	0.07	Specifically negotiated terms	Specifically negotiated terms	Specifically negotiated terms	-	-	-	-
	Purchase goods	66,279	1.01	Specifically negotiated terms	Specifically negotiated terms	Specifically negotiated terms	-	-	-	-

Note: Amount was recognized on the basis of reviewed financial statements.

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**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Description	Rate (%)	Amount
Demand deposits	Including NTD4,963,572 thousand, USD55,485 thousand @30.7400, EUR8,197 thousand @35.2200, JPY23,475 thousand @0.2781, RMB31,544 thousand @4.4760, and GBP36 thousand @38.9500		\$ 7,107,002
Checking accounts			15,186
Cash on hand			651
Cash equivalents	Time deposits mature before the May 2019	0.130-1.015	<u>104,985</u>
Total			<u>\$ 7,227,824</u>

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)****STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Third parties	
Client DP	\$ 515,056
Client DQ	247,616
Client CL	194,570
Client CO	193,067
Client DR	169,913
Others (Note)	<u>1,202,039</u>
	<u>2,522,261</u>
Related parties	
Client DS	258,237
Client DD	118,079
Client CX	95,436
Client DT	64,870
Client DU	47,354
Client DV	31,643
Others (Note)	<u>4,827</u>
	<u>620,446</u>
Allowance for doubtful accounts	<u>(608,416)</u>
Total	<u>\$ 2,534,291</u>

Note 1: The amount for each individual client included in others does not exceed 5% of the account balance.

Note 2: Allowance for doubtful accounts of \$608,367 thousand was provided for overdue amounts.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)****STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 1,169,033	\$ 1,200,848
Raw materials	521,647	590,073
Power facilities construction in process	129,540	129,540
Work in process	<u>7,510</u>	<u>7,714</u>
Total	<u>\$ 1,827,730</u>	<u>\$ 1,928,175</u>

Note: The insurance coverage amount for inventories was \$2,015,699 thousand, which equals the carrying value of inventories.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)****STATEMENT OF PREPAYMENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Prepayments to suppliers - noncurrent	
Company J	\$ 1,117,225
Company G	821,159
Company AD	119,432
Company X	111,383
Others (Note 1)	<u>26,531</u>
	<u>2,195,730</u>
Prepayments to suppliers - current	
Company DW	96,132
Company CP	54,835
Company DX	27,116
Company AD	18,200
Others (Note 1)	<u>25,784</u>
	<u>222,067</u>
Prepayments to contractors and equipment suppliers	<u>200,486</u>
Others (Note 2)	<u>124,965</u>
 Total	 <u>\$ 2,743,248</u>

Note 1: The amount for each individual vender included in others does not exceed 5% of the account balance.

Note 2: The amount for each individual item included in others does not exceed 5% of total account balance.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investees	Balance, January 1, 2018		Deduction		Unrealized Profit (Loss) on Financial Assets Amount	Balance, December 31, 2018			Remark
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Proportion of Ownership %	Amount	
Domestic quoted shares CTCI	-	\$ -	3,003	\$ 149,249	\$ (15,916)	3,003	0.39	\$ 133,333	Note

Note : The financial assets at fair value through other comprehensive income were not pledged as collateral.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investees	Balance, January 1, 2018		Initial Application Adjustment on IFRS 9	Acquired from Business Combinations		Additions		Financial Assets Unrealized Gain or Loss	Balance, December 31, 2018			Remark
	Shares (In Thousands)	Fair value		Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Proportion of Ownership %	Fair Value	
Domestic quoted shares												
SAS	-	\$ -	\$ -	21,860	\$ 1,707,295	-	\$ -	\$ (369,440)	21,860	3.73	\$ 1,337,855	1 and 2
TTMC	-	-	59,000	-	-	-	-	7,240	4,000	5.44	66,240	3
Unlisted ordinary shares												
EXOJET	-	-	-	-	-	5,885	59,086	(13,124)	5,885	12.06	45,962	-
TSCC	-	-	-	1,691	18,601	-	-	-	1,691	0.58	18,601	2
NTNU	-	-	-	200	2,000	-	-	-	200	2.60	2,000	2
			59,000		1,727,896		59,086	(375,324)			1,470,658	
Overseas unlisted ordinary shares												
ASIA GLOBAL VENTURE CAPITAL II CO., LTD.	-	-	-	1,000	22,137	-	-	-	1,000	10.00	22,137	2
SUN APPENNINO CORPORATION	-	-	22,327	-	-	-	-	(2,989)	-	26.09	19,338	-
FICUS CAPITAL CORPORATION	-	-	113	-	-	-	-	(113)	-	28.07	-	-
			22,440		22,137		-	(3,102)			41,475	
Total		\$ -	\$ 81,440		\$ 1,750,033		\$ 59,086	\$ (378,426)			\$ 1,512,133	

Note 1: The asset has been pledged as collaterals for long-term bank loans and financing facilities.

Note 2: The acquisition of investees is due to the absorption merging of two corporations, Gintech Energy and Solartech Energy on October 1, 2018.

Note 3: For private-placement shares, they are restricted under Article 43-8 of the Security and Exchange Act with quoted market prices, but they cannot be traded during the lock-up period. Their fair values are determined using market relevance prices.

UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2018		Initial Application Adjustment on IFRS 9	Acquired from Business Combinations		Acquired from Business Combinations Treasury Shares Owned by Subsidiaries Amount	Additions		Deduction		Share of Profit or Loss of Subsidiaries Amount	Changes in Capital Surplus from Investments in Associates and Joint Ventures Accounted for Using the Equity Method	Dividends Income from Subsidiary	Adjustments from Unrealized Gain (Loss)	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income Amount	Foreign Currency Translation Reserve Amount	Balance, December 31, 2018			Market Value or Net Assets Value Total Amount	Note	
	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount		Shares (In Thousands)	Amount	Shares (In Thousands)	Amount							Balance, December 31, 2018					
																	Shares (In Thousands)	Proportion of Ownership %	Fair value			
Investments in subsidiaries																						
UES	-	\$ -	\$ -	61,930	\$ 1,910,636	\$ -	-	\$ -	-	\$ -	\$ (89,195)	\$ -	\$ -	\$ -	\$ -	\$ 41,785	61,930	100	\$ 1,863,226	\$ 1,827,183	3	
DelSolar Cayman	144,626	2,112,365	-	-	-	-	500	15,473	-	-	(356,249)	-	-	8,435	(4,153)	-	145,126	100	1,775,871	1,789,094	-	
GES	191,200	1,846,412	-	-	-	-	-	-	-	-	(368,747)	-	-	(12,154)	-	68,474	191,200	100	1,533,985	1,564,288	-	
NSP BVI	45,001	1,278,419	-	-	-	-	-	-	-	-	53,546	42,000	-	(9,227)	-	42,943	45,001	100	1,407,681	1,421,495	1	
GES ME	4	353,995	-	-	-	-	-	-	-	-	3,379	-	-	-	10,875	4	100	368,249	376,066	-		
Apex	-	-	-	48,500	145,994	-	-	-	-	-	7,756	-	-	-	3,591	-	48,500	100	157,341	157,341	3	
NSP System	14,420	162,163	-	-	-	-	-	-	-	-	31,151	-	(48,838)	1,309	-	-	14,420	100	145,785	168,423	-	
NSP UK	3,580	117,666	-	-	-	-	-	-	-	-	26,242	-	-	3,276	(3,996)	-	3,580	100	143,188	143,188	-	
Prime Energy	9,000	50,832	41,226	-	-	-	-	-	-	-	(151)	-	-	-	(11,685)	-	9,000	100	80,222	80,222	-	
New Ray Investment	11,500	57,518	-	-	-	-	-	-	-	-	1,314	-	-	-	5,430	-	11,500	100	64,262	64,262	-	
SolarTech Japan	-	-	-	2	36,205	-	-	-	-	-	(2,693)	-	-	-	-	821	2	100	34,333	34,333	3	
Zhongyang	-	-	-	3,500	24,121	-	-	-	-	-	7,318	-	-	-	-	-	3,500	100	31,439	31,439	3	
Huiyang	-	-	-	3,100	30,427	-	-	-	-	-	(132)	-	-	-	-	-	3,100	100	30,295	30,295	3	
DelSolar Singapore	1,250	(18,127)	-	-	-	-	-	44,064	-	-	3,917	-	-	-	-	(11,162)	1,250	100	18,692	18,692	4	
BPS	600	9,595	-	-	-	-	-	-	-	-	5,285	-	-	-	-	-	600	60	14,880	24,800	-	
SMC	-	-	-	1,000	9,720	-	-	-	-	-	(62)	-	-	-	-	-	1,000	100	9,658	9,658	3	
Utech	-	-	-	63,675	57,169	(18,699)	-	-	-	-	(172,974)	-	-	-	-	-	63,675	98.30	(134,504)	199,772	3	
TRUE HONOUR LIMITED	-	-	-	2,637	43,587	-	-	-	(2,637)	(43,634)	47	-	-	-	-	-	-	-	-	-	3 and 5	
		<u>5,970,838</u>	<u>41,226</u>		<u>2,257,859</u>	<u>(18,699)</u>		<u>59,537</u>		<u>(43,634)</u>	<u>(850,248)</u>	<u>42,000</u>	<u>(48,838)</u>	<u>(8,361)</u>	<u>(2,664)</u>	<u>145,587</u>			<u>7,544,603</u>	<u>7,940,551</u>		
Investments in associates																						
Neo Cathay	60,000	599,173	-	-	-	-	-	-	-	-	17,723	-	-	-	-	-	60,000	40	616,896	616,896	-	
TSST	-	-	-	97,701	417,692	-	-	-	-	-	(126,958)	-	-	-	(36,641)	-	97,701	42.12	254,093	370,569	1 and 3	
V5 Technology	7,790	72,402	-	-	-	-	-	-	-	-	(2,542)	-	-	-	-	-	7,790	41.43	69,860	47,922	-	
Gintung	-	-	-	13,460	34,341	-	-	-	-	-	10,083	-	-	-	-	-	13,460	36.38	44,424	45,277	3	
JSP	1,050	9,316	-	-	-	-	-	-	-	-	(1,783)	-	-	-	-	-	1,050	35	7,533	7,533	-	
Sunshine PV	-	-	-	13,281	-	-	-	-	-	-	-	-	-	-	-	-	13,281	19.47	-	-	3 and 6	
Solar PV	-	-	-	30,500	-	-	-	-	-	-	-	-	-	-	-	-	30,500	19.92	-	-	3 and 7	
		<u>680,891</u>			<u>452,033</u>						<u>(103,477)</u>				<u>(36,641)</u>				<u>992,806</u>	<u>1,088,197</u>		
Total		6,651,729	\$ 41,226		\$ 2,709,892	\$ (18,699)		\$ 59,537		\$ (43,634)	\$ (953,725)	\$ 42,000	\$ (48,838)	\$ (8,361)	\$ (2,664)	\$ 108,946			8,537,409	\$ 9,028,748		
Credit balance of investments accounted for using the equity method		18,127																		134,504		
Total		<u>\$ 6,669,856</u>																		<u>\$ 8,671,913</u>		

Note 1: CFY and TSST, which were the associates of NSP BVI, were recognized on the basis of unaudited financial statements as December 31, 2018.

Note 2: Except for the equity investment of Neo Cathay, the other investments accounted for using equity method had not been pledged as collateral.

Note 3: The acquisition of subsidiaries is due to the absorption merging of two corporations, Gintech Energy and SolarTech Energy on October 1, 2018.

Note 4: The additions were amounts of accounts receivable regarded as investment after investment by DelSolar Singapore was cancelled in March 2018.

Note 5: The deductions were made after investment in True Honour Limited was cancelled in October 2018.

Note 6: The Corporation had recognized impairment loss on equity investment in Sunshine PV, an associate, and so the Corporation did not recognize any share of profit or loss of the associate.

Note 7: The Corporation had recognized impairment loss on equity investment in Solar PV, an associate, and so the Corporation did not recognize any share of profit or loss of the associate.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF SHORT-TERM BANK LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Type	Balance, End of Year	Contract Period	Collateral
Secured borrowings			
KGI Bank	\$ 200,000	December 17, 2018 to March 15, 2019	1
Working Capital loan			Nil
Taiwan Cooperative Bank	1,018,324	June 25, 2018 to October 17, 2019	Nil
CTBC Bank	733,918	August 13, 2018 to March 26, 2019	Nil
Taiwan Business Bank	538,531	July 20, 2018 to June 24, 2019	Nil
TS Bank	525,000	December 10, 2018 to March 11, 2019	Nil
Bank of Taiwan	522,568	July 30, 2018 to May 15, 2019	Nil
Chang Hwa Bank	390,000	September 19, 2018 to March 25, 2019	Nil
First Bank	290,978	August 20, 2018 to March 25, 2019	Nil
Bank of Shanghai	212,992	August 31, 2018 to June 26, 2019	Nil
Land Bank of Taiwan	193,292	August 10, 2018 to March 4, 2019	Nil
Mega Bank	84,928	August 1, 2018 to March 27, 2019	Nil
Taichung Bank	<u>73,372</u>	August 30, 2018 to March 12, 2019	Nil
	<u>\$ 4,783,903</u>		

Note 1: The carrying amount of machinery and equipment was \$137,152 thousand which has pledged as collateral.

Note 2: As of December 31, 2018, the interest rate on secured borrowings was 1.7891%. And the range of interest rate on working capital loan was 0.8800%-4.0698%.

Note 3: The unused amount of short-term bank loan facilities was \$4,357,293 thousand, as of December 31, 2018.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)****STATEMENT OF NOTES AND ACCOUNTS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Third parties	
Company DY	\$ 222,486
Company BN	160,213
Company DZ	142,425
Others (Note)	<u>1,256,236</u>
	<u>1,781,360</u>
Related parties	
Company EA	203,003
Others (Note)	<u>285</u>
	<u>203,288</u>
 Total	 <u>\$ 1,984,648</u>

Note: The amount for each individual vendor in others does not exceed 5% of the account balance.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF PAYABLES TO CONTRACTORS AND EQUIPMENT SUPPLIERS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Company EB	\$ 75,303
Company DF	21,334
Company CC	20,069
Company ED	19,815
Others (Note)	<u>99,485</u>
Total	<u>\$ 236,006</u>

Note: The amount for each individual vendor included in others does not exceed 5% of the account balance.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bonds Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate (%)	Total Amount	Converted Into Common Shares	Balance, End of Year	Unamortized Discounts	Unrealized Foreign Exchange Gain	Carrying Value	Repayment	Collateral
Overseas secured bonds - 2016-3	Citi International Co., Ltd.	2016.10.27	-	-	<u>\$ 3,790,200</u>	<u>\$ -</u>	<u>\$ 3,790,200</u>	<u>\$ 83,554</u>	<u>\$ 92,149</u>	<u>\$ 3,614,497</u>	Issuance period: 2016.10.27-2019.10.27 Conversion period: 2016.12.07-2019.10.17 Conversion price: currently \$18 per share	Note

Note: The Corporation had restricted land, plant and machinery with a total carrying amount of \$3,073,665 thousand.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF LONG-TERM BANK LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Lender	Type	Balance, End of Year	Period	Collateral
Bank loans				
3.6 billion syndicated loan from Mega Bank (Note 1)	Working capital expansion	\$ 2,832,000	March 25, 2016 to March 25, 2021	The Corporation had its land, plant and equipment, with a carrying amount of \$3,196,237 thousand; FVTOCI with a carrying amount of \$1,337,855 thousand, pledged as collateral
4.2 billion syndicated loan from First Bank (Note 1)	Working capital expansion	2,570,000	August 26, 2016 to August 26, 2021	The Corporation had its equipment, with a carrying amount of \$2,618,455 thousand, pledged as collateral
3.3 billion syndicated loan from Taiwan Cooperative Bank	Working capital expansion	1,327,550	November 5, 2015 to November 5, 2020	The Corporation had its land, plant and equipment, with a carrying amount of \$3,680,718 thousand, pledged as collateral
KGI Bank loan	Working capital expansion	250,000	December 27, 2018 to September 17, 2021	The Corporation had its land and plant, with a carrying amount of \$311,220 thousand, pledged as collateral
0.55 billion syndicated loan from First Bank (Note 1)	Working capital loan for machinery and equipment purchase	178,750	December 30, 2014 to December 30, 2019	The Corporation had its equipment, with a carrying amount of \$388,835 thousand, pledged as collateral
Union Bank of Taiwan loan (Note 1)	Working capital expansion	11,660	June 23, 2016 to June 23, 2019	The Corporation had its equipment, with a carrying amount of \$63,239 thousand, pledged as collateral
King's Town Bank	Working capital expansion	1,210,000	May 10, 2017 to May 10, 2021	Nil
0.5 billion syndicated loan from First Bank (Note 1)	Working capital expansion	337,500	September 9, 2016 to September 9, 2021	Nil
Cota Commercial Bank loan (Note 1)	Working capital expansion	16,664	October 24, 2016 to October 24, 2019	Nil
Other borrowings				
EQUVO Pte., Ltd.	Machinery and equipment Financing	672,941	September 26, 2018 to September 26, 2022	The Corporation had its equipment, with a carrying amount of \$698,651 thousand; associate accounted for using the equity method, with a carrying amount of \$616,896 thousand; refundable deposits for inventory buyback financing, with a carrying amount of \$200,000 thousand, pledged as collateral
JihSun International Leasing & Finance Co., Ltd.	Inventory Financing	90,370	January 29, 2018 to July 29, 2019	The Corporation had its refundable deposits for inventory buyback financing, with a carrying amount of \$20,000 thousand, pledged as collateral
Taichung Bank Leasing & Finance Co., Ltd	Inventory Financing	71,555	May 25, 2018 to May 25, 2020	Nil
Hotai Finance Corporation	Inventory Financing	58,562	March 9, 2018 to June 9, 2019	Nil
IBT Leasing Corporation Limited	Inventory Financing	3,850	March 16, 2017 to March 24, 2019	Nil
		9,631,402		
Current portion		(3,218,987)		
		<u>\$ 6,412,415</u>		

Note 1: Acquisitions through business combinations of Gintech Energy and Solartech Energy on October 1, 2018.

Note 2: The range of interest rates on bank loans was 1.6894%-2.8053% and on other borrowings was 3.0400%-6.9239% as of December 31, 2018.

Note 3: The unused amounts of long-term bank loan facilities were \$890,000 thousand as of December 31, 2018.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)****STATEMENT OF NET SALES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Shipments (Pieces)	Amount
Solar cells and modules	107,454 thousand	\$ 10,058,524
Others	1,763 thousand	<u>276,436</u>
		10,334,960
Sales returns and allowances		<u>24,840</u>
Net sales		<u>\$ 10,310,120</u>

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF COST OF SALES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials used	
Balance, beginning of year	\$ 375,964
Raw materials purchased	5,839,998
Transferred to manufacturing or operating expenses	(506,988)
Acquisitions through business combinations	314,580
Raw materials, end of year	<u>(521,647)</u>
Subtotal	5,501,907
Direct labor	689,552
Manufacturing expenses	<u>2,809,882</u>
Manufacturing cost	9,001,341
Work in process, beginning of year	78,368
Work in process purchased	488,219
Transferred to manufacturing or operating expenses	(2,414)
Work in process sold	(2,115)
Acquisitions through business combinations	127,458
Raw materials purchased of construction in progress	2,082
Work in process (including construction in progress), end of year	<u>(137,050)</u>
Cost of finished goods	9,555,889
Finished goods, beginning of year	787,016
Finished goods purchased	250,358
Transferred to manufacturing or operating expenses	(6,684)
Acquisitions through business combinations	731,108
Finished goods, end of year	<u>(1,169,033)</u>
Subtotal	10,148,654
Unallocated fixed manufacturing overhead	770,259
Cost from sale of work in process	2,115
Others	<u>338,687</u>
 Total	 <u>\$ 11,259,715</u>

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses
Transportation and miscellaneous expenses	\$ 122,064	\$ 650	\$ 546
Payroll and related expenses	60,937	171,652	83,892
Service charges	9,860	26,715	1,380
Indirect materials	3,169	416	10,829
Other employee benefits	1,693	21,441	2,797
Depreciation	1,634	34,550	37,964
Certification fee	178	-	24,621
Maintenance and repair charges	138	7,639	14,116
Bank charges	16	99,089	-
Others (Note)	<u>66,461</u>	<u>61,507</u>	<u>17,521</u>
Total	<u>\$ 266,150</u>	<u>\$ 423,659</u>	<u>\$ 193,666</u>

Note: The amount for each item in others does not exceed 5% of the account balance.

**UNITED RENEWABLE ENERGY CO., LTD.
(FORMERLY NEO SOLAR POWER CORP.)**

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	2018			2017		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$ 1,014,605	\$ 307,424	\$ 1,322,029	\$ 824,711	\$ 287,436	\$ 1,112,147
Labor and health insurance	96,752	23,894	120,646	82,498	23,733	106,231
Pension	44,297	14,747	59,044	40,519	13,328	53,847
Remuneration of directors	-	9,057	9,057	-	9,240	9,240
Others	57,731	25,931	83,662	43,308	26,459	69,767
	<u>\$ 1,213,385</u>	<u>\$ 381,053</u>	<u>\$ 1,594,438</u>	<u>\$ 991,036</u>	<u>\$ 360,196</u>	<u>\$ 1,351,232</u>
Depreciation	<u>\$ 1,505,413</u>	<u>\$ 74,148</u>	<u>\$ 1,579,561</u>	<u>\$ 1,353,716</u>	<u>\$ 64,031</u>	<u>\$ 1,417,747</u>
Amortization	<u>\$ 84</u>	<u>\$ 968</u>	<u>\$ 1,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2018 and 2017, the Corporation had 3,143 and 1,630 employees, respectively. And there were 7 and 6 non-employee directors, respectively.