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OFFERING CIRCULAR **CONFIDENTIAL**

NEO SOLAR POWER

Neo Solar Power Corporation

(incorporated as a company limited by shares in Taiwan, the Republic of China)

US$120,000,000

Credit Enhanced Zero Coupon Convertible Bonds due 2019

Issue Price: 100%

We are offering US$120,000,000 aggregate principal amount of Credit Enhanced Zero Coupon Convertible Bonds due 2019 (the "**Bonds**"). Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and we will redeem the Bonds, on October 27, 2019 (the "**Maturity Date**") at 102.2712% of the unpaid principal amount thereof. The Bonds will not bear any interest. The Bonds will be convertible into our common shares (the "**Shares**" or the "**Common Shares**"), par value NT$10.00 per share, during the period from and including December 7, 2016 to and including October 17, 2019, except during certain Closed Periods (as defined herein), at an initial conversion price of NT$18.00 per share with a fixed exchange rate of NT$31.740 = US$1.00 applicable on conversion of the Bonds. The Shares are listed on the Taiwan Stock Exchange Corporation (the "**TWSE**") under the stock code "3576" and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See "Risk Factors — Risk Relating to Ownership of the Bonds and Our Shares." On October 18, 2016, the closing price of our Shares on the TWSE was NT$16.30.

Payments of the Maturity Redemption Amount (as defined herein) at maturity or the Early Redemption Amount (as defined herein) upon redemption or repurchase will have the benefit of an irrevocable standby letter of credit (the "**Letter of Credit**") issued by Taipei Branch of ING Bank N.V. See "Description of the Letter of Credit".

At any time on or after October 27, 2018, we may redeem the Bonds, in whole or but not in part, at the Early Redemption Amount under the circumstances described in this offering circular (the "**Offering Circular**"). At any time, we may also redeem the Bonds then outstanding at the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is at least 90% of the principal amount originally issued. We may also redeem the Bonds then outstanding, in whole but not in part, at the Early Redemption Amount, if, as a result of certain changes in the laws or regulations of the Republic of China (the "**ROC**") occurring after October 27, 2016, we become obligated to pay Additional Amounts (as defined herein).

You may require us to repurchase the Bonds, in whole or in part (being US$100,000 in principal amount and integral multiples thereof), (i) at the Early Redemption Amount in the event of a Delisting (as defined herein) or (ii) at the Early Redemption Amount in the event of a Change of Control (as defined herein).

Upon the occurrence of an LC Redemption Event (as defined herein) and to the extent permitted by applicable law, we shall redeem all, and not some only, (subject to certain rights of a Bondholder to elect not to have its Bonds redeemed) of the outstanding Bonds at the Early Redemption Amount as of the LC Redemption Event Date (as defined herein).

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in "Description of the Bonds — 3. Negative Pledge", and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

We have received approval-in-principle for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our company, our subsidiaries, our associated companies, the Bonds or the Shares. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Shares.

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS OFFERING CIRCULAR.

Neither the Bonds, the Letter of Credit nor the Shares, have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws, and are being offered and sold outside the United States in accordance with Regulation S under the U.S. Securities Act, and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by one or more global certificates (each a "**Global Bond**") and will be fully issued in registered form in the name of Citivic Nominees Limited, as the nominee for, and shall be deposited with, Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchaser expect to deliver the Bonds to purchasers on or about October 27, 2016.

Joint Global Coordinators

Daiwa Capital Markets Hong Kong Limited
(大和資本市場香港有限公司)

ING Bank N.V., Hong Kong Branch

Sole Bookrunner and Initial Purchaser

Daiwa Capital Markets Hong Kong Limited
(大和資本市場香港有限公司)

Offering Circular dated October 18, 2016

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We accept full responsibility for the information contained in this Offering Circular and, having made all reasonable enquiries, confirm that this Offering Circular contains all information with respect to us (including our subsidiaries), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds. The statements contained in this Offering Circular relating to us, our subsidiaries, the Bonds, the Letter of Credit and the Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Bonds and the Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. Where information contained in this Offering Circular includes extracts from summaries of information and data from various published and private sources, we accept responsibility for accurately reproducing such summaries and data.

Other than as set forth in this Offering Circular, information contained in this Offering Circular is updated to the dates indicated herein. Save where there are any material changes, the omission of which would make any statement in this Offering Circular misleading, we have not updated such information to the date of this Offering Circular. Information as set forth in the sections "Summary — LC Bank" and "The Letter of Credit Bank" are derived from the registration document filed with Netherlands Authority for the Financial Markets in May 2016, the annual reports of ING Group N.V. and ING Bank N.V. for the year ended December 31, 2015 and press release issued by ING Group N.V. as of September 29, 2016 and updated only as of the dates of the registration document, annual reports and press release.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us, the Joint Global Coordinators, Citicorp International Limited, as trustee (the "**Trustee**"), Citibank, N.A., London Branch, as paying agent, conversion agent and transfer agent (the "**Principal Agent**") and as registrar (the "**Registrar**"), to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Global Coordinators to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "Plan of Distribution".

None of the Joint Global Coordinators, the Trustee, the Principal Agent or the Registrar has separately verified the information contained in this Offering Circular (financial, legal or otherwise). Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Joint Global Coordinators, the Trustee, the Principal Agent or the Registrar, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, the Letter of Credit and the Shares. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Global Coordinators, the Trustee, the Principal Agent or the Registrar nor on any person affiliated with the Joint Global Coordinators, the Trustee, the Principal Agent or the Registrar in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of us and the merits and risks involved in investing in the Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should consult its own advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us, the Joint Global Coordinators, the Trustee, the Principal Agent or the Registrar. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

This Offering Circular has been prepared by us solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure or any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

CERTAIN DEFINITIONS, CONVENTIONS AND GENERAL INFORMATION

All references to "**Neo Solar Power Corporation**", "**NSP**", "**we**", "**us**", "**our**" and the "**Company**" in this Offering Circular refer to Neo Solar Power Corporation. All references to "**Shares**" or "**Common Shares**" refer to our common shares, par value NT$10 per share. All references herein to "**Taiwan**", the "**ROC**" and the "**Republic of China**" are to the island of Taiwan and other areas under the effective control of the Republic of China. All references herein to the "**ROC Government**" and the "**ROC Company Act**" are references to the government of the Republic of China and the Company Act of the Republic of China, respectively. All references to "**TWSE**" are to the Taiwan Stock Exchange and "**TPEx**" are to Taipei Exchange (formerly known as the GreTai Securities Market in the ROC). "ROC Business Day" means a day (other than a Saturday or Sunday) on which the commercial banks are open for business in Taipei, ROC.

References to the "**PRC**" are to mainland China and do not include Hong Kong, Macau or Taiwan. "**PRC person**" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including any special administrative region of the PRC such as Hong Kong or Macau), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled or beneficially owned by any such person, resident, agency or instrumentality.

We prepare our audited consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 in conformity with the International Financial Reporting Standards, International Accounting Standards, and IFRIC Interpretations and SIC Interpretations endorsed by the ROC Financial Supervisory Commission (the "**FSC**") and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "**Taiwan IFRSs**") which, however, differs from U.S. GAAP, IFRSs or the generally accepted accounting principles of certain other countries. Our financial statements as of and for the years ended December 31, 2013, 2014 and 2015 have been audited by Deloitte & Touche, independent auditors, as indicated in their reports included elsewhere in this Offering Circular. We also prepared unaudited consolidated financial statements as of and for the six months ended June 30, 2015 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed by FSC. Our financial statements as of and for the six months ended June 30, 2015 and 2016 have been reviewed by Deloitte & Touche, independent accountants, as indicated in their reports included elsewhere in this Offering Circular.

All references herein to "**United States Dollars**" "**U.S. dollars**" and "**US$**" are to United States Dollars and all references to "**New Taiwan Dollars**", "**NT Dollars**", "**NT dollars**" and "**NT$**" are to New Taiwan Dollars. All translations from New Taiwan Dollar amounts to United States Dollar amounts were made (unless otherwise indicated) on the basis of the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board for June 30, 2016 of NT$32.22 = US$1.00. See note 4v to our audited consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 and note 4d to our unaudited consolidated financial statements as of and for the six months ended June 30, 2015 and 2016 included elsewhere in this Offering Circular. All amounts translated into United States Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the New Taiwan Dollar or United States Dollar amounts referred to herein could have been or could be converted into United States Dollars or New Taiwan Dollars, as the case may be, at any particular rate, the above rates or at all. All references herein to "**Euro**" and "**EUR**" are to the Euro. Any discrepancies in any table, graphs or charts included in this document between the totals and the sums of the amounts listed are due to rounding.

For a description of documents available to holders of the Bonds, see "General Information".

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Offering Circular regarding, among other things, our financial condition, future expansion plans and business strategy. You can identify some of these forward-looking statements by terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the intensely competitive industry in which we operate;
- risks relating to our industry;
- general economic, political and social conditions and developments in our major markets such as the ROC and the PRC and other jurisdictions in which we operate our businesses;
- regulations (including the risk of deregulation and of new and untested regulations) to which our businesses are subject;
- our ability to achieve or control future capital expenditure, loan growth, provisions, write-offs or collateral coverage;
- the impact of mergers and acquisitions, competing demands for our capital, and the risk of undisclosed liabilities;
- the amount of dividends received from our subsidiaries and other investee companies;
- legal proceedings; and
- other risks identified in the "Risk Factors" section of this Offering Circular.

We are under no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions discussed in "Risk Factors" and elsewhere in this Offering Circular, the forward-looking events discussed in this Offering Circular might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC

We are a company limited by shares and incorporated under the ROC Company Law. All of our directors and executive officers and certain of the experts named in this Offering Circular are residents of the ROC, and a significant portion of our assets and these persons are located in the ROC. As a result, it may not be possible for you to effect service of process upon us or any of these persons outside of the ROC, or to enforce against any of them judgments obtained in courts outside of the ROC. Our ROC counsel has advised that any final judgment obtained against us or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds or the Shares deliverable upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the ROC;

- the judgment is a final judgment for which the period for appeal has expired or from which no appeal can be taken;

- if the judgment was rendered by default by the court rendering the judgment, (i) we or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us or such persons with judicial assistance of the ROC; and

- judgments of the courts of the ROC would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan), (the "**CBC**") for the remittance out of the ROC of any amounts exceeding US$100,000 or its equivalent recovered in respect of the judgment denominated in a currency other than NT dollars. See "Appendix B — Foreign Investment and Exchange Controls in the ROC".

SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary may not contain all of the information that you should consider before deciding to invest in the Bonds. We urge you to read this entire Offering Circular carefully, including the "Risk Factors" section on page 16 and our financial statements and related notes thereto located elsewhere in this Offering Circular.

Business Overview

We believe we are one of the leading vertically integrated providers of solar power products, services and solutions with operations across the globe. We are a leading solar product manufacturer specializing in the research, development and manufacturing of high-efficiency solar cells and solar modules. In recent years, we have also increased our presence in the development of solar power systems and the provisions of related services. The below sets forth description as to our products and services:

- ***Solar Cells.*** The research, development, design, manufacturing and marketing of high-performance solar cells has been our primary focus of business before we began the production of solar modules and the provision of solar power systems development services, and continues to be one of the principal focuses of our business. Higher conversion efficiency solar cells generally result in higher power output solar modules with price premium as compared to the industry average. It remains our strategy to differentiate from competitors by offering high conversion efficiency products with superior quality to achieve better profitability. We market our solar cells with our own brand name and they are mainly sold to solar module manufacturers and solar power system developers who assemble and integrate our solar cells into solar modules and systems. In 2013, 2014 and 2015 and the six months ended June 30, 2016, net sales generated from our solar cells were NT$16,758.6 million, NT$23,342.5 million, NT$16,442.5 million (US$510.3 million) and NT$7,273.4 million (US$225.7 million), respectively, accounting for 83.4%, 84.6%, 74.0% and 69.9% of our total net sales for the respective periods.

- ***Solar Modules.*** We also started to manufacture solar modules in 2009 and further enhanced our solar module manufacturing capability after we acquired DelSolar Co., Ltd. ("**DelSolar**") in May 2013. In the past, we designed and produced solar modules while working closely with our customers, and our solar modules were often based on our customers' and end-users' specifications and required applications. As such, majority of our solar modules were produced under our customers' brands. However, we have in recent years increased our efforts in the research, development, design, manufacturing and sale of solar modules under our own brand. In 2013, 2014 and 2015 and the six months ended June 30, 2016, net sales generated from our solar modules were NT$3,018.6 million, NT$3,217.3 million, NT$4,551.6 million (US$141.3 million) and NT$2,583.0 million (US$80.2 million), respectively, accounting for 15.0%, 11.7%, 20.5% and 24.8% of our total net sales for the respective periods. We will continue to focus on the development and sale of our branded solar modules in the future.

- ***Solar Power Systems.*** Leveraging the expertise in the solar photovoltaic ("**PV**") industry, we also commenced development of solar power systems in 2012. As of June 30, 2016, we have successfully completed the development of over 100MW of solar power systems, including approximately 37MW in the United States, 32MW in Taiwan, 3MW in Japan and 33MW in other regions. As of June 30, 2016, a total of approximately 59MW of the completed solar power systems were sold. Our completed solar power systems projects include the solar power system with a capacity of approximately 25MW at Indianapolis International Airport in the United States completed in December 2014, which is as of the date of this Offering Circular the world's largest solar power system at an airport in terms of power generating capacity. We also completed phase one of the Monte Plata solar power system with a capacity of approximately 33MW in Dominican Republic in March 2016, and when all phases are completed, such system is expected to be the largest solar power system in the

Caribbean region with a capacity of approximately 67MW. Net sales from our power facility segment was NT$163.4 million, NT$939.4 million, NT$1,050.7 million (US$32.6 million) and NT$476.9 million (US$14.8 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, accounted for 0.8%, 3.4%, 4.7% and 4.6% of our total net sales in the respective periods. We recognize the sale of solar power systems as revenue when control of such solar power system is transferred to the customers prior to the completion of construction at the time when the solar power system is not yet connected to the grid. On the other hand, for the sale of solar power systems after the completion of construction at the time when the solar power system is connected to the grid, it is recognized as non-operating income or loss, as applicable. We recognized a gain on the disposal of solar power systems of NT$22.5 million (US$0.7 million) in the six months ended June 30, 2016. In addition to the sale of solar power systems, we also provide certain services in connection with such solar power systems and generate revenue from the sale of electricity in certain solar power systems that we develop and operate.

We intend to enhance our market leadership in the high conversion efficiency cell and module segments by continuing to focus on technological advancements and process technology improvements. The average conversion efficiency rate of our monocrystalline solar cells was 19.4%, 19.4%, 20.1% and 20.1% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. The average yield was 99.0%, 98.9%, 99.0% and 99.1% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. The average conversion efficiency rate of our multicrystalline solar cells were 17.4%, 17.6%, 17.9% and 18.1% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. The average yield rate was 98.7%, 98.6%, 98.9% and 98.8% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

We plan to further boost our efforts in the development of solar power systems to generate attractive return from the sale of such systems and recurring revenue from the provision of relevant services and the sale of electricity. As of June 30, 2016, we have approved over 700MW solar power system development projects globally with various development partners, including the United States, Taiwan, United Kingdom, Dominican Republic and Europe, of which over 15MW was under construction.

We have a proven track record of steady capacity expansion, and our manufacturing operations are highly scalable. We began producing solar cells with an initial annual production capacity of 30MW in 2006 and have rapidly expanded our annual production capacity. We have also in recent years shifted certain of our production capacity from our own facilities in Taiwan to China. We have also entered into consignment arrangements with third-party manufacturers in Southeast Asia to further enhance our cost competitiveness and improve our logistics efficiency. Our solar cell capacity remained stable while our capacity for solar modules has increased rapidly in recent years in part driven by our focus on the sale of our branded solar modules and the growth of our solar power system development business that increased the demand for our solar modules. As of June 30, 2016, our total installed annual manufacturing capacity, including our own self-operated capacity and capacity under consignment arrangements with third-party manufacturers, for solar cells and modules was 2.2GW and 670MW, respectively. We plan to expand our solar cells capacity to 2.3GW by the end of 2016 and our solar modules capacity in the range of 600MW to 700MW by the end of 2016.

Our net sales increased by 37.3% from NT$20,084.3 million in 2013 to NT$27,580.2 million in 2014 and decreased by 19.5% to NT$22,214.5 million (US$689.5 million) in 2015. We generated net income of NT$515.4 million in 2013 due to increase in demand for solar cells and modules, rebound in average selling price of solar cells and cost reductions from procurement and manufacturing overhead, resulting from increased purchasing power and our increased economies of scale, which was in part contributed by our acquisition of DelSolar. We generated a net income of NT$244.4 million in 2014 due to increase in demand for solar cells and modules as a result of the anti-dumping and countervailing duty investigation which prompts Chinese module makers to place orders to Taiwanese cell manufacturers as compared to a net loss of NT$1,538.4 million (US$47.7 million) in 2015, primarily due to a decrease in average selling price of solar cells and the recognition of expenses incurred in connection with the relocation of our production capacity from Wujiang, Suzhou to Nanchang, Jiangxi in China and from

Taiwan to Southeast Asia. Our shipment of solar cells and modules increased from 1,535.8MW (including 1,405.4MW in solar cells and 130.4MW in solar modules) in 2013 to 2,160MW (including 1,990MW in solar cells and 170MW in solar modules) in 2014, and decreased to 2,026MW (including 1,723MW in solar cells and 303MW in solar modules) in 2015.

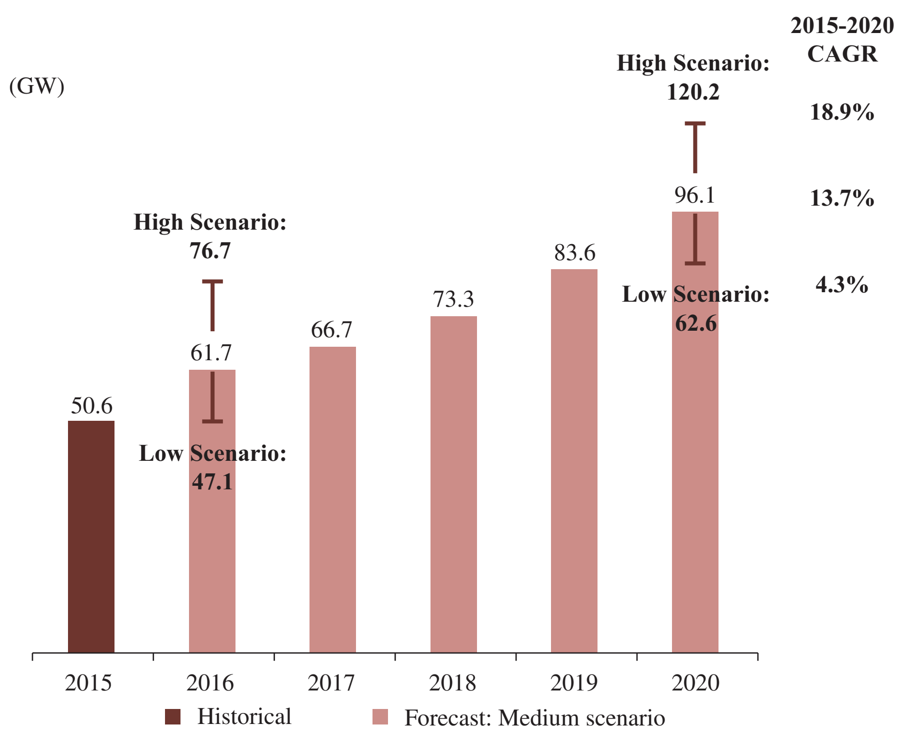
Our net sales increased by 8.2% from NT$9,617.8 million in the six months ended June 30, 2015 to NT$10,407.8 million (US$323.0 million) for the same period in 2016. Our net loss decreased from NT$1,276.1 million in the six months ended June 30, 2015 to NT$833.7 million (US$25.9 million) for the same period in 2016, primarily due to the decrease in production cost as a result of the relocation of our production capacity from Taiwan to Southeast Asia to further enhance our cost competitiveness and improve our operating efficiency. Our shipment of solar cells and modules decreased from 951MW (including 838MW in solar cells and 113MW in solar modules) in the six months ended in June 30, 2015 to 864MW (including 720MW in solar cells and 144MW in solar modules) for the same period in 2016. Despite the decrease in our shipment of solar cells, the shipment of our solar modules with higher average selling price increased as a result of the our increasing focus on solar module segment, which in turn contribute to the overall increase in our net sales.

Recent Industry Trends and Developments

Solar PV market historical deployment and outlook

Solar power is one of the most rapidly growing renewable energy sources today, and the solar power market has grown significantly over the past decade. According to SolarPower Europe, the global solar market increased by over 25% to 50.6GW in 2015 and is expected to further grow at a CAGR of 13.7% to 96.1GW in 2020. The chart below sets forth information as to global PV annual installation from 2015 to 2020.

2015-2020 Global PV Annual Installation (GW)



Source: SolarPower Europe Global Market Outlook for Solar Power (2016-2020)

The growth in the demand for PV installation during the forecast period is expected to be driven by further cost improvements of PV system, new markets for solar power deployment and influx of new market players in the solar power industry.

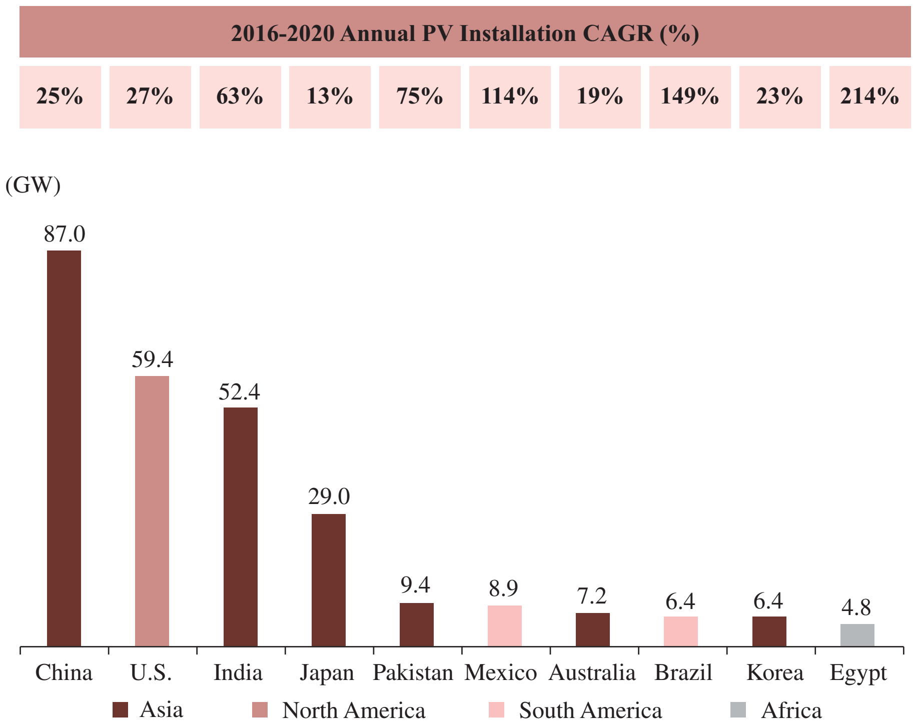
In SolarPower Europe's optimistic scenario, or its "High Scenario" case, which assumes further upside potential from distributed solar enabled by energy storage solutions, the global PV market is forecasted to grow from 50.6GW in 2015 to 120.2GW in 2020, representing a CAGR of 18.9%.

In SolarPower Europe's pessimistic forecast scenario, or its "Low Scenario" case, which assumes a more challenging renewable energy policy environment with higher tax and import duties on solar products, reduced incentives and adverse change in regulatory framework, the global PV market is forecasted to grow at a more moderate CAGR of 4.3% from 50.6GW in 2015 to 62.6GW in 2020.

According to SolarPower Europe, the key end markets for PV installation during the period from 2016 to 2020 include countries in Asia, North America, South America and Africa, with Asia as the leading market in terms of PV installation.

According to SolarPower Europe, four of the top five PV installation end markets during the period from 2016 to 2020 are Asian countries, which are China, India, Japan and Pakistan, with CAGRs of 25%, 63%, 13% and 75%, respectively. PV demand will continue to remain strong in the United States during the period from 2016 to 2020, driven by extension of investment tax credit, while China is expected to take the lead in annual PV installation during this five year period. The chart below sets forth the new capacity addition by country from 2016 to 2020:

2016-2020 Global PV Capacity Addition by Country (%)



Source: SolarPower Europe Global Market Outlook for Solar Power (2016-2020)

Results of anti-dumping and countervailing rulings

In December 2013, a U.S. solar company filed petitions with the U.S. Department of Commerce (the "**DOC**") and the U.S. International Trade Commission (the "**ITC**") against China and Taiwan solar companies for dumping of solar power products and requested anti-dumping duties be imposed on certain crystalline silicon PV cells and modules imported from the China and Taiwan. The ITC made a preliminary determination of material injury on February 14, 2014 and the DOC further reached its affirmative final antidumping determination relating to certain crystalline silicon PV products from China and Taiwan in December 2014 and an affirmative final countervailing duty determination regarding the same product from China.

In July 2015, the United State International Trade Administration (the "**ITA**") issued its final results of its anti-dumping administrative review, covering crystalline silicon PV cells, whether or not assembled into modules, from China. According to the results, the ITA decided on a dumping margin of 9.7% for nearly 20 Chinese solar panel companies, while settling on certain specific margin for a subset of the Chinese solar companies. In addition, a countervailing duty of 20.9% will be applied to crystalline silicon PV cells to most of the accused manufacturers in China.

On the other hand, most solar cell manufacturers in Taiwan are subject to an antidumping duty of 19.5%. The scope of products covered by the determination includes (i) crystalline silicon PV cells, and modules, laminates and/or panels produced in Taiwan and (ii) modules, laminates, and panels produced in a third-country from cells produced in Taiwan. Modules, laminates, and panels produced in Taiwan from cells produced in a third-country are not covered by the determination.

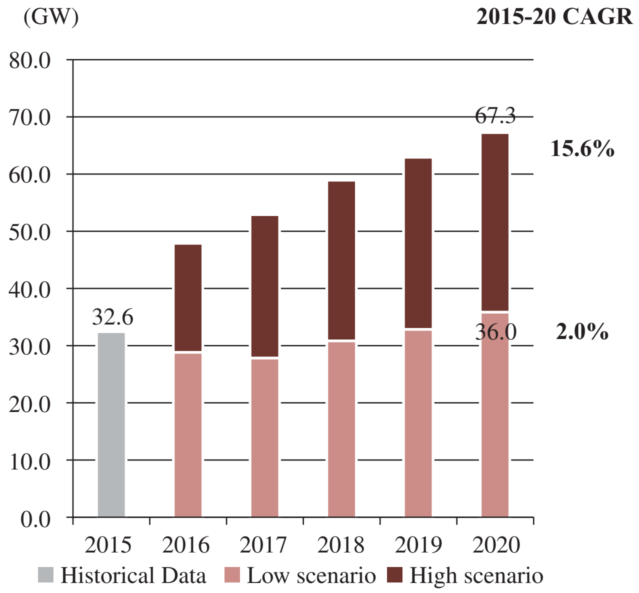
Utility-scale PV systems continue to dominate the global solar installation while distributed solar is forecasted to grow at a faster pace in the coming years

In the past, distributed solar installations were mainly responsible for the growth of solar system installation. However, due to the attractive feed-in tariff policies, tax incentives and renewable portfolio standards, there were an increase in investment in lower-cost large-scale solar systems in recent years.

In 2014, total newly added installations for utility-scale solar system and distributed solar system were at 21GW and 19GW, respectively. In 2015, utility-scale solar systems dominated the global solar market, adding 32.6MW of new installations, representing nearly two third of total newly added installations. Since the growing demand mainly came from emerging markets, where utility-scale solar system is the currently preferred application, installations for such system is expected to continue to dominate the global solar system installation in the next five years.

In SolarPower Europe's optimistic scenario, or its "High Scenario" case, the global utility-scale PV market is forecasted to grow from 32.6GW in 2015 to 67.3GW in 2020, representing a CAGR of 15.6%. In SolarPower Europe's pessimistic forecast scenario, or its "Low Scenario" case, the global utility-scale PV market is projected to grow at a CAGR of 2.0% during the same forecast period. The chart below sets forth information as to global utility scale solar installation from 2015 to 2020.

2015-2020 Global Utility Scale Solar Installation (GW)

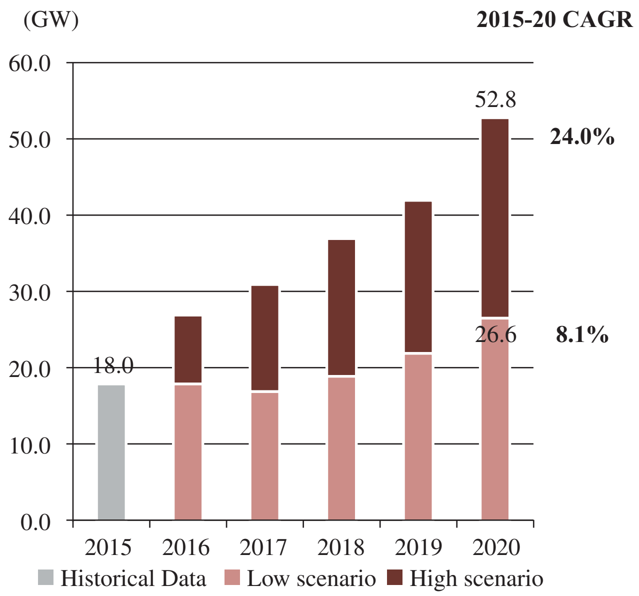


Source: SolarPower Europe Global Market Outlook for Solar Power (2016-2020)

According to SolarPower Europe, policy leaders often prefer to see distributed solar on rooftops, where it outcompetes any other renewable energy technology and does not compete with other usages. However, even in today's fully centralized solar markets, such as China and India, governments are striving to develop distributed solar installation though with limited success. This is a result of the complexities to set up a sustainable distributed solar on-grid market as compared with utility-scale solar system, which is primarily due to the considerable amount of time needed to educate customers as to difficulties in establishing a functioning administration and finding the right financing instruments, solving ownership questions, and establish the relevant standards. Even several developed distributed rooftop solar markets are struggling as they are transforming from feed-in tariff or net-metering markets to self-consumption schemes.

SolarPower Europe forecasted the global rooftop solar installation segment to grow at a faster pace than the utility-scale market due to various countries' announcements to develop rooftop solar systems. In SolarPower Europe's optimistic scenario, or its "High Scenario" case, the global rooftop PV market is forecasted to grow from 18.0GW in 2015 to 52.8GW in 2020, representing a CAGR of 24.0%. In SolarPower Europe's pessimistic forecast scenario, or its "Low Scenario" case, the global PV market would grow at a CAGR of 8.1% to 26.6GW in 2020. The chart below sets forth information as to global rooftop solar installation from 2015 to 2020.

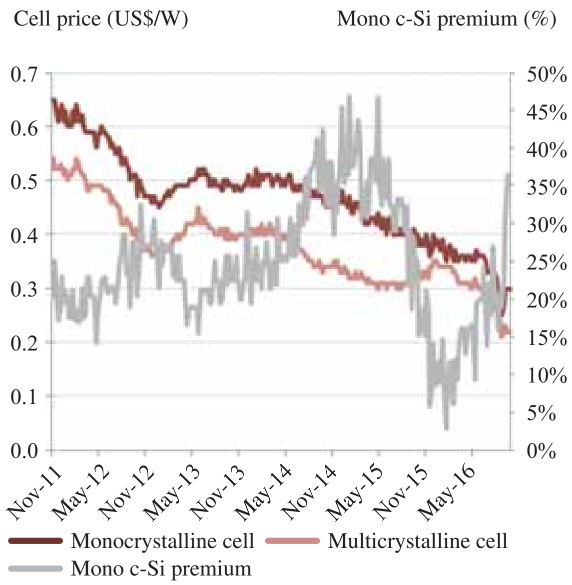
2015-2020 Global Rooftop Solar Installation (GW)

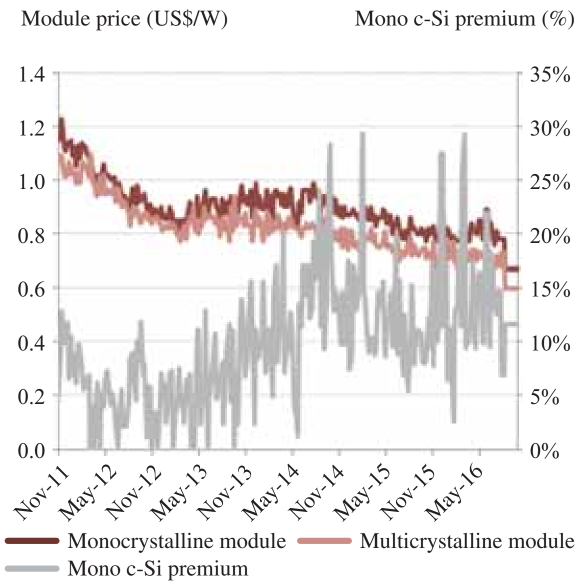


Source: SolarPower Europe Global Market Outlook for Solar Power (2016-2020)

Continued decline of solar cell and module prices, while premium of monocrystalline products over multicyrstalline products is expanding

According to Bloomberg New Energy Finance, the global average selling price of monocrystalline cell published in February 2016 decreased by 17.8% over the same period in the precious year, after increasing by 6.3% in 2014 and declining by 10.9% in 2015. The global average selling price of multicrystalline cell published in February 2016 increased by 5.4% in 2016, after increasing by 9.4% in 2014 and declining by 20.9% in 2015. Meanwhile, premium of monocrystalline products over multicyrstalline products is narrowing from 39.8% in February 2015 to 8.2% in February 2016. The chart below sets forth the monthly average price of global monocrystalline and multicrystalline silicon solar cell price and the premium of monocrystalline products over multicyrstalline products.





Source: Bloomberg New Energy Finance

Our Competitive Strengths

We believe the following competitive strengths enable us to compete effectively and to capitalize on the growth opportunities in the solar power industry:

- industry leading high conversion efficiency products and world-class research and development capability;
- extensive global solar power system development network, sophisticated development capability and global financing capability;
- well-recognized management team with global operational experience; and
- leadership in operating efficiency and manufacturing excellence.

Our Strategies

Our goal is to remain competitive in the solar PV industry. To achieve our goal, we intend to grow our business through the following strategies:

- further boost our solar power system developments efforts by increasing our global project development, EPC and project financing networks;
- enhance leadership in high conversion efficiency market;
- expand overseas production facilities and capabilities; and
- enhance our brand recognition in PV module segment, further increase module shipment and strengthen end customer relationship.

Rights Issuance

On March 15, 2016, our board of directors has approved a potential rights issuance in the ROC for the subscription of up to 180,000,000 Shares (the "**Rights Issuance**"), of which 85% to 90% of such Shares are to be offered to our existing shareholders and the remaining 10% to 15% of such Shares are offered to our employees. On April 29, 2016, our board of directors has approved a potential private placement in the ROC for the subscription of up to 180,000,000 Shares (the "**Private Placement**"). In the event we decide to conduct such Rights Issuance and Private Placement, the relevant details, including the subscription price and the number of Shares to be issued, will be included in a separate announcement by us close to the launch date of the Rights Issuance and Private Placement.

Rights Issuance and Private Placement may result in subscription of our Shares at a discount to the current market price of the Shares. As a result, in the event we have determined to proceed with the Rights Issuance and Private Placement, the value of the Bonds and our Shares may be depressed as a result. See "Risk Factors — Risks relating to the Bonds and the Shares — Future issues, offers or sales of the Shares or any securities that are substantially similar to the Shares, including but not limited to any securities that may be convertible into, or exchangeable for the Shares may hurt the value of the Bonds." The Rights Issuance and Private Placement may also result in antidilution adjustment to the conversion price of the Bonds. See "Description of the Bonds — 6. Conversion — (C) Adjustments to Conversion Price — (i) Antidilution Adjustments."

Corporate Information

We were incorporated on August 26, 2005. We have been listed on the TWSE since January 12, 2009 with the trading code "3576."

Our principal executive and registered office is located at 7, Li-Hsin 3rd Rd, Hsinchu Science Park, Hsinchu, Taiwan 30078, ROC, and our telephone number at the above address is (886-3) 578-0011. Our website is www.neosolarpower.com. Chinatrust Commercial Bank Co., Ltd. acts as our share registrar and maintains the register of our shareholders at its offices in Taipei, Taiwan. Our uniform registry number is 27763753.

Summary Financial and Operating Data

The following table presents our summary financial and operating data. The summary consolidated financial data as of and for the years ended December 31, 2013, 2014 and 2015 set forth below are qualified by reference to, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this Offering Circular. The summary consolidated financial data as of and for the six months ended June 30, 2015 and 2016 set forth below are qualified by reference to, and should be read in conjunction with, our unaudited consolidated financial statements included elsewhere in this Offering Circular. The audited financial statements have been prepared and presented on a consolidated basis and in accordance with Taiwan IFRSs which, however, differs in certain material respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"), and IFRSs, including with respect to the rules regarding the presentation of consolidated financial statements. See "Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs." The unaudited financial statements have been prepared and presented on a consolidated basis and in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting."

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2013	2014	2015		2015	2016	
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except for %)						
Statement of Operations Data:							
Net sales	20,084,253	27,580,249	22,214,496	689,463	9,617,797	10,407,801	323,023
Cost of sales	(18,374,388)	(26,000,535)	(21,631,655)	(671,374)	(9,921,259)	(10,052,514)	(311,996)
Gross profit (loss)	1,709,865	1,579,714	582,841	18,089	(303,462)	355,287	11,027
(Unrealized) Realized Gain from Sales	—	207,582	42,335	1,314	38,450	(4,548)	(141)
Total operating expenses	(1,255,997)	(1,577,066)	(1,904,768)	(59,118)	(892,535)	(1,062,916)	(32,990)
Other income and expenses	(139,511)	37,294	(20,477)	(636)	(16,224)	(121,770)	(3,779)
Income (loss) from operations	314,357	247,524	(1,300,069)	(40,351)	(1,173,771)	(833,947)	(25,883)
Nonoperating income and expenses	185,062	(25,535)	(252,886)	(7,848)	(108,247)	13,056	405
Income (loss) before income tax	499,419	221,989	(1,552,955)	(48,199)	(1,282,018)	(820,891)	(25,478)
Income tax benefit (expense)	16,026	22,400	14,553	452	5,935	(12,784)	(397)
Net income (loss)	515,445	244,389	(1,538,402)	(47,747)	(1,276,083)	(833,675)	(25,875)
Per Share Data[(1)]:							
Basic earnings (loss) per share	0.86	0.28	(1.71)	(0.05)	(1.45)	(0.90)	(0.03)
Diluted earnings (loss) per share	0.85	0.27	(1.71)	(0.05)	(1.45)	(0.90)	(0.03)
Other Financial Data:							
Gross margin	9%	6%	3%		(3%)	3%	
Operating margin	2%	1%	(6%)		(12%)	(8%)	
Net profit margin	3%	1%	(7%)		(13%)	(8%)	

(1) Earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of Common Shares outstanding during each period after adjusting retroactively for the effect of stock dividends and employees' bonuses.

	As of December 31,				As of June 30,		
	2013	2014	2015		2015	2016	
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands)						
Balance Sheet Data:							
Cash and cash equivalents	6,372,612	8,721,777	8,498,752	263,773	8,989,780	10,503,720	326,000
Notes and Accounts receivable, net	4,078,295	4,982,697	4,605,189	142,930	4,710,118	3,130,973	97,175
Inventories	1,520,630	2,043,721	4,253,107	132,002	2,583,105	5,898,076	183,056
Property, plant and equipment	15,606,909	14,193,490	12,924,354	401,128	13,245,977	11,893,825	369,144
Prepayments	264,611	719,244	635,751	19,732	641,660	497,094	15,428
Prepayments — noncurrent	1,804,767	1,175,748	1,516,406	47,064	1,202,192	1,727,648	53,620
Total assets	34,312,001	37,324,555	39,101,499	1,213,578	36,006,209	40,095,808	1,244,438
Notes and accounts payable	2,366,092	1,548,785	2,005,779	62,253	1,783,860	1,554,360	48,242
Current tax liabilities	10,201	888	640	20	3,866	424	13
Short-term bank loans	2,732,789	3,039,296	6,448,680	200,145	3,663,039	6,088,887	188,978
Current portion of long-term bank loans and bonds payable	1,757,933	1,868,726	1,796,303	55,751	1,498,872	657,119	20,395
Bonds payable	549,004	3,596,810	3,461,799	107,443	3,637,314	3,501,681	108,680
Long-term bank loans	4,708,754	1,943,953	1,588,351	49,297	1,667,897	2,931,918	90,997
Total liabilities	15,101,260	15,600,784	18,745,649	581,801	15,671,326	17,819,507	553,057
Total equity	19,210,741	21,723,771	20,355,850	631,777	20,334,883	22,276,301	691,381

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
Other Operating Data:				
Amounts of solar cells sold (in MW)	1,405.4	1,989.5	1,723.2	720.2
Amounts of solar modules sold (in MW)	130.4	170.4	302.7	144.3
Manufacturing yield rate of solar cells:				
Multicrystalline	98.7%	98.6%	98.9%	98.8%
Monocrystalline	99.0%	98.9%	99.0%	99.1%
Average conversion efficiency rate of solar cells:				
Multicrystalline	17.4%	17.6%	17.9%	18.1%
Monocrystalline	19.4%	19.4%	20.1%	20.1%
Manufacturing capacity utilization rate of solar cell and module [(1)]	97.0%	94.6%	87.2%	86.6%

(1) Utilization rate represents total output as a percentage of weighted average capacity during the respective periods.

Recent Developments

Pursuant to the rules and regulations of the TWSE, we report our consolidated net sales each month on the Market Observation Post System. Our consolidated net sales for July, August and September 2016 amounted to NT$1.3 billion, NT$0.6 billion and NT$1.0 billion, respectively.

These monthly results have not been audited or reviewed by Deloitte & Touche, and may be subject to change and may not be indicative of our net sales for the full year of 2016.

On September 5, 2016, an extraordinary bondholder meeting for holders of our Credit Enhanced Currency Linked Zero Coupon Convertible Bonds due 2017 issued by the Company in 2014 (the "**2014 Bond**") was held during which the bondholders voted in favor to amend the terms of the 2014 Bond to include a conditional early redemption obligation. We intend to use the net proceeds from this offering to repay on the closing date of this offering the principal and other amounts, if any, due under the facility of our 2014 Bond.

In August 2016, both our board of directors and the board of directors of Cathay Life Insurance Co., Ltd. ("**Cathay Life Insurance**") approved and made public announcements as to the potential co-investment in a YieldCo to invest in solar power system projects in Taiwan with total planned capital of NT$3.5 billion that will be carried out in two phases. We expect to enter into agreements with Cathay Life Insurance as to such YieldCo subject to the relevant regulatory approval.

On September 22, 2016, we entered into a letter of understanding with Clean Focus Yield Limited, a limited liability company incorporated in the Cayman Islands ("**CFY**"), and its shareholders in which we are to enter into a share purchase agreement and other documents as to the purchase of ordinary shares to be issued by CFY for US$44.0 million, representing approximately 25.1% of the equity interest in CFY after the completion of the transaction on a fully diluted basis. In addition, pursuant to the share purchase agreement, we are to purchase an additional US$6.0 million in ordinary shares of CFY to the extent CFY has issued shares to new investor above a certain threshold after the closing of the transaction. Pursuant to the letter of understanding, the purchase agreement and other documents are to be entered into (i) after the reasonable satisfaction by us of our due diligence on the business and operations of CFY and related entities and (ii) the approval by our board of directors as to the transaction. On October 18, 2016, our board of directors have approved such transaction. CFY, together with its subsidiaries, are experienced in the development, acquisition and operation of solar power system projects in the United States. We believe our potential investment in CFY will further expand our solar power system projects portfolio and pipeline as well as our capability in the development of solar power systems in the United States. We also intend to utilize CFY as a dividend growth-oriented special purpose vehicles ("**YieldCos**") to own, operate and acquire long-term contracted renewable energy generation assets with consistent cash flows in attractive markets and to offer economic interests of CFY to other equity investors and/or public shareholders.

LC Bank

ING Bank is part of ING Group. ING Group is the holding company for a number of companies (together, "**ING**"). ING Group holds all shares of ING Bank N.V., which is a non-listed 100% subsidiary of ING Group.

ING currently is a global financial institution with a strong European base, offering banking services. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

ING Bank currently offers retail banking services to individuals, small and medium-sized enterprises and mid-corporates in Europe, Asia and Australia and wholesale banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organisations. ING Bank currently serves more than 34 million customers through an extensive network in more than 40 countries. ING Bank has 52,000 employees.

Letter of Credit and Reimbursement Agreement Terms

The Bonds will have the benefit of an irrevocable standby letter of credit issued in favor of the Trustee, on behalf of the holders of the Bonds, by Taipei Branch of ING Bank N.V. (or any replacement therefor) in accordance with the terms of the Letter of Credit (the "**LC Bank**") pursuant to a reimbursement agreement dated August 10, 2016 between, *inter alios*, the Company, the LC Bank and certain other banks and financial institutions (including ING Bank N.V., Taipei Branch) (the "**Reimbursement Agreement**"). The Letter of Credit shall be drawable by the Trustee as beneficiary under the Letter of Credit on behalf of the holders of the Bonds upon the presentation of the sight draft if (i) we have failed to pay in respect of the Bonds the amount due on the Maturity Date or the date fixed for redemption, as the case may be; or (ii) an Event of Default (as defined below) has occurred and the Trustee has, after having received the prior consent of the LC Bank (if required in accordance with the Terms and Conditions of the Bonds), given notice to us that the Bonds are immediately due and payable in accordance with the Terms and Conditions of the Bond.

The stated amount of the Letter of Credit will be US$122,725,440, for payment of the Maturity Redemption Amount at the maturity or the Early Redemption Amount upon redemption or repurchase, as from time to time reduced by redemption or conversion or purchase and cancellation and less any amounts drawn under the Letter of Credit. The payment of the Letter of Credit will be made by the LC Bank to the Trustee in US Dollars up to the face value of the Letter of Credit.

Subject to certain exceptions, the Letter of Credit expires on the date falling three years and 30 days after the date of issue of the Bonds.

If any of the Events of Default has occurred, the consent of the LC Bank to an acceleration of the Bonds is required except for the Events of Default provided in Conditions 10(A)(i), 10(A)(ii) and 10(A)(xii).

See "Description of the Bonds — 1. Status and Letter of Credit — (B) Letter of Credit" and "Description of the Bonds — 10. Events of Default — (A) Events of Default."

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled "Description of the Bonds" in this Offering Circular. Capitalized terms used herein and not defined have the same meaning given to them in this Offering Circular.

Issuer	Neo Solar Power Corporation
Offering	US$120,000,000 aggregate principal amount of Credit Enhanced Zero Coupon Convertible Bonds due 2019, being offered outside the United States (in reliance on Regulation S under the U.S. Securities Act) and the ROC in offshore transactions.
Interest	The Bonds will not bear any interest.
Letter of Credit	Payments of the Maturity Redemption Amount (as defined herein) at maturity, the Early Redemption Amount (as defined herein) upon early redemption or repurchase of the Bonds and the principal of and premium on the Bonds in case of an event of default up to US$122,725,440 will have the benefit of an irrevocable standby letter of credit issued in favor of the Trustee, on behalf of the holders of the Bonds, by Taipei Branch of ING Bank N.V. (the "**LC Bank**"). See "Description of the Letter of Credit".
Lock-up	We and certain of our directors, officers and shareholders have agreed that for a period of 90 days after the date of this Offering Circular (the "**Lock-Up Period**"), we and these directors, officers and shareholders will not, without the Initial Purchaser's prior written consent, directly or indirectly, take any of the following actions with respect to any Lock-Up Securities (as defined in "**Plan of Distribution**") (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of any Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of any Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the Commission a registration statement under the Securities Act relating to any Lock-Up Securities or depositary shares representing the right to receive any such securities or publicly disclose the intention to take any such action described in clauses (i) through (v) above, whether any such action or transaction is to be settled by delivery of Securities, shares of Common Stock or such other securities, in cash or otherwise. The foregoing sentence id subject to a number of exceptions as detailed in "Plan of Distribution."
Issue Date	October 27, 2016.

Maturity Date and Final Redemption	Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds, on October 27, 2019 at 102.2712% of the unpaid principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in "Negative Pledge" below) and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a "**Bondholder**") will have the right during the Conversion Period (as defined herein) to convert its Bonds, in whole or in part (being US$100,000 in principal amount and integral multiples thereof), into Common Shares at anytime from December 7, 2016 to October 17, 2019 (or if the Bonds are called for redemption prior to the Maturity Date, on the date five Trading Days prior to the redemption date), *provided, however,* that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Bonds — 6. Conversion" and "Risk Factors — Risks Relating to Ownership of Bonds and our Shares — There are limitations on the Bondholders' ability to exercise conversion rights." Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Shares in certificated or book-entry form to the converting Bondholders for the purpose of trading the Common Shares on the TWSE.
Conversion Price	The conversion price will initially be NT$18.00 per share with a fixed exchange rate applicable on conversion of Bonds of NT$31.740=US$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or combination of shares, bond issues, right issues, distributions, stock dividends, and other dilutive events. See "Description of the Bonds — 6. Conversion (C) Adjustments to Conversion Price."
Early Redemption Amount	The Early Redemption Amount for each US$100,000 of Bonds is determined so that it represents for the Bondholder a gross yield of 0.75% per annum on a semi-annual basis. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (B) Redemption at the Option of the Company."

Redemption at the option of the Company	At any time on or after October 27, 2018, the Bonds may be redeemed at the option of us, in whole or in part, on not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents (as defined herein), at the Early Redemption Amount on the date of redemption if the Market Price (as defined herein) (translated into US Dollars at the Prevailing Rate (as defined herein)) for each of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the Early Redemption Amount divided by the Conversion Ratio (as defined herein). At any time, we may also redeem the Bonds then outstanding at the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is at least 90% of the principal amount originally issued. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (B) Redemption at the Option of the Company."
Additional Amounts	Payment of principal of and premium and other amounts on the Bonds will be made without withholding for or on account of certain taxes of the ROC or such other jurisdiction in which we are then organized or resident for tax purposes to the extent set forth under "Description of the Bonds — 9. Taxation", unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds.
Tax Redemption	If, as a result of certain changes relating to the tax laws in the ROC, we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, in whole but not in part, at the Early Redemption Amount; provided that such right cannot be exercised earlier than 60 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds. Notwithstanding the foregoing, Bondholders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (C) Redemption for Tax Reasons."

Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the TWSE, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US$100,000 in principal amount and integral multiples thereof), of such Bondholder's Bonds on the Delisting Put Date, which shall not be less than 30 days nor more than 60 days after the Trustee mails to each Bondholder a notice regarding such delisting at the Early Redemption Amount. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (E) Repurchase of the Bonds in the Event of Delisting."
Repurchase in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US$100,000 in principal amount and integral multiples thereof), of such Bondholder's Bonds at the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (F) Repurchase of the Bonds in the Event of Change of Control."
LC Redemption Event	Upon the occurrence of an LC Redemption Event and to the extent permitted by applicable law, we shall redeem all and not some only of the outstanding Bonds at the Early Redemption Amount to such date, subject to the right of each holder of the Bonds to elect that such holder's Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letter of Credit. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (H) LC Redemption Event."
Negative Pledge	We will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Security (as defined herein) upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined herein) or to secure any guarantee of or indemnity in respect of any International Investment Securities without making effective provision to secure the Bonds (1) equally and ratably with such International Investment Securities with a similar Security or (2) with such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined herein) of the Bondholders. See "Description of the Bonds — 3. Negative Pledge."

Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US$100,000 or any higher integral multiple of US$100,000. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to Citibank Europe plc as common depositary. If (1) at any time the Common Depositary advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual definitive bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will not be issuable in a bearer form.
Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.
Governing Law	The Indenture and the Bonds will be governed by the laws of the State of New York.
Trustee	Citicorp International Limited
Principal Paying Agent, Conversion Agent, Transfer Agent and Registrar . . .	Citibank, N.A., London Branch
Listings	We have received approval-in-principle for the listing and quotation of the Bonds on the SGX-ST. Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Bonds are listed on SGX-ST. We have undertaken to list the shares issued upon the conversion of the Bonds on the TWSE. The shares will not be listed on the SGX-ST.
Trading Market for Our Shares	The only trading market for the Shares is the TWSE. Our shares have been listed on the TWSE since January 12, 2009 under the stock code "3576."

Use of Proceeds	The net proceeds to be received by us from this offering of the Bonds will be approximately US$117.0 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US$3.0 million. We intend to use the net proceeds from this offering to repay on the closing date of this offering the principal and other amounts, if any, due in the aggregate amount of approximately US$112.5 million under the facility of our 2014 Bond. We also intend to use the remaining proceeds to repay certain bank loans. Pending any use of proceeds as described above, we intend to invest the net proceeds in short-term, liquid investments.
Transfer Restrictions	This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and our Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, is expected on or about October 27, 2016.

An investment in our Bonds involves significant risks. You should carefully consider the risks described below and the other information in this Offering Circular, including our consolidated financial statements and related notes, before you decide to buy our Bonds. If any of the following risks actually occur, our business, prospects, financial condition and results of operations could be materially affected and the trading price of our Bonds could decline. In particular, purchasers of our Bonds should pay particular attention to the fact that we are governed in the ROC by a legal and regulatory environment that in some material respects may differ from that which prevails in other countries, including the United States.

Risks Relating to the Industry and Our Company

A significant reduction in or discontinuation of government subsidies and economic incentives may cause fluctuation to our business and may have a material adverse effect on our results of operations.

Demand for our products substantially depends on government incentives aimed to promote greater use of solar power. In many countries in which we are currently or intend to become active, the solar markets, particularly the market for "on-grid" applications, where solar power is used to supplement the electricity a customer purchased from the utility network, would not be commercially viable without government incentives. This is because the cost of generating electricity from solar power currently exceeds the cost of generating electricity from conventional or non-solar renewable energy sources. In addition, while solar power projects may continue to offer attractive internal rates of return, it is unlikely internal rates of return will be as high as they were in the past. If internal rates of return fall below an acceptable rate for project investors, and governments continue to reduce or eliminate subsidies, this may cause a decrease in demand and considerable downward pressure on solar power systems and therefore negatively impact both solar cell and module prices and the value of our solar power system projects. As such, the reduction, elimination or expiration of, or reduced growth in, government subsidies, economic incentives and any other support worldwide for on-grid solar electricity could materially and adversely affect the growth of this market or result in increased price competition, both of which could cause our revenues or margins to decline and materially and adversely affect our business, financial condition and results of operations.

The scope of the government incentives for solar power depends, to a large extent, on macroeconomic, political and policy developments in a given country related to environmental, economic, industrial or other concerns such as the competition of solar energy, which could lead to a significant reduction in or a discontinuation of the support for renewable energy sources in such country. Some of these government mandates and economic incentives have been or are scheduled to be reduced or eliminated altogether. It is likely that this trend will continue, possibly until subsidies for solar energy are phased out completely. In addition, in certain countries, including countries to which we export our products, government financial support has been, and may continue to be, challenged as being unconstitutional or otherwise unlawful. A significant reduction in the scope or discontinuation of government incentive programs, especially in our target markets, would have a material adverse effect on the demand for our solar cells and modules as well as our results of operations.

The solar industry faces competition from other types of renewable and non-renewable power industries.

The solar industry faces competition from other renewable energy companies and non-renewable power industries, including nuclear energy and fossil fuels such as coal, petroleum and natural gas. Technological innovations in these other forms of energy may reduce their costs or increase their safety. Large-scale new deposits of fossil fuel may be discovered, which could reduce their costs. Local governments may decide to strengthen their support for other renewable energy sources, such as wind, hydro, biomass, geothermal and ocean power, and reduce their support for the solar industry. The inability to compete successfully against producers of other forms of power or otherwise enter into power purchase agreements (the "**PPAs**") favorable to us would negatively affect our ability to develop and finance our projects and negatively impact our revenue.

Changes to international trade policies and barriers as a result of trade protectionism have adversely affected, and may continue to adversely affect, our sales to customers overseas.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, approximately 76.8%, 77.8%, 86.1% and 91.8% of our net sales, respectively, are from the sale of our products to customers outside of Taiwan. As such, trade barriers, such as tariffs, taxes, duties, restrictions and expenses will have an adverse effect on our ability to compete effectively against solar cell and module producers located outside of Taiwan.

In November 2012, India DGAD initiated anti-dumping investigations against solar cell products imported from China, the United States, Malaysia and Taiwan. In May 2014, DGAD released its final ruling that imposes anti-dumping duty on imports of certain solar cells and modules from the four countries mentioned above. Solar cells and models imported from Taiwan will be imposed with an anti-dumping duty of US$0.59 per watt, while imports from other countries will be imposed with anti-dumping duties ranging from US$0.11 to US$0.81 per watt. In addition, in December 2013, a U.S. solar company filed petitions with the DOC and the ITC against PRC and Taiwan solar companies for dumping of solar power products and requested anti-dumping duties be imposed on certain crystalline silicon PV cells and modules imported from the PRC and Taiwan. Acting as one of the representatives of Taiwan solar product manufacturers, we testified at the public hearing held on January 22, 2014 by the ITC, which later approved to commence the preliminary injury investigation and found that U.S. solar industry might have suffered actual injury from the solar products in question in February 2014. The PRC and Taiwan solar products in questions are being accused of a dumping margin of 165.04% and 75.68%, respectively, and the anti-dumping duties may be imposed retroactively for up to 90 days from the preliminary determination, which the preliminary determination was released in June 2014. According to the preliminary determination of anti-subsidy investigation, modules, laminates or panels assembled in the PRC consisting of cells that are manufactured using ingots or wafer manufactured in the PRC, are subject to countervailing duties of 18.56% to 35.21%. On December 17, 2014, DOC issued its affirmative final antidumping determination that imports of certain crystalline silicon PV cells and modules were dumped in the United States from China and Taiwan and that imports of certain crystalline silicon PV cells and modules from China received subsidies. According to the determination, the DOC chose two mandatory respondents in Taiwan which received an anti-dumping margin of 27.55% while all other producers or exporters, including us, received an anti-dumping margin of 19.50%, which will be in effect until the final determination of the first administrative review. On January 21, 2015, the ITC affirmed that imports of crystalline silicon PV cells and modules from China and Taiwan materially injure the domestic industry. The actual duty rates at which entries of covered merchandise will be finally assessed may differ from the announced deposit rates, because they will be subject to completion of administrative reviews of these anti-dumping and countervailing duty orders. In addition, we also submitted a claim to the United State Court of International Trade (the "**USCIT**"), to challenge the decision by DOC in March 2016, and the USCIT is currently in the process of hearing the case.

Though our policy is that all of our export sales comply with international trade practices, we cannot guarantee that the government agencies in the jurisdictions in which actions are brought will reach the same conclusion. Violations of antidumping and countervailing duty laws can result in significant additional duties imposed on imports of our products into these countries, which increase our costs of accessing future additional markets. Net sales to India as a percentage of our total net sales in 2013, 2014 and 2015 and the six months ended June 30, 2016 is minimal. In 2013, 2014 and 2015 and the six months ended June 30, 2016, approximately 6.3%, 13.5%, 8.1% and 6.7% of our net sales, respectively, are derived from products sold to the United States.

Furthermore, we import some of our raw materials, including polysilicon, from suppliers located in the European Union, the United States and Korea to our manufacturing facility and tolling partners in the PRC. Certain of our silicon wafer suppliers are also located in the PRC that import their raw materials from suppliers located in the European Union, the United States and Korea. The PRC Ministry of Commerce initiated investigations on solar grade polysilicon imported from the United States and the

European Union in July 2012 and November 2012, respectively. In January 2014, the PRC Ministry of Commerce announced its final ruling and found that exporters in the United States and Korea dumped their products on the PRC market and caused material harm to China's domestic solar industry. The final ruling imposed different level of anti-dumping duties on imported solar-grade polysilicon from the United States and Korea respectively. The anti-dumping duty rates are as high as 57% for United States suppliers and 48.7% for South Korean suppliers, while the countervailing duty rate is as high as 2.1% for certain United States suppliers. In addition, on April 30, 2014, the PRC Ministry of Commerce announced definitive anti-dumping and countervailing duties on imports of solar-grade polysilicon from the European Union. The anti-dumping duty rates are as high as 42%, while the countervailing duty rate is as high as 1.2%. The PRC Ministry of Commerce's imposition of anti-dumping duties on such imports had caused our former silicon wafer suppliers to raise their prices and we were forced to source such products from other suppliers with more competitive pricing. Although we have sourced and contracted with other suppliers for the aforementioned products, we cannot assure you that we will be able to source sufficient raw material at acceptable prices from substitute suppliers if similar situations were to occur in the future.

There can be no assurance that any government or international trade body will not institute adverse trade policies or remedies against exports from China and Taiwan in the future. Any significant changes in international trade policies, practices or trade remedies, especially those instituted in our target markets or markets where our major customers are located, could increase the price of our products compared to our competitors or decrease our customers' demand for our products, which may adversely affect our business prospects and results of operations.

We may be adversely affected by volatile solar power market and industry conditions.

We are influenced by conditions in the solar power market and industry. In 2010, demand for solar power products increased and many manufacturers increased their production capacity accordingly as the effects of the global financial crisis subsided. In 2011, a decrease in payments to solar power producers in the form of feed-in tariffs and other reimbursements, a reduction in available financing and an excess supply of solar modules worldwide put severe downward pressure on solar module prices in European and other markets. As a result, many solar power system project developers, solar power system installers and solar power product distributors that purchase solar power products, including solar cells and modules, were adversely affected and their financial condition weakened. Over the past several quarters, oversupply conditions across the value chain, difficult economic conditions in Europe and foreign trade disputes in the U.S., Europe, India and China have affected industry-wide demand and put pressure on average selling prices, resulting in lower revenue for many industry participants. If the supply of solar cells and modules grows faster than demand, and if governments continue to reduce financial support for the solar industry and impose trade barriers, demand for our products as well as our average selling price could be materially and adversely affected.

Demand in Europe generally remains weak as a result of reductions in feed-in-tariffs in Germany and the elimination of feed-in-tariffs in Italy, the two largest European markets over the past several years. Although demand in other regions, including China, Japan, the U.S. and India, as well as many other emerging markets in Asia, the Middle East and Africa, has offset the decline in European demand, we cannot assure you that this demand will be sustainable or that any recent positive trends in supply or demand balance will persist.

The demand for solar power products is influenced by macroeconomic factors, such as global economic conditions, demand for electricity, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry, the solar and other alternative energy industries and the environment. For example, a reduction in oil and coal prices may reduce the demand for alternative energy. During 2012, 2013 and 2014, a decrease in solar power tariffs in many markets put downward pressure on the price of solar power systems in most regions. We may be adversely affected by volatile solar power market and industry conditions. Our growth and profitability depend on the demand for and the prices of solar power products.

The markets in which we compete are highly competitive and many of our competitors may have greater resources than us and we may not be able to compete successfully. In addition to our direct competitors, we also face intense competition from other companies producing solar energy and other renewable energy products.

The solar power market is intensely competitive and rapidly evolving. The number of solar power product and service providers has increased due to the growth of actual and forecast demand for solar power products and services and the relatively low barriers to entry. We primarily compete with Motech Industries Inc., Gintech Energy Corporation and JA Solar Holdings Co., Ltd. for the sale of our solar cells. We primarily compete with Trina Solar Limited, Canadian Solar Inc. and JinkoSolar Holding Co., Ltd. for the sale of our solar modules. We primarily compete with Altus Power America Management, LLC, Cypress Creek Renewables, LLC, Ecoplexus Solar Solutions, Kenyon Energy, LLC, New Energy Capital Partners LLC, Trina Solar Limited, Canadian Solar Inc., Soleq Pte Ltd., and Chailease Finance Co. as to our solar power system development business.

We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Some of our competitors have also become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. We expect to compete with future entrants to the PV market that offer new technological solutions. Furthermore, many of our competitors are developing or currently producing products based on new PV technologies, including silicon thin film, copper indium gallium selenide thin film, ribbon silicon, organic and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. In addition, the entire solar PV industry also faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Many of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do, which may provide them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. Such competitors may have stronger bargaining power with suppliers and have an advantage over us in pricing as well as securing silicon wafer supplies at times of shortages. Our competitors may also have greater brand name recognition, more established distribution networks, larger customer bases, more established relationships with existing and potential customers or more extensive knowledge of our target markets. They may also be able to devote greater resources to the research, development, promotion and sale of their products and respond more quickly to evolving industry standards and changes in market conditions than we can. Current and potential competitors have established or may establish financial or strategic relationships among themselves or with existing or potential suppliers/customers or other third parties. Accordingly, new competitors or alliances among competitors could emerge and rapidly acquire significant market share. If we cannot respond to changes in market conditions more swiftly or effectively than our competitors do, our ability to generate revenue, financial condition and results of operations will be adversely affected.

The demand for and the average selling prices of our solar power products may decline, and supply of solar power products may exceed demand, either of which may adversely affect our revenues and earnings.

The average selling prices of multicrystalline solar cells and monocrystalline solar cells per watt have experienced a decrease in general in the last couple of years. Similarly, the average selling prices of solar modules have also experienced a decrease in general in the last couple of years. This is a result of a combination of factors, such as the significant increase in production capacity across the solar value chain and the slowing down of solar power system installation demand, which resulted in over supply and the increase in competition. Changes in market conditions, including continued impacts from the global economic downturn and change in government support for solar power products had also caused the average selling price to drop in the past few years. The average selling price of solar cells and modules in general may face stronger downward pressure and as such, our customers may not perform their short-term or long-term purchase agreements with us at the agreed contract price, or at all. In addition, we may not be able to enter into new sales agreements with other customers in a timely manner, or at all, if our customers terminate their purchase agreements with us. If these negative market and industry trends continue and the price of solar cells and modules continues to decrease as a result, or if our customers do not perform their purchase agreements with us, our revenues and earnings may be materially and adversely affected. Similarly, a sharp reduction in demand for our solar power products that extends upstream to our suppliers may result in a reduction in market prices for our raw materials. Decrease in average selling price of our solar cells and modules and market prices for our raw materials may require us to make a write-down or reserve against our inventory and against raw materials that we have contracted to buy at fixed prices from our suppliers. If solar cell and module prices decline further in the future and we are unable to lower our costs of raw materials and finished goods in line with the price decline, our results of operations will be materially and adversely affected.

Fluctuation in the price of polysilicon or solar wafers may adversely affect our earnings and results of operations.

Polysilicon is an essential raw material used in the production of solar wafers that are then used for the production of solar cells and modules. The prices of polysilicon have seen significant fluctuation over the years due to various factors. Historically, through the first half of 2008, an industry-wide shortage of polysilicon coupled with rapidly growing demand from the solar power industry caused rapid escalation of polysilicon prices and an industry-wide silicon shortage. However, during the second half of 2008 and the first half of 2009, polysilicon prices fell substantially as a result of significant new manufacturing capacity coming on line and falling demand for solar power products resulting from the global economic crisis and credit market contraction. As the demand for solar power products significantly recovered in response to a series of factors, including the recovery of the global economy, the implementation of incentive policies for renewable energy including solar power and increasing availability of financing for solar power projects, the price of polysilicon went up in the second half of 2010. However, polysilicon prices substantially fell again during 2011 and 2012 due to an industry-wide oversupply. In 2013 and 2014, polysilicon prices stabilized as market conditions improved. In 2015, polysilicon price fell again due to strong competitiveness and then stabilized due to robust demand.

Increases in the price of polysilicon have in the past increased solar wafer cost and our production costs, and any significant price increase in the future may adversely impact our earnings and results of operations. Furthermore, although we entered into a number of multiyear supply agreements, ranging from three to ten years, for silicon wafers in amounts that were expected to meet our anticipated production needs, such supply contracts generally contain price adjustment provisions that closely link our purchase costs with market prices. As a result, if the market price of polysilicon increases significantly in the future, our silicon wafers cost will still increase as a result. To the extent we are not able to pass these costs on to our customers, our business, results of operations and financial condition could be materially and adversely affected. On the other hand, continued decrease in polysilicon prices may also result in adjustment to the valuation of our raw material inventory for the difference between the carry cost of polysilicon inventory and market value, which could have an adverse effect on our results of operations.

We may experience gross, operating and net loss as a result of change in industry condition, increase in raw material costs and decline in the price of solar cells.

We have in the past experienced gross, operating and net loss due to change of industry condition, whether as a result of global economic downturn, change in government subsidies and economic incentives or other factors, the decline in the price of solar cells or modules and increase in wafer costs. In 2015 and the six months ended June 30, 2016, we recognized operating losses of NT$1,300.1 million and NT$833.9 million, respectively, and net losses of NT$1,538.4 million and NT$833.7 million, respectively. We may in the future experience operating loss and net loss again, or potentially experience gross loss, if there are any future adverse changes in industry condition or if the price of solar cells or modules continues to decrease.

Our future success depends on our ability to increase our manufacturing capacity, output and sales. Our ability to achieve our expansion goals is subject to a number of risks and uncertainties.

Our future success depends on our ability to continue to increase our manufacturing capacity and output. Our installed annual manufacturing capacity reached 2.2GW in solar cells and 670MW in solar modules as of June 30, 2016 and we plan to further expand such capacity to 2.3GW in solar cells and in the range of 600MW to 700MW in solar modules by the end of 2016. Our ability to establish or successfully operate our additional manufacturing capacity and increase output is subject to significant risks and uncertainties, including:

- our ability to expand and to operate new manufacturing facilities;
- our ability to secure adequate supplies of silicon wafers;
- delays and cost overruns associated with the build-out of any additional facilities due to various factors, many of which may be beyond our control, such as delays in government approvals, problems with equipment suppliers or raw material suppliers and equipment malfunctions and breakdowns;
- diversion of significant management attention and other resources;
- our ability to secure additional capital needed; and
- failure to execute our expansion plan effectively.

If we are unable to establish or successfully operate additional manufacturing capacity or increase our manufacturing output, we may be unable to expand our business as planned. If we are unable to carry out our planned expansions, we may not be able to remain competitive in the marketplace and meet customer demand and may be subject to penalties if we are late in delivering products, which could result in lower profitability and a loss in market share. Moreover, we cannot assure you that if we do increase our manufacturing capacity and output we will be able to generate sufficient customer demand for our products to support our increased production levels. In addition, to manage the potential growth of our operations, we will be required to improve our operational and financial systems, procedures and controls, and expand, train and manage our growing employee base. Furthermore, our management will be required to initiate, maintain and expand our relationships with new and existing customers, suppliers and other third parties. Such relationships may not achieve their intended results. We cannot assure you that we are able to improve our operations, personnel, systems, internal procedures and controls to adequately support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond effectively to competitive pressures.

Our future success depends in part on our ability to expand our business into solar power system projects markets. Any failure to successfully implement this strategy could have a material adverse effect on our growth, business prospects and results of operations in future periods.

Our current business strategy includes plans to expand into selected solar power systems markets, which we believe are a natural extension of our vertically integrated business model. Historically, the solar cell and module manufacturing business has accounted for almost all of our net sales but as we continue to expand our business into the solar power systems segment of the industry, we expect that contribution to net sales of our solar power systems business will increase. These expansion plans may include investments in project companies and joint ventures and forming strategic alliances with third parties to balance system technologies, engineering, procurement and construction services, and related financing needs. These plans may require additional capital expenditures, which could be used in pursuit of other opportunities and investments. Additionally, our experience in the solar power products manufacturing industry may not be as relevant or applicable in downstream markets. In contrast to manufacturing solar cells and modules, the development of solar power system projects involves a smaller number of higher-amount payments over a multi-year period. The smaller number of payments exposes us to risk in the event the project is delayed or cancelled. Developing solar power system projects also requires a great deal of management attention to negotiate the terms of our engagement and monitor the progress of the solar power project which may divert management's attention from existing businesses. We may also face intense competition from companies with greater experience or established presence in the targeted downstream markets or competition from our industry peers with similar expansion plans. Furthermore, we may not be able to manage entities that we invest in or provide adequate resources to such entities to maximize the return on our investments. In the case of potential joint ventures and strategic alliances with third parties, we may face risks associated with the sharing of proprietary information, loss of control of operations that are material to our business and profit sharing arrangements. We may also consider acquisitions of existing downstream players, in which we may face difficulties related to the integration of the operations and personnel of acquired businesses and the division of resources between our existing and acquired operations.

Solar power system projects can take many months or years to complete and may be delayed for reasons beyond our control. As of June 30, 2016, we have approved over 700MW of solar power system development pipeline globally with various development partners. These projects are in various stages of the development process, including many that are still in the early stage of development in which no agreement have been entered into as to such projects, and such projects may not proceed to development as expected. As of June 30, 2016, over 15MW of the approximately 700MW pipeline was in construction, while the remaining 685MW was still in the early development and planning stage. Solar power system projects often require us to make significant upfront capital investment for, among other things, land rights, interconnection agreements and permits in advance of commencing construction, and revenue from these projects may not be recognized for several additional months following the signing of the relevant contracts. Any inability to enter into or subsequent changes to sales contracts with customers after making such upfront payments could adversely affect our business and results of operations. Furthermore, we may become constrained in our ability to simultaneously fund our other business operations and these system investments through our long project development cycles. Our revenue and liquidity may be adversely affected to the extent the project sale market weakens or we are not able to successfully complete the customer acceptance testing due to technical difficulties, equipment failure, or adverse weather conditions, and we are unable to sell our solar power system projects at prices and on terms and timing that are acceptable to us. We cannot assure you that we will be successful in expanding our business into solar power systems markets along the solar power product value chain.

Our solar power system projects development and construction activities and expansion of our solar power system project pipeline may not be successful and may face difficulties such as obtaining the relevant permits, rights or financing or may be delayed or cancelled, resulting in a material adverse effect on our revenue and profitability.

Historically, sales of our solar cells and modules accounted for the majority of our revenues, representing 98.4%, 96.3%, 94.5%, and 94.7% of our net sales in 2013, 2014, 2015 and for the six months ended June 30, 2016, respectively. However, we have, in recent years, increased our investment in, and management attention on, solar power systems development business, which consists primarily of solar power system project development, the provision of engineering procurement construction ("**EPC**") services and operation and maintenance services ("**O&M services**"). We have also started to hold solar power plants that we develop for the purpose of generating and selling electricity to local and national grids.

In the future, we intend to further grow our solar power systems development business. We will also be holding and operating more solar power system projects for the sale of electricity, including both those that we develop and those we acquire from third-parties. As a result, we will be increasingly exposed to the risks associated with these businesses. We may be required to invest significant amounts of capital for land and interconnection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a project is feasible. The risks and uncertainties associated with our solar power system project development business include, but are not limited to:

- the need to raise funds, including debt, sponsor equity and tax equity, to develop and finance greenfield or purchase late-stage solar power projects, which we may be unable to obtain on commercially reasonable terms or at all;

- delays or denial of required land rights and related permits, including satisfactory environmental assessments, construction, grid-connection and customer acceptance testing;

- the lack of transmission capacity availability, potential significant upgrade costs to the transmission grid and other system constraints;

- failure to pay interconnection and other deposits (some of which are non-refundable);

- failure to negotiate satisfactory EPC agreements; and

- unforeseeable engineering problems, construction or other unexpected delays and contractor performance shortfalls;

- labor, components and materials supply delays, shortages or disruptions, or work stoppages;

- failure to execute PPAs or other arrangements that are commercially acceptable to us;

- additional complexities when conducting project development or construction activities in foreign jurisdictions, including compliance with the U.S. Foreign Corrupt Practices Act and other applicable local laws and customs;

- force majeure events, including adverse weather conditions and other events beyond our control; and

- diversion of significant management attention and other resources.

If we are unable to complete the development of a solar power system project or we fail to meet any agreed upon system-level capacity or energy output guarantees or warranties or other contract terms, or our projects cause grid interference or other damage, the PPAs or other agreements related to the project may be terminated and/or we may be subject to significant damages, penalties and other obligations relating to the project, including obligations to repair, replace or supplement materials for the project.

We may enter into fixed-price EPC agreements under which we act as the general contractor for our customers in connection with the installation of their solar power systems. All essential costs are estimated at the time of entering into the EPC agreement for a particular project, and these costs are reflected in the overall fixed price that we charge our customers for the project. These cost estimates are preliminary and may or may not be covered by contracts between us and the subcontractors, suppliers and other parties involved in the project. In addition, we require qualified, licensed subcontractors to install most of our systems. Shortages of skilled labor could significantly delay a project or otherwise increase our costs. Should miscalculations in planning a project occur, including those due to unexpected increases in commodity prices or labor costs, or delays in execution occur and we are unable to increase the EPC sales price commensurately, we may not achieve our expected margins or we may be required to record a loss in the relevant fiscal period. In addition, as solar power system projects are generally financed through long-term borrowings, increased activity in the development of solar power projects will subject us to increased interest rate risk associated with such increased borrowings. Furthermore, the performance and output of solar power systems is highly dependent on the radiation of the sun and the project development and construction activities are vulnerable to severe changes in weather conditions. Changes in radiation of the sun and weather conditions or other changes that are beyond our control may significantly and adversely affect our project development and construction activities.

We intend to form YieldCo investment vehicles for our solar power system development business. If the formation of YieldCos or our management of YieldCos is not successful, our future growth and results of operations may be materially hindered.

We intend to form dividend growth-oriented special purpose vehicles ("**YieldCos**") to own, operate and acquire long-term contracted renewable energy generation assets with consistent cash flows in attractive markets. We expect to own equity interest in such YieldCos and offer economic interests to other equity investors and/or public shareholders. The cash produced from projects owned by the operating subsidiaries of YieldCos will be distributed up to YieldCos, which will in turn distribute the cash to YieldCos' public shareholders and, in certain circumstances, to the other equity investor in the YieldCos and us. YieldCos' strategy is to rapidly expand and diversify its portfolio of assets by acquiring, from us and unaffiliated third parties, utility-scale solar power system projects and commercial and industrial distributed solar energy assets, as well as other renewable energy generation assets equipped with proven and reliable technologies. We expect that YieldCos' initial target markets will be in Taiwan and other select markets, primarily within the member countries of Organization for Economic Cooperation and Development ("**OECD**") countries. In August 2016, both our board of directors and the board of directors of Cathay Life Insurance approved and made public announcements as to the potential co-investment in a YieldCo to invest in solar power system projects in Taiwan with total planned capital of NT$3.5 billion that will be carried out in two phases. We expect to enter into agreements with Cathay Life Insurance as to such YieldCo subject to the relevant regulatory approval. In addition, on September 22, 2016, we entered into a letter of understanding with CFY and its shareholders in which we are to enter into a share purchase agreement and other documents as to the purchase of ordinary shares to be issued by CFY. CFY, together with its subsidiaries, are experienced in the development, acquisition and operation of solar power system projects in the United States.

While we intend to offer economic interests in YieldCos to other equity investors and/or public shareholders, such offering may be significantly delayed or may not take place at all because of legal, accounting, commercial or marketing risks and considerations. We remain flexible on whether and when to launch such offerings and we constantly monitor market conditions and evaluates other strategic alternatives to YieldCos. If the offerings of economic interests in YieldCos are not successful, we may not be able to recuperate the financial and other resources we have invested in the formation of YieldCos and our growth strategy for our solar power system development business may be disrupted, which would adversely affect our results of operation and distract our management from the operation of our other businesses. In the event the market condition for the offerings of economic interests in YieldCos are unfavorable, we may be required to sale our interest in YieldCos or solar power system projects owned by YieldCos at less than the value of such assets. In addition, we have no experience in operating or managing YieldCos and we may not be successful in delivering satisfactory results to shareholders of YieldCo which could in turn materially affect our reputation, financial conditions and results of operations.

The execution of our growth strategy depends upon the continued availability of third-party financing arrangements for our customers, which is affected by general economic conditions. Tight credit markets could depress demand or prices for solar power products and services, hamper our expansion and materially affect our results of operations.

Most solar power system projects, including our own, require financing for development and construction with a mixture of equity and third-party funding. The cost of capital affects both the demand and price of solar power systems. A high cost of capital may materially reduce the internal rate of return for solar power projects and therefore put downward pressure on the prices of both solar power systems and solar modules, which typically comprise a major part of the cost of solar power system projects.

Furthermore, solar power system projects compete for capital with other forms of fixed income investments such as government and corporate bonds. Some classes of investors compare the returns of solar power system projects with bond yields and expect a similar or higher internal rate of return, adjusted for risk and liquidity. Higher interest rates could increase the cost of existing funding and present an obstacle for potential funding that would otherwise spur the growth of the solar power industry. In addition, higher bond yields could result in increased yield expectations for solar power system projects, which would result in lower system prices. In the event that suitable funding is unavailable, our customers may be unable to pay for products they have agreed to purchase. It may also be difficult to collect payments from customers facing liquidity challenges due to either customer defaults or financial institution defaults on project loans. Constricted credit markets may impede our expansion and materially and adversely affect our results of operations. Concerns about government deficits and debt in the European Union have increased bond spreads in certain solar markets, such as Greece, Spain, Italy and Portugal. The cash flow of a solar power project is often derived from government-funded or government-backed feed-in tariffs. Consequently, the availability and cost of funding solar power system projects is determined in part based on the perceived sovereign credit risk of the country where a particular project is located. Therefore, credit agency downgrades of nations in the European Union or elsewhere could decrease the credit available for solar power system projects, increase the expected rate of return compared to bond yields, and increase the cost of debt financing for solar power system projects in countries with a higher perceived sovereign credit risk.

In light of the uncertainty in the global credit and lending environment, we cannot make assurances that financial institutions will continue to offer funding to solar power system project developers at reasonable costs. An increase in interest rates or a decrease in funding of capital projects within the global financial market could make it difficult to fund solar power systems and potentially reduce the demand for solar modules and/or reduce the average selling prices for solar modules, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Seasonal variations in demand linked to construction cycles and weather conditions may influence our results of operations.

The construction of solar power system projects is subject to seasonal variations in demand linked to construction cycles and weather conditions. Demand tends to decrease during the winter months in our key markets, such as the United States, Europe and Japan, due to adverse weather conditions that can complicate the installation of solar power systems and cause a decrease in demand for solar cells and modules. Seasonal changes can also significantly impact the project development and construction schedules of our solar power projects. Seasonal variations could adversely affect our results of operations and make them more volatile and unpredictable.

We may not be able to locate third-party buyers for our solar power system projects on a timely manner, or at all, or we may not be able to timely renew or replace expiring PPAs or other contractual arrangements with agreements containing equivalent terms and conditions.

Upon completing solar projects, we either sell them to third-party buyers, or operate them under PPAs or other contractual arrangements with utility or grid operators. For those projects we intend to sell, if we are not able to locate third-party buyers and agree to a purchase and sales contract on terms and conditions favorable to us and in a timely manner, or at all, our business, financial condition and results of operations could be materially and adversely affected. In addition, we usually enter into PPAs with a term of 20 years and are typically subject to renewal by the parties when the original term expires. If we are unable to renew the PPAs when they expire, we may not be able to replace them with agreements of equivalent terms, or at all, or we may experience significant delays or incur additional costs related to securing replacements. If, for any reason, our customers are unable or unwilling to fulfill their obligations or otherwise terminate agreements prior to their expiration, our business, financial condition and results of operations could be materially and adversely affected.

We have a limited history in the sale of electricity and may not be successful in growing this segment.

We have started to operate as an independent power producer and although we currently only generate limited revenues from the sale of electricity from solar power systems we own and operate, we plan to continue to expand such operation. As an independent power producer, we are subject to a variety of risks associated with intense market competition, changing regulations and policies, insufficient demand for solar power, technological advancements and the failure of our power generation facilities.

We face competition from conventional and other renewable energy companies. The solar and renewable energy power industry is highly competitive and continually evolving as market participants strive to distinguish themselves within their markets and compete with large incumbent utilities and new market entrants. The market for electricity generation in the areas where we operate our solar power system projects is heavily influenced by national, regional and local regulations and policies concerning the electric utility industry.

Counterparties to our PPAs may not fulfill their obligations, which could result in a material adverse impact on our business, financial condition, results of operations and cash flows.

Substantially all of the electric power generated by our solar power system projects will be sold under long-term PPAs with public utilities, licensed suppliers or commercial, industrial or government end users and we expect our future projects will also have long-term PPAs or similar offtake arrangements such as tariff programs. If, for any reason, any of the purchasers of power under these contracts are unable or unwilling to fulfill their related contractual obligations or if they refuse to accept delivery of power delivered thereunder or if they otherwise terminate such agreements prior to the expiration thereof, our assets, liabilities, business, financial condition, results of operations and cash flows could be materially and adversely affected. Further, to the extent any of our power purchasers are, or are controlled by, governmental entities, our facilities may be subject to legislative or other political action that may impair their contractual performance or contain contractual remedies that do not provide adequate compensation in the event a counterparty defaults.

A large portion of our sales is dependent on a limited number of customers and our lack of long-term customer contracts may cause significant fluctuations or declines in our revenues.

We currently sell a significant portion of our products to a limited number of customers. In 2013, 2014 and 2015 and the six months ended June 30, 2016, net sales to our top five customers accounted for 49.3%, 57.3%, 48.4% and 51.3%, respectively, of our total net sales. Customers individually accounting for 10% or more of our total net sales accounted for approximately 24.7%, 40.3%, 33.0% and 17.4% of our total net sales in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Net sales to our largest customer accounted for approximately 14.7%, 18.0%, 19.5% and 17.4% of our total net sales in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. We typically enter into one-year framework sales agreements with our customers, with monthly firm orders stipulating prices and quantities. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our net sales:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- selection by one or more of our significant customers of products competitive with ours;
- failure to renew sales contracts with one or more of our significant customers;
- loss of one or more of our significant customers due to disputes, dissatisfaction with our products, failure to renegotiate favorable terms with us or otherwise, and our failure to attract additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

We are exposed to the credit risk of these customers, some of which are new customers with whom we have not historically had extensive business dealings. The failure of any of these significant customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

We face risks associated with the marketing, distribution and sale of our solar power products internationally; these risks could impair our ability to expand our business abroad if we are unable to effectively manage these risks.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, we sold approximately 76.8%, 77.8%, 86.1% and 91.8%, respectively, of our products to customers outside of Taiwan. We intend to expand our sales internationally, particularly to customers located in Asia (excluding Japan), Japan, North America and Europe. The marketing, distribution and sale of our solar power products and solar power systems in the international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements in the overseas markets where we offer our products;

- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries; and

- the demand for solar cells and modules and solar power systems in overseas markets as influenced by the worldwide credit crisis and its effects.

If we are unable to effectively manage these risks, we may not be able to successfully expand our business abroad. Furthermore, in order to increase the sale of our products into or to expand our solar power system development activities in certain markets, we may extend longer credit periods to customers in these market, which may expose us to increased credit risk and have an adverse effect on our cash flow positions.

We continue to rely on a limited number of third-party suppliers for our silicon wafer requirements. Any difficulty in sourcing an adequate supply of such materials could prevent us from timely delivering our products to our customers, which could result in sales and installation delays, cancellations, damages and loss of market share.

We purchase silicon wafers and polysilicon from a limited number of suppliers. We generally source silicon wafers by entering into supply contracts with terms of three to ten years with suppliers, purchasing polysilicon and entering into tolling arrangements with silicon wafers suppliers, purchasing from customers under OEM arrangements, and from time to time, through spot market purchases. Our top five suppliers of silicon wafers and polysilicon accounted for 65.0%, 48.3%, 54.5% and 53.3% of our total silicon wafers and polysilicon procured in 2013, 2014, 2015 and the six months ended June 30, 2016.

If we fail to develop or maintain our relationships with our suppliers or to continue to diversify our sources of silicon wafers supply, we may be unable to manufacture our products with quality silicon wafers or our products may only be available at a higher cost or after a long delay, which would prevent us from timely delivering our products to our customers. As a result, we may experience order cancellations and loss of market share. The ability of our silicon wafer suppliers to supply their contractually agreed amounts of wafers to us depends on the ability of their raw material suppliers to provide to them sufficient amounts of polysilicon. From 2003 until 2008, the solar industry experienced a shortage in polysilicon. Although such shortage has subsequently eased, shortages of polysilicon may occur again in the future, which could adversely affect our wafer suppliers' ability to produce silicon wafers and satisfy their contractual obligations to us. In addition, as we continue to grow our business, we cannot assure you that we will be able to secure sufficient wafer supplies in the future from our existing or other suppliers in order to operate our manufacturing facilities at their full capacity.

In addition, our long-term supply agreements may make it difficult for us to decrease our raw material costs should prices decline. If we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to legal or other proceedings. For example, we are currently involved in an arbitration with PV Crystalox Solar PLC ("**PV Crystalox**") with respect to its claim arising from the long-term fixed-price supply agreement entered into by DelSolar and PV Crystalox. For further details as to the arbitration, see "— Major litigation or legal procedures may affect our business and results of operations" and "Business — Legal Proceedings" in this Offering Circular.

We have amended our agreements with certain of our suppliers to adjust the purchase price to prevailing market price at the time we place a purchase order and to reduce the quantity of products that we were required to purchase under these agreements. Under our supply agreements with certain suppliers, and consistent with historical industry practice, we make advance payments prior to scheduled delivery dates. These advance payments are made without collateral and are credited against the purchase prices payable by us. As of June 30, 2016, the balance of the advance payments that we have made to such suppliers amounted to NT$1,962.8 million.

We obtain certain manufacturing equipment from a limited number of suppliers and if such equipment is damaged or otherwise unavailable, our manufacturing capacity will decrease, our ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.

Some of our equipment used in the manufacture of our products has been developed and made specifically for us, which may not be readily available from alternative vendors and would be difficult to repair or replace if it were to become damaged or stopped working. In addition, we obtain some equipment from a limited number of suppliers. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our manufacturing equipment at a time when we are manufacturing commercial quantities of our products, our business would suffer. In addition, a supplier's failure to supply our ordered equipment in a timely manner, with adequate quality and the required specification and on terms acceptable to us, could delay the capacity expansion of our manufacturing facilities and otherwise disrupt our manufacturing schedule or increase our costs of production. Furthermore, if any of our equipment became obsolete or if such equipment is under-utilized, we may need to record write-down as to the cost of such equipment, which will adversely affect our results of operations.

If we do not achieve satisfactory yields or quality in our production of solar cells or modules, our sales could decrease and our relationships with customers and our reputation may be harmed.

The manufacture of our products is a highly complex process. Minor deviations in the manufacturing process can cause substantial decreases in yields, affect the quality of the products and in some cases, cause production to be suspended or yield products unfit for commercial sale. This often occurs during the production of new products or the installation and start-up of new process technologies or equipment. As we expand our manufacturing capacity, we may experience lower yields and conversion efficiencies initially as is typical with the initial operation of any new equipment or process. We also expect to experience lower yields initially if we modify our manufacturing processes by utilizing thinner wafers. If we do not achieve satisfactory yields or quality, our product costs could increase, our sales could decrease and our relationships with customers and our reputation could be harmed, any of which could have a material adverse effect on our business and results of operations.

We may not continue to be successful in developing and maintaining a cost-effective solar cell manufacturing capability.

We primarily engage in the manufacturing of solar cells and modules and our ability to manufacture solar cells under a cost-effective structure is an important factor to our business. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we incurred cost of sales of NT$18,374.4 million, NT$26,000.5 million, NT$21,631.7 million (US$671.4 million) and NT$10,052.5 million (US$312.0 million), respectively. We intend to expand our annual solar cell production capacity, continue to provide premium quality solar cell at competitive pricing, maintain close relationships with our strategic suppliers in order to secure raw materials at competitive prices and continue to invest in our research and development capabilities, all with an effort to retain and enhance our cost competitiveness. However, we cannot assure you that such efforts will be successful, or that other factors beyond our control, such as a sudden industry decrease in the average selling price of solar cells, will enable us to maintain and strengthen our cost-effective manufacturing structure.

Our failure to further refine our technology and manufacturing processes and develop and introduce new solar power products could render our products uncompetitive or obsolete, and reduce our sales and market share.

The solar power industry is rapidly evolving and becoming more competitive. We will need to invest significant financial resources in research and development to keep pace with technological advances in the solar power industry and to effectively compete in the future. However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. A variety of competing technologies that other companies may develop could prove to be more cost-effective and have better performance than solar power products that we develop. Therefore, our development efforts may be rendered obsolete by the technological advances of others. Breakthroughs in PV technologies that do not use crystalline silicon could mean that companies such as us that rely entirely on crystalline silicon would encounter a sudden, sharp drop in sales. Our failure to further refine our technology and develop and introduce new solar power products or delay in reacting to the technological changes could render our products uncompetitive or obsolete, and result in a decline in our market share as well as our revenues and profits.

In addition, any new development or adjustment in the manufacturing processes may affect our ability to maintain our competitive position. For example, we are currently more focused on production of multicrystalline solar cells and modules because of customer demand. Since the beginning of 2016, we have increased the production and sale of monocrystalline solar cells and module as we shift our focus on the production of high conversion efficiency products. However, we cannot assure you that we can continue to produce solar cells and modules from monocrystalline silicon wafers on an increased scale and sell them at competitive prices. Any failure to refine our manufacturing processes to produce new products or sell them at competitive prices may result in a loss of our market share and revenue, which could materially and adversely affect our business, financial condition and results of operations.

Problems with product quality or product performance in our solar cells or modules could affect our reputation and result in a decrease in revenue, unexpected expenses and loss of market share.

While we employ quality assurance procedures during the manufacturing process to identify and resolve quality issues like all commercial products and although we have conducted product reliability tests to assure product reliability of our solar cells and modules over their intended lifetime, our solar cells and modules may nonetheless contain defects that are not detected until after they are shipped or installed. These defects could cause us to incur significant re-engineering costs, lead to increased returns of our products and potentially result in disputes with our customers through litigation, arbitration or other means and affect our customer relations and business reputation. Even if there were only a perception that our solar cells contain errors or defects, our credibility and the market acceptance and sales of our solar power products may nonetheless be harmed. Because our products have only been in use for a relatively short period of time, our assumptions regarding the durability and reliability of our products may not be accurate. Furthermore, widespread product failures will damage our reputation and customer relationships and may cause our sales to decline, which in turn could have a material adverse effect on our financial condition and results of operations.

Product liability claims against us could result in adverse publicity and we may incur significant losses resulting from operating hazards or product liability claims as we only have limited insurance coverage.

As with other solar power product manufacturers, our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruptions. We currently carry limited third-party liability insurance, property damage insurance, and business interruption insurance against claims relating to personal injury and property or environmental damage arising from accidents on our properties or relating to our operations. However, we do not carry any contingent business interruption insurance. Any occurrence of these or other accidents in our operation could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of the solar power products we sell results in injury. Although our solar cell products do not generate electricity without being incorporated into solar modules or other solar power devices, it is possible that users could be injured by solar modules or other devices incorporating our solar cells, whether by product malfunctions, defects, improper installation or other causes. Although we do have product liability insurance, such product liability insurance may be prohibitively expensive and may not be sufficient to cover our potential liabilities. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if a product liability claim does not result in a judgment in favor of a claimant, we may still incur substantial legal expenses defending against such a claim. We have not made any reserves for potential product liability claims. Any potential product liability claims may also result in adverse publicity that may negatively affect our business.

The operation of manufacturing facilities involves many risks and hazards, including the breakdown, failure or substandard performance of equipment, delays in delivery of equipment or improper installation or operation of equipment, difficulties in upgrading or expanding existing facilities in changing manufacturing line technologies, capacity constraints, labor disturbances, fire, natural disasters such as earthquakes or typhoons, environmental hazards and industrial accidents. The occurrence of any such or other problems could materially and adversely affect our manufacturing plants and cause delivery delays and reduced output, which would have a material and adverse effect on our business and results of operations.

We may be subject to unexpected solar module warranty expenses since we cannot test our products for the duration of our standard warranty periods.

We typically sell our standard solar modules with a 10-year guarantee for defects in materials and workmanship and a 10-year and 20- to 25-year warranty against power output declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery.

We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. Any increase in the defect rate of our products would require us to increase our warranty reserves and would have a corresponding negative impact on our operating results. Although we conduct quality testing and inspection of our solar cell and module products, our solar cell and module products have not been and cannot be tested in an environment simulating the up-to-10-year warranty periods. In particular, unknown issues may surface after extended use. These issues could potentially affect our market reputation and adversely affect our revenues, giving rise to potential warranty claims by our customers. As a result, we may be subject to unexpected warranty costs and associated harm to our financial results as long as 10 years after the sale of our products.

Furthermore, as we are currently expanding our module business, our warranty expenses may increase significantly going forward due to such expansion. We currently have not entered into any insurance agreements regarding such potential warrant expenses. Therefore, potential warranty claims may materially and adversely affect our business and results of operation.

Our business depends substantially on the continuing efforts of our executive officers and qualified technical personnel, and our business may be severely disrupted if we lose their services.

We rely heavily on the continued services of our executive officers, including Dr. Kun-Si Lin, our Honorary Chairman, director and Chief Strategic Officer, Dr. Sam Chum-Sam Hong, our Chairman and Chief Executive Officer, Mr. Andy Wei-Jiun Shen, our President and Chief Operating Officer, Dr. Alex Jyh-Chung Wen, our Senior Vice President of Wafer Business and Thomas Jacheng Hsu, our Senior Vice President and Chief Financial Officer. We do not maintain life insurance on any of our executive officers. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some or all of our customers and our trade secrets. We believe our future success will depend upon our ability to retain these key employees and our ability to attract and retain other skilled managerial, engineering and sales and marketing personnel. Although all of our employees, including our executive officers, management and other personnel, have signed employment agreements and intellectual property and confidentiality undertakings that contain non-competition provisions, confidentiality provisions and provisions assigning to us the rights to all intellectual properties and confidential information developed by such persons during and in connection with their employment with us or by utilizing our intellectual properties, equipment and resources, we cannot assure you that such provisions will be effective in fully protecting our confidential or proprietary information or intellectual property.

Our future success also depends, to a significant extent, on our ability to attract, train and retain qualified technical personnel, including manufacturing personnel, particularly those with expertise in the solar power industry and thin-film technology. There is substantial competition for qualified technical personnel, including manufacturing personnel, and we might not be able to attract or retain such qualified personnel. If we are unable to do so, our business may be materially and adversely affected.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely against us, could cause us to lose significant rights and pay significant damages.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to solar wafer and thin-film technology patents involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain. Although we are not currently aware of any parties pursuing or intending to pursue infringement or misappropriation claims against us, we cannot assure you that we will not be subject to such claims in the future. Also, because patent applications in many jurisdictions are kept confidential for 18 months before they are published, we may be unaware of other persons' pending patent applications that relate to our products or processes. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. In addition, there is a risk that some of our confidential information could be compromised by disclosure during intellectual property litigation. Furthermore, there could be public announcements throughout the course of intellectual property litigation or proceedings as to the results of hearings, motions or other interim proceedings or developments in the litigation, any of which could materially harm our reputation. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution of such litigation. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

We seek to protect our proprietary manufacturing processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. As of June 30, 2016, we hold 131 patents, including 74 patents in Taiwan, 29 in the PRC and 16 in Japan. We also have 55 patent applications pending in various countries, including the PRC, Taiwan, the United States, Japan and European Union. We also rely on a combination of trade secrets and confidentiality agreements to protect our proprietary rights and maintain our technical advantages. We will only be able to protect our technologies, processes and products from unauthorized use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that our applications do not adequately describe, enable or otherwise provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or commercializing these technologies, processes and products. We also require all of our employees, including executive officers, management and other personnel, to execute employment agreements and intellectual properties and confidentiality undertakings, which contain confidentiality provisions and provisions setting forth that we own the rights to all intellectual properties and confidential information developed by such persons during and in connection with their employment with us or by utilizing our intellectual properties, equipment and resources. The steps taken by us to protect our proprietary information may not be adequate to prevent misappropriation of our technologies. In addition, our proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting it; and

- policing unauthorized use of our intellectual property may be difficult, and we may be unable to determine the extent of any unauthorized use.

Any inability to adequately protect our proprietary rights could harm our ability to compete, to generate revenue and to grow our business.

Major litigation or legal procedures may affect our business and results of operations.

The cost of pursuing and defending any litigation and legal proceeding in which we are involved may be substantial, and may divert our management from the effective operation of our business. In 2013, 2014 and 2015 and the six months ended June 30, 2016, our costs for legal proceedings were approximately NT$28.6 million, NT$51.0 million, NT$81.3 million (US$2.5 million) and NT$55.6 million (US$1.7 million), respectively. In addition, if we are unsuccessful in defending any legal proceeding, or are unsuccessful in settling any legal proceeding on commercially reasonable terms, we may be liable for amounts that may have a material adverse effect on our business and results of operations. We are currently involved in several legal proceedings and arbitrations. For example, in March 2015, we received a notice from ICC Court of Arbitration with respect to a claim by PV Crystalox, a wafer supplier of DelSolar which we acquired in 2013, for us to fulfill obligation under a wafer purchase agreement to purchase the agreed amount of wafer product from them at an agreed purchase price as specified in the agreement. PV Crystalox asserted that we are responsible for a total purchase amount of EUR36,089,281 (excluding delayed interest and other expenses) for the period from 2009 to 2012 and a total purchase amount of EUR68,372,201 (excluding delayed interest and other expenses) for the period from 2013 to 2015. However, PV Crystalox has not yet made any claim for any other potential damages it may have under the purchase agreement. As part of our acquisition of DelSolar in May 2013, we recorded a loss reserve for the prepayment arising from this purchase agreement and will make further adjustments pending the result of the arbitration. For additional information as to our current legal proceedings, see “Business — Legal Proceedings” of this Offering Circular.

On September 26, 2011, our chief financial officer, Thomas Jacheng Hsu, was indicted by the New Taipei District Court Prosecutors Office (formerly known as Banciao District Court Prosecutors Office) as a co-defendant in a criminal proceeding relating to a financial derivative transaction of his former employer where Mr. Hsu served as chief financial officer from April 2009 through May 2010. Mr. Hsu was accused of violating the ROC Business Entity Accounting Act and ROC Securities and Exchange Act. In August 2014, the Taiwan Taipei District Court rendered its final judgment of not guilty and the prosecutors have subsequently appealed such judgment to the Taiwan High Court which is in the process of reviewing the case. If the final and binding judgment under the ROC judicial system finds that Mr. Hsu is in violations of the charges against him, Mr. Hsu may face a sentence that ranges from two months to ten years and he would also be discharged from his position as chief financial officer of our company.

Although we are not a party to the criminal proceeding against Mr. Hsu and do not believe this proceeding is expected to result in any material and adverse effect on this offering, our company, our financial condition or our results of operations, we cannot assure you that it would not inadvertently disparage our company and, in turn, adversely affect our business operations. In addition, such criminal proceeding and any follow-up proceeding in the future may divert Mr. Hsu’s attention from the affairs of our company, which may hinder our business operations and growth.

Our limited operating history in a newly developed market makes it difficult to evaluate our future prospects and results of operations.

We have only been in existence since 2005 and commenced our commercial operations in December 2006. We anticipate our business to continue to expand significantly to address the growing demand for our products and services and to introduce new products and services to satisfy existing and expected future market demand. Our future success will require us to scale up our manufacturing capacity beyond our existing capacity and further expand our customer base. We also must, among other things, continue to respond to competitive developments, attract, retain and motivate qualified personnel, implement and successfully execute expansion plans and improve our technologies. We cannot assure you that we will be successful in such undertakings. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

We have experienced decline in revenue from NT$27,580.2 million in 2014 to NT$22,214.5 million in 2015. Although our revenue grew by 37.3% from NT$20,084.3 in 2013 to NT$27,580.2 million in 2014 and 8.2% from NT$9,617.8 million in the six months ended June 30, 2015 to NT$10,407.8 million for the same period in 2016, we cannot assure you that our revenue will continue to increase or continue at its current level. Our limited operating history and the continued expansion of our business focus into different segments in the solar industry makes the prediction of future results of operations difficult, and therefore, past revenue and profits growth experienced by us should not be taken as indicative of the rate of revenue and profits growth, if any, that can be expected in the future. We believe that period to period comparisons of our operating results may not be meaningful and that the results for any period should not be relied upon as an indication of future performance. You should consider our business and prospects, in light of the risks, uncertainties, expenses and challenges that we will face as we seek to develop and manufacture new products in a rapidly growing market.

We may undertake investments, acquisitions or strategic alliances to expand our business that may pose risks to our business, and we may not realize the anticipated benefits of these investments.

As part of our growth and product diversification strategy, we plan to expand downstream to the sale and manufacture of solar modules as well as the development of solar power systems. The success of this investment depends, in part, on our ability to capture anticipated synergies, including cost savings, and growth opportunities, which may be impeded, delayed or reduced as a result of numerous factors, some of which are outside our control. Moreover, as we develop our solar module business, we may jeopardize relationships with our existing or potential customers. We may encounter these and other unforeseen difficulties in the integration of this new business line, which may cause us to fail to realize anticipated synergies or expected strategic objectives.

In addition, we may pursue opportunities to acquire or invest in other technologies, businesses or assets that would complement our current business, expand the breadth of markets we can address or enhance our technical capabilities. For example, we acquired DelSolar, a leading solar cell and module manufacturing company based in Taiwan, in May 2013 to strengthen our competitiveness in solar cell manufacturing and further expand our solar module manufacturing capacity. These types of transactions may require significant attention from our management, and the diversion of our management's attention could have a material adverse effect on our ability to manage our existing business. We may also experience difficulties integrating acquisitions and investments into our existing business and operations. Furthermore, we may not be able to successfully make such strategic acquisitions and investments or to establish strategic alliances with third parties that will prove to be effective or beneficial for our business. Any difficulty we face in this regard could have a material adverse effect on our market penetration, our results of operations and our profitability. Moreover, strategic acquisitions, investments and alliances may be expensive to implement and subject us to the risk of non-performance by a counterparty or potential write-down of acquired assets, which may in turn materially and adversely affect our business and results of operations. In addition, changes in government policies, both domestically and internationally, that are not favorable to the development of the solar power industry, may also have a material adverse effect on the success of our strategic acquisitions, investments and alliances.

We require a significant amount of cash to fund our operations and to meet future capital requirements. If we cannot obtain additional capital when we need it, our growth prospects and future profitability may be materially and adversely affected.

We typically require a significant amount of cash to fund our operations, such as for the expansion of our manufacturing capacity, deposits and prepayments to suppliers to secure our silicon wafer requirements and for the development of our solar power systems. We also require cash generally to meet future capital requirements, which are difficult to plan in the rapidly changing solar power industry. The global financial crisis and disruptions in the credit market in the past had affected our financing ability and made it more difficult for us to secure credit lines or raise capital to fund our cash needs, and we cannot assure you that there won't be any crisis of a similar nature in the future and we may not be able to obtain desired financing in a timely manner, on favorable terms or at all. In particular, we will need capital to fund the expansion of our facilities and development of solar power systems in order to remain competitive. To date, we have financed our operations primarily through cash flows from our operations, equity offerings, equity contributions by our shareholders, short-term and long-term bank loans and our convertible bond offering. We believe that our current cash and cash equivalents, anticipated cash flow from operations and net proceeds from this offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for at least the next twelve months. We may, however, require additional cash due to changing business conditions or other future developments and expansion plans, including any investments or acquisitions we may decide to pursue. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;

- general market conditions for financing activities by manufacturers of solar power products; and

- economic, political and other conditions in Taiwan and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may decrease materially.

Non-compliance of and restrictions set forth by our loan agreements could result in significant liquidity problems and have a material adverse effect on our business and operations.

In September 2015, we entered into an additional syndicate loan agreement (the "**2015 Syndicate Loan Agreement**".) The syndicated loan agreement contained various financial and other covenants which we are required to comply with, such as maintaining certain current ratio, leverage ratio, interest coverage ratio and tangible net worth. These ratios are measured based on our non-consolidated annual and non-consolidated semi-annual financial results and are tested semi-annually. We will be subject to certain penalties for certain non-compliance of the aforementioned covenants.

We have been in non-compliance with the financial ratios in our syndicated loan agreement in the past. For the six months ended June 30, 2016, we did not meet the covenant for interest coverage ratio under the 2015 Syndicate Loan Agreement. We failed to obtain waivers from our lenders and were therefore subject to a penalty of NT$4.1 million which was paid in September 2016.

Under the 2015 Syndicate Loan Agreement, we will continue to be tested semi-annually and annually based on our non-consolidated financial results. If our earnings and other financial indicators are weak due to the market downturn, or if we continue to have high levels of bank borrowings, we may not be able to meet the financial ratios in our loan agreements, including among others, the interest coverage ratio. We also may not be able to obtain waivers from our lenders for any possible non-compliance of covenants in any of our loan agreements. Furthermore, we may also be unable to meet our interest payment obligations when due. As a result, our lenders could impose additional interest penalties, accelerate the amounts due under the loans, or refuse to provide us with any additional funding. Both of our syndicated loans also contain cross-default clauses, which could enable other lenders to accelerate the payments required to be made under the facilities when there is a default in other loan agreements. This would significantly and adversely impact our liquidity and would materially adversely affect our business and financial condition. In addition, both of our syndicated loan agreements are secured by our property, plant and equipment, and the acceleration of any amount due under our loans could result in foreclosure on the security interests held by the lenders over these assets.

Furthermore, certain restrictions set forth by the loan agreements may limit our ability to acquire capital injection or the flexibility to utilize our existing assets. Although we have obtained the majority lenders' approval to pledge certain assets to secure our obligations under the irrevocable standby letter of credit for the Bonds, however, this restriction or restrictions of a similar nature may materially affect our flexibility to expand our business in the future and therefore cause an adverse effect to our financial performance and results of operations.

We publish monthly sales information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes expenses and other information necessary to be indicative of actual financial results.

We post monthly sales information on the Market Observation Post System (http://newmops.twse.com.tw) as part of our on-going reporting obligations as a company listed on the TWSE. Such information is preliminary, unconsolidated and subject to change, for example, due to adjustments upon the completion of our normal quarter-end closing processes. Actual sales could differ materially from such preliminary information. This information contained on the Market Observation Post System does not form part of this Offering Circular. Furthermore, this preliminary sales information does not include consolidated results, cost of sales, operating expenses or other expenses or potential non-operating losses and therefore are not indicative of our actual financial results for such months, any current quarter or future periods. Consequently, you should not place undue reliance on such information.

As we are a publicly listed company in Taiwan, actions taken by third parties may result in a change in control of our company. In addition, we may also undertake certain actions that may result in a change of control of our company.

We are a publicly listed company on the TWSE. As a result, we may be subject to potential takeover or acquisition by other third parties through the purchase of our publicly traded shares, especially provided that our shareholding structure is diversified and we do not currently have a concentrated ownership structure. In addition, as the solar industry is rapidly evolving and consolidating, there may be potential merger or acquisition transactions, consolidations or share swaps that might result in a change of control of our company. A change of control may result in a change in management team, strategies or business direction, termination of agreements that contains change of control provisions, all of which may have a material and adverse effect as to the future prospects, results of operations and financial condition of any businesses.

Our business is exposed to the risks of currency exchange rate fluctuations.

Historically, a substantial portion of our net sales has been denominated in U.S. dollars, with the remaining portion in NT dollars, Euros and Japanese Yen. The majority of our costs of goods sold have been denominated in U.S. dollars and NT dollars, with the remaining portion in Euros and Japanese Yen. Our financial statements are expressed in NT dollars; accordingly a portion of our consolidated net sales, cost of sales and operating expenses are exposed to fluctuations between the NT dollars and other foreign currencies. We recorded consolidated net foreign exchange gains of NT$37.9 million, NT$151.7 million, NT$39.8 million (US$1.2 million) and NT$143.8 million (US$4.5 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, reflecting the fluctuation of the foreign currencies in relation to the NT dollar. Although we attempt to mitigate the effects of exchange rate fluctuations primarily through exchange rate hedging and our policy of matching earning and spending in the same currency, fluctuations in exchange rates may have an adverse impact on our future gross and operating margins and results of operations.

We might from time to time issue financial forecast and if we are unable to meet such forecast, our share prices may be negatively affected.

We might from time to time issue financial forecast based on current estimates of our business and prospects. We will amend our financial forecast if needed but we may not be able to meet our forecast due to various risks and factors, some of which are beyond our control. If we cannot meet any of our financial forecasts, we may disappoint our investors and our share price may be significantly adversely affected, which will affect our business and operations.

We face risks related to natural disasters or other risks that are beyond our control.

We face risks related to natural disasters such as earthquakes, typhoons, floods and severe winter conditions in Taiwan and around the world, especially in locations where our customers or suppliers are based. For example, our headquarters and several of our customers and suppliers are based in area with a high degree of seismic activities, such as in Taiwan and Japan. In March 2011, Japan, where we derive 30.3%, 8.8%, 5.3% and 2.6% of our net sales in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, sustained a severe earthquake that devastated much of the affected areas and causing significant property damage, loss of life and widespread injuries. As a result, we may experience a decrease in demand for our products in the short term from customers based in Japan. There were also severe natural disasters in Taiwan, China and other parts of the world in recent years, including major earthquakes in Sichuan Province in China in 2008, severe winter weather in the southern part of China in early 2008 and severe damages from typhoon, flood and earth quake in Taiwan in August 2012, August 2013 and February 2016. Besides natural disasters, occurrence of other adverse events, such as terrorism, strikes, riots or economic downturns, within the countries we operate, could also adversely affect our business and results of operation. Although our operations have not been adversely affected by natural disasters or other adverse events to date, natural disasters or other adverse events may cause damage to our manufacturing facilities and may potentially and adversely affect our operations and the operations of our customers and suppliers, which may in turn materially and adversely affect our business and prospects.

Our production activities are and will continue to be conducted in concentrated locations. Damages to or disruptions at our production facilities would materially and adversely affect our business, financial condition and results of operations.

We currently conduct our manufacturing activities at solar cell Fabs and solar module Fabs in Hsinchu and Tainan in Taiwan and Wujiang in Jiangsu province in China. We have also currently entered into consignment arrangements with third-party manufacturers to manufacture solar cells in Malaysia and solar modules in Vietnam. Operating hazards, natural disasters or other unanticipated catastrophic events, including power interruptions, water shortages, storms, floods, fires, explosions, earthquakes, terrorist attacks, wars, labor disputes and strikes or adverse local government regulations and actions could significantly impair our ability to produce products and operate our business. For example, in February 2016, there was a severe earthquake in Tainan where we operate a solar cell Fab. Although the earthquake did not materially and adversely affect our operations and financial conditions, we cannot assure you that we will not be affected by such events in the future. Our facilities and certain equipment located in our facilities are difficult to replace and could require substantial replacement lead-time. Catastrophic events may also destroy inventory located in our production facilities. The occurrence of such an event could result in substantial costs and diversion of resources, and our business, financial condition and results of operations may be materially and adversely affected.

We have utilized and expect to continue utilizing third-party manufacturers through consignment arrangements for the manufacturing of certain solar cells and modules. If any of such third-party manufacturers fails or is unwilling to meet our production criteria, quality or delivery requirements, our business may be adversely affected.

As of June 30, 2016, we have a total installed annual manufacturing capacity for solar cells of 340MW in Malaysia under consignment arrangement with a third-party manufacturer. We also plan to continue to further expand our total installed annual manufacturing capacity for solar cells by an additional 200MW through consignment arrangement with a third-party manufacturer in Vietnam. As of June 30, 2016, we have also entered into consignment arrangements with a third-party manufacturer to operate production facilities with a total installed annual manufacturing capacity for solar modules of approximately 600MW in Vietnam. As a result, we are subject to a number of risks associated with the utilization of third-party manufacturers, including their failure or unwillingness to meet our production criteria, quality or delivery requirements. If such third-party manufacturers encounter production, quality, financial or other difficulties, including labor disturbances or geopolitical risks, we may experience difficulty in meeting customer demands. Any such difficulties could have an adverse effect on our business, financial results and results of operations, which could be material.

If we fail to comply with environmental regulations, we may be subject to potential monetary damages and fines and adverse publicity.

We use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. We are subject to a variety of environmental regulations in the regions in which we operate relating to the construction of our new facilities, our existing operations and to the use, storage, discharge and disposal of chemicals and waste used in our manufacturing processes and research and development activities. Any failure by us to comply with present and future regulations or obtain the necessary certificates and permits could subject us to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations will increase. Although we have implemented ISO 14001 environmental management system that was certified by TÜV Rheinland Group and received OHSAS 18001:2007 certification for our occupational health and safety management system, we cannot assure you that there will not be any failure by us to control the use of or to restrict adequately the discharge of hazardous substances, and such failure could subject us to monetary fines and liabilities or other government sanctions. We currently do not carry any insurance for potential liabilities relating to the release of hazardous materials. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our financial condition and results of operations.

We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, swine flu and Zika virus.

Our business could be adversely affected by the effects of avian flu, SARS, swine flu, Zika virus or another epidemic or outbreak. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, would have similar adverse effects. These outbreaks of contagious diseases, and other adverse public health developments in Taiwan or China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our products outside of Taiwan or China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations.

Risks Relating to Taiwan

Disruptions in the ROC's political and economic environment could seriously harm our business.

We are incorporated in Taiwan where our headquarters and a significant portion of our assets and production facilities are located. Accordingly, our financial condition, results of operations and the market price of the Shares and the Bonds may be affected by changes outside of our control in ROC governmental policies, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC.

In addition, the ROC has a unique international political status. Since 1949, Taiwan and the Chinese mainland have been separately governed. The PRC government regards Taiwan as a province of the PRC and does not recognize the legitimacy of the ROC. Although significant economic and cultural relations have been established during recent years between the ROC and the PRC, relations have often been strained. The government of the PRC has not renounced the use of military force to gain control over Taiwan, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by Taiwan or the refusal by the ROC to accept the PRC's stated "one China" policy. Furthermore, the PRC government passed the Anti-Secession Law in March 2005, which authorizes non-peaceful means and other necessary measures should Taiwan move to gain independence from the PRC. Past developments in relations between the ROC and the PRC have on occasion depressed the market prices of the securities of Taiwanese companies. Relations between the ROC and the PRC and other factors affecting military, political or economic conditions in Taiwan could materially adversely affect our financial condition and results of operations, as well as the market price and the liquidity of our securities.

Taiwan's economy, similar to the global economy, has faced hardship in the last few years, and continues to faces challenges in the short to medium-term. As the result of the recovery from global economic downturn, Taiwan has experienced slow economic growth during the last year, and such recovery may not work long-term to fully recover the severe downturn in economic activity. Continued turbulence in the international markets and declines in global consumer spending, as well as any future slowdown of economic growth in Taiwan, may adversely affect our liquidity and financial condition.

The value of the Common Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European countries. The TWSE has experienced substantial fluctuations in the prices of listed securities and has shown particular volatility following certain political events, market events, scandals, and there are currently limits on the range of daily price movements on the TWSE. Furthermore, the TWSE has experienced problems such as market manipulation, insider trading, and payment defaults. The reoccurrence of these or similar problems could adversely affect the market price and liquidity of the securities listed on the TWSE, in both domestic and international markets.

Financial reporting requirements and accounting standards in the ROC differ from those in other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements for 2013, 2014 and 2015 and the six months ended June, 2015 and 2016 are prepared in accordance with the Taiwan IFRSs, which differ in certain material respects from IFRSs. See "Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs." We have not prepared a complete reconciliation of our consolidated financial statements and related footnote disclosure between Taiwan IFRSs and IFRSs and have not quantified such differences. Accordingly, no assurance is provided that the "Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs" is complete. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the offering and our financial information. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We may be subject to increased taxes as a result of expiration or withdrawal of ROC tax incentives.

Under the ROC Statute for Upgrading Industries, which expired on May 12, 2010, we benefited from certain tax incentives, including tax exemption for profit attributable to certain projects. Pursuant to Article 10 of the Industry Innovation Act, if we have not violated any environmental protection, labor safety and health, or food safety and sanitation laws seriously in the past three years, we may select one of the following incentives for crediting the funds invested by us in research and development against the profit-seeking enterprise income tax payable by us. Once we select an incentive, we cannot change our selection, and the creditable amount shall not exceed 30 percent of the profit-seeking enterprise income tax payable by us in the then current year.

1. Up to 15% of the research and development expenses may be credited against the profit-seeking enterprise income tax payable by us in the then current year.

2. Up to 10% of the research and development expenses may be credited against the profit-seeking enterprise income tax payable by us in each of the three years following the then current year.

As the tax exemption will expire on December 31, 2021 and Article 10 will expire on December 31, 2019, there can be no assurance that we will continue to benefit from the tax incentives for which we currently qualify.

We are incorporated in the ROC and because corporate governance under ROC law differs from that under the laws of the United States and Western European jurisdictions, our corporate governance requirements may not be as developed or of the same standard as corporate governance requirements in the United States and Western European markets.

We are incorporated under ROC law, and our corporate governance is governed by our articles of incorporation and by the applicable ROC law. ROC law does not require a public company to have a majority of independent directors on its board of directors. The ROC Securities and Exchange Act requires public companies meeting certain criteria as may be promulgated by the FSC from time to time to have two independent directors but no less than one-fifth of the total number of our directors. In addition to independent directors, the ROC Securities and Exchange Act also requires us to have two or more supervisors or to establish an audit committee in lien of supervisors. We currently have three independent directors on our nine-member board of directors. However, our standards for determining director independence, which comply with ROC requirements for directors' independence, may differ from the standards imposed by some other jurisdictions. Furthermore, although we have established an audit committee, such corporate governance requirements may not be as developed or of the same standard as corporate governance requirements in the United States or Western European markets. As such, holders of the Bonds or Shares may have more difficulty protecting their interest in connection with actions taken by our management or directors than they would as public shareholders of a US or Western European corporation.

Risks Relating to the PRC

We are subject to the political and economic environment in the PRC.

Currently, certain of our production facilities are located in the PRC and we may make further investments in the PRC in the future. Accordingly, our results of operations, financial condition and future prospects are subject, to a significant degree, on the political and economic environment and legal developments in the PRC. There can be no assurance that our investments in the PRC and our production operations in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and annual plans adopted by central authorities. Since 1978, the PRC government has permitted foreign investment and implemented economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial business in the PRC, including us.

The PRC government has broad discretion and authority to regulate the solar power industry in the PRC, and the government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our business, results of operations and financial condition may be adversely affected by governmental control over capital investments or changes in tax regulations.

Uncertainties in the PRC legal system could adversely affect our business and result of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, interpretations of laws, regulations and rules are not always uniform and enforcement involves uncertainties. Despite the development of the legal system, the PRC's system of laws is not yet complete. Even where laws and regulations exist in the PRC, there may be laws and regulations at the national level or local level, which are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those subject to such laws and regulations. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, to the extent that such judgments do not violate basic legal principals, state sovereignty, safety or social public interests.

Therefore, in the case a foreign judgment is rendered by a foreign court where the country and the PRC do not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

Our activities in the PRC will be subject to administrative review and approval by various national and local agencies of the PRC government. Due to the changes occurring in the legal and regulatory structure of the PRC, we may not be able to secure the required governmental approval for our activities. In addition, local government authorities may adopt their own policies and practices. Failure to obtain the requisite governmental approval or to comply with the local government's policies or practices for any of our business activities could adversely affect our business and operating results.

We cannot predict the effects of future developments of the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws or the overturn of local governments' decisions by the central government. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management's attention.

Profits from our PRC operating subsidiary available for distribution are determined under PRC IFRS.

We derive a portion of our profits from our operating subsidiary established in the PRC. The profits available for distribution are therefore dependent on, to a significant extent, the profit available for distribution by the PRC subsidiary to us which is determined in accordance with the PRC IFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as Taiwan IFRS and IFRS. In addition, under the relevant PRC financial regulations, profit available for distribution is determined after offsetting losses in previous years and setting aside a legal capital reserve equal to 10% of the remaining profits.

Dividends we receive from our PRC subsidiary may be subject to PRC withholding tax.

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation of the EIT Law. Under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion (the "**Double Taxation Arrangement**"), which became effective on January 1, 2007, dividends from our PRC subsidiary paid to our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5%, subject to the confirmation of the in-charge local tax authorities. Thus, dividends paid to our Hong Kong subsidiary by our PRC subsidiary may, subject to the confirmation of the in-charge local tax authorities, be lowered to 5% income tax if the Hong Kong subsidiary is considered as a "real operating business other than only holding function and is beneficial owner of such dividend" under the EIT Law.

Risks relating to the Bonds and the Shares

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Common Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain the ROC government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

There are limitations on the Bondholders' ability to exercise conversion rights.

The Bondholders will not be able to exercise conversion rights during any Closed Period (as defined in "**Description of the Bonds**"). Under the current ROC law, regulations and policy, PRC persons are not permitted to convert the Bonds or to register as our shareholders unless it is a qualified domestic institutional investor (a "**QDII**").

An active trading market for the Bonds may not develop, and the market for the Common Shares may not be liquid. Prior to this offering, there has been no market for the Bonds. Approval-in-principal has been received for the listing for the Bonds — but not our Common Shares — on the SGX-ST.

The Bonds are a new issue of securities and have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Common Shares outside the ROC, and the only trading market for the Common Share is the TWSE. We cannot predict whether an active trading market for the Bonds will develop or be sustained. If an active trading market were to develop, the Bonds could trade at prices that may be lower than the initial offering price. Whether or not the Bonds trade at lower prices depends on many factors, including:

- the market price of the Shares, prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could be materially and adversely affected. The Sole Bookrunner is not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Sole Bookrunner. We have received approval-in-principle from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. However, there can be no assurance that we will be able to obtain or be able to maintain such a listing or that, if listed, a trading market will develop on the exchange. We do not intend to apply for listing of the Bonds on any securities exchange other than the SGX-ST. The Bonds may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required.

Holders of the Bonds will bear the risk of fluctuations in the prices of the Common Shares.

The Market price of the Bonds at any time will be affected by fluctuations in the price of the Common Shares. It is impossible to predict how the price of the Common Shares will change. Trading prices of the Common Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Common Shares would adversely affect the market price of the Bonds.

Bondholders' entitlement to dividends and other rights in respect of the Company's Shares may be limited.

Unless and until a Bondholder acquires Shares upon a conversion of the Bonds, such Bondholder will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Bondholders who acquire the Shares upon the exercise of a conversion right will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the relevant Conversion Date.

Under the terms of the Bonds, we are required to procure the issue of the Shares and other relevant documentation, if any, to the order of the converting Bondholder not later than five ROC Trading Days from the relevant Conversion Date. It is the responsibility of the Bondholder, or the local agent of the Bondholder, to procure registration of the Bondholder or its designee on our shareholders' register in sufficient time prior to the beginning of any Closed Period preceding a relevant record date to participate in the relevant dividends or distribution by reference to that record date.

A Bondholders' right to vote with respect to the Shares it receives upon the conversion of the Bonds during a Closed Period will not be recognized by us until such Bondholder (or such Bondholder's designee) is registered as an owner of the Shares in our shareholders' register.

As permitted by the laws and regulations of the ROC, and pursuant to the practice generally adopted by ROC companies, if the Conversion Date falls within a Closed Period, such Bondholder (or its designee) will not be registered as an owner of the Shares in our shareholders' register until the next Business Day following the end of the Closed Period. As a result, the right of a converting Bondholder to attend a shareholders' meeting to vote with respect to the Shares it receives upon the conversion of the Bonds will not be recognized by us until such Bondholder (or its designee) is registered as owner of the Shares in our shareholders' register.

There are limitations on the ability of Bondholders to exercise conversion rights. Bondholders will not be able to exercise their conversion rights during certain Closed Periods. Furthermore, relevant ROC laws contain restrictions on PRC persons' right to convert the Bonds or to register as our shareholders. Pursuant to the Regulations Governing the Approval of Investment in Taiwan by the PRC Persons and its implementing rules, only businesses enumerated in the "positive list" may be directly invested by the PRC persons. As one of our main businesses, the manufacturing of solar cells and modules, is under the "positive list", if a PRC person intends to invest in the businesses of manufacturing solar cells, such PRC person must presents its industrial corporation strategy and applies for the approval from the ROC Ministry of Economic Affairs (the "**MOEA**"), and such PRC person may not have any control over the invested business. Therefore, a PRC person's direct investment in our Company is prohibited without the aforementioned approval from the ROC MOEA.

Besides, under the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors (the "**Mainland Investors Securities Investment Regulation**"), only qualified institutional investors that have been approved by the competent authority of the securities industry of the Mainland Area (the "**QDIIs**") are permitted to engage in securities investment or futures trading in Taiwan.

Accordingly, only the QDIIs or other PRC investors with prior approvals from the ROC MOEA may exercise the conversion rights subject to the Mainland Investors Securities Investment Regulation or the scope of the ROC MOEA approval. Pursuant to the FSC directive dated December 27, 2010 (Ref. No.: Jing-Guan-Zheng-Zi No. 0990067043), the custodian bank for a QDII shall apply for remittance quota with the TWSE, the maximum quota available for each QDII is US$100,000,000.

Subject to the compliance with the above regulatory requirements, only a PRC QDII or a PRC investor with ROC MOEA approval may exercise the conversion rights in accordance with relevant laws and regulations. In case any amendments are made to the aforementioned laws and regulations relating to the PRC investors' investment in Taiwan (including securities investment), relevant matters shall be handled in accordance with the then prevailing laws and regulations.

The returns of the Bondholders on the Bonds may depend on the value of the Shares.

The terms of the Bonds differ from those of ordinary debt securities because each Bond is convertible by the Bondholder into the Shares. Accordingly, the Bonds may bear particular risks related to the Shares in addition to the risks of the debt securities. It is difficult to predict whether the price of the Shares will rise or fall. Trading prices of the Shares will be influenced by our operating results, and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the TWSE and the market segments of which we are a part, or any potential future offering and sale of our Shares by us. Depending on these factors, the value of the Shares may become substantially lower than it is when the Bonds are initially purchased. In addition, the value of the securities to be delivered may vary substantially between the date on which conversion rights are exercised and the date on which such securities are delivered.

Fluctuations in exchange rates could affect the value of the Bonds and the Shares independent of our operating results.

The Shares are traded in NT dollars on the TWSE. The value of the Shares will fluctuate along with the exchange rate between the NT dollar and the U.S. dollar. Additionally, such fluctuations will affect the amounts received by holders of the Shares upon (i) payment of cash dividends on the Shares, if any, paid in NT dollars, and (ii) our liquidation on sales of assets, mergers, tender offers or similar transactions denominated in NT dollars or any other foreign currency. Therefore, investors are subject to currency fluctuation risk between the NT dollar and the U.S. dollar. Investors are also subject to currency fluctuation risk and convertibility risk since the Shares are quoted in NT Dollar on the TWSE, on which the Shares are listed.

Future issues, offers or sales of the Shares or any securities that are substantially similar to the Shares, including but not limited to any securities that may be convertible into, or exchangeable for the Shares may hurt the value of the Bonds.

The market price of the Bonds and the Shares could decline as a result of future issues, offers or sales of a large number of the Shares or securities convertible into or exercisable for the Shares or any securities or financial instruments whose economic value is determined, directly or indirectly, by reference to the market price of the Shares, or the perception that such issues, offers or sales could occur. If a large number of the Shares are sold, the market price for the Bonds or the Shares could be depressed. For example, our board of directors has on March 15, 2016 approved the potential Rights Issuance and on April 29, 2016 approved the potential Private Placement. In addition, our shareholders have approved during our annual general meeting on June 16, 2016 a potential issuance of global depositary shares of up to 180,000,000 Shares and the potential private placement of up to 180,000,000 Shares. In the event we have determined to proceed with such potential Rights Issuance and Private Placement in the ROC or the issuance of global depositary shares, the market price for the Bonds or the Shares may be adversely affected.

Employee stock bonuses may have a diluting effect on the holdings and associated rights of the holders with respect to the Shares.

ROC companies generally pay employee bonuses (in the form of cash or stock) to their employees. Our Articles of Incorporation provide that our employees may participate in our profit distribution. Employees are entitled to receive bonus shares, cash or a combination of bonus shares and cash, based on a percentage of our income before taxation and certain reserves and deductions. See "Business — Employees," "Management — Staff and Employee Benefits" and "Description of the Share Capital — Dividends and Distributions". The number of Shares issuable and the amount transferred from distributable earnings for employee stock bonuses are calculated by reference to the closing price of the Shares on the business day one day before the shareholders' meeting approving the profit distribution.

Employee bonuses in the form of new Shares to employees will effectively dilute the holdings and associated rights of holders with respect to the Shares. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we accrued cash bonuses of NT$69.8 million, NT$32.3 million, nil and nil, respectively and stock bonuses of nil, nil, nil and nil, respectively, to our employees.

Bondholders will be required to appoint local agents in the ROC and will be subject to other requirements if they convert the Bonds and become our shareholders, which may make ownership burdensome.

When a non-ROC holder of the Bonds exercises its conversion rights and registers as our shareholder, such holder will be required to appoint an agent as a tax guarantor in the ROC. Such tax guarantor will be required to meet the qualifications set by the Ministry of Finance of the ROC Government and will act as the guarantor of such holder's tax payment obligations. Evidence of the appointment of a tax guarantor and the approval of such appointment and tax clearance certificates or evidentiary documents issued by such agent are required as conditions to receive such holder's profits derived from the sale of the Shares. There can be no assurance that such holder will be able to appoint and obtain approval for a tax guarantor in a timely manner.

In addition, under current ROC law, a non-ROC converting holder of the Bonds who wishes to convert any of its Bonds and to hold the Shares is required to (i) complete a registration with the TWSE, and (ii) appoint a local agent in the ROC to open a securities trading account with a local securities brokerage firm and an NT dollar bank account, remit funds, pay ROC tax, exercise shareholders' rights and perform such other matters as may be designated by the converting holder. Further, the converting holder must appoint a local bank to act as custodian for confirmation and settlement of trades, safekeeping of securities and cash proceeds and reporting of information. Without satisfying these requirements, the converting holder would not be able to hold, sell or otherwise transfer the Shares on the TWSE.

A Bondholder or its designee requesting the conversion of its Bonds may be required to provide certain information to us, and failure to provide such information may prevent or delay the conversion.

A holder of the Bonds or its designee requesting the conversion of its Bonds may be required to provide certain information to us or the Conversion Agent (as the case may be), including the name and nationality of the person to be registered as the holder of the Shares, the number of the Shares the person is acquiring and has acquired in the past as a result of the conversion of the Bonds it holds, and supporting documents, before such conversion is effective. Under applicable ROC laws, an ROC entity is required to report to the ROC Securities and Futures Bureau, FSC if the person to be registered as a shareholder (i) is an officer, a director or a supervisor; (ii) will hold, immediately following such conversion, more than 10% of the total number of the Shares deliverable upon conversion of the aggregate principal amount of all such Bonds at the time of issue; or (iii) is a related party of the persons mentioned above. The conversion of the Bonds may be delayed or prevented if such information is not provided.

Our public shareholders may have greater difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

Our corporate affairs are governed by our Articles of Incorporation and the laws and regulations governing ROC companies. The rights of our shareholders to bring shareholders' suits against our board of directors under ROC laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, our public shareholders may have greater difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholder than they would as shareholders of corporations of other jurisdictions.

Holder of Shares may not be able to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. If registration is required in any jurisdiction with respect to the offer to holders of shares or rights, or the shares or other relevant property to which such rights relate, we will not effect such offer or sale to holders in the jurisdiction, unless we have obtained an exemption from, or effected a registration in accordance with, the requirements of such jurisdiction. We are not obligated to obtain any exemption or effect any registration. Accordingly, holders of Shares may be unable to participate in rights offerings by us, including the potential Rights Issuance, and may experience dilution of their holdings as a result.

Risks relating to the Letter of Credit

The Letter of Credit is not a guarantee and may not benefit Bondholders in all circumstances.

Although the Letter of Credit will be available to the Trustee, on behalf of the Bondholders, in certain circumstances following our failure to make any payment when due, the Letter of Credit may not benefit Bondholders in all circumstances where other forms of Bondholder protection (such as guarantees) would have applied. Save in respect of certain limited exceptions, the LC Bank's prior written consent is required before the Trustee can, if an Event of Default (as defined in the Description of the Bonds) has occurred, give an effective notice to us that the Bonds are immediately due and payable. In the event that such written consent from the LC Bank is not forthcoming, the Trustee will not be able to give an effective notice, and the Bonds will not be immediately due and payable, in respect of Events of Default for which the written consent of the LC Bank is required. In such an event, the Trustee may not be able to draw on the Letter of Credit until either: (1) the Bonds become due and payable on the Maturity Date (as defined in the Description of the Bonds) or (ii) the Bonds become otherwise due and payable in accordance with the Description of the Bonds.

In addition, we have an obligation to redeem all the Bonds in certain circumstances relating to the Letter of Credit, such as an event of default under the Reimbursement Agreement (as defined below) and if the LC Bank terminates the Letter of Credit (see "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (H) LC Redemption Event"). The LC Bank's interests may not be aligned with the interests of the Bondholders and any decision by the LC Bank to enforce its rights in relation to the Reimbursement Agreement and the Letter of Credit may result in (a) an early redemption event in circumstances where Bondholders would not otherwise expect the Bonds to be redeemed or, (b) if a Bondholder elects for its Bonds to remain outstanding, such Bonds to be without the benefit of the Letter of Credit.

The net proceeds to be received by us from this offering of the Bonds will be approximately US$117.0 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US$3.0 million.

We intend to use the net proceeds from this offering to repay on the closing date of this offering the principal and other amounts, if any, due in the aggregate amount of approximately US$112.5 million under the facility of our 2014 Bond. We also intend to use the remaining proceeds to repay certain bank loans. Pending any use of proceeds as described above, we intend to invest the net proceeds in short-term, liquid investments.

MARKET PRICE INFORMATION

Our Shares were listed on the TPEx from October 9, 2007 and have been listed on the TWSE since January 12, 2009. The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the TPEx or TWSE for our Common Shares, where applicable, and the highest and lowest of the daily closing values of the Over-the-Counter Index (the "**OTC Index**" or the "**TWSE Weighted Index**"), where applicable, for the periods indicated.

On October 18, 2016, the reported closing price of our Common Shares was NT$ per common share and the TWSE Weighted Index closed at .

	Closing Price Per Share on the TPEx		Average Daily Trading Volume on the TPEx	OTC Index	
	High	**Low**		**High**	**Low**
	NT$	**NT$**	**Shares**		
2007 (from October 9)	180.00	120.00	135,287	192.72	137.92
2008	142.48	23.00	378,210	163.15	54.85
2009 (through January 11)	37.00	34.80	2,025,972	67.13	63.71

	Closing Price Per Share on the TWSE		Average Daily Trading Volume on the TWSE	Taiwan Stock Exchange Weighted Index	
	High	**Low**		**High**	**Low**
	NT$	**NT$**	**Shares**		
2009 (from January 12)	87.50	32.25	6,349,687	8,188.11	4,242.61
2010	89.30	51.70	9,199,190	8,972.50	7,071.67
2011	85.60	14.90	8,713,55	9,145.35	6,633.33
2012	34.40	13.90	10,877,640	8,144.04	6,894.66
2013	44.05	18.70	19,775,985	8,623.43	7,616.60
2014	43.90	25.95	17,325,767	9,569.17	8,264.48
First Quarter	43.90	34.30	24,292,133	8,849.28	8,264.48
Second Quarter	39.90	34.65	19,324,115	9,393.07	8,774.12
Third Quarter	38.40	25.95	14,980,272	9,569.17	8,960.76
Fourth Quarter	34.35	26.30	11,812,094	9,307.26	8,512.88
2015	29.50	14.50	10,543,798	9,973.12	7,410.34
First Quarter	29.25	26.25	7,124,847	9,758.09	9,048.34
Second Quarter	29.50	19.90	9,201,380	9,973.12	9,189.83
Third Quarter	27.15	14.50	12,276,619	9,379.24	7,410.34
Fourth Quarter	26.20	18.90	13,017,062	8,857.02	8,040.16
2016					
January	23.80	20.10	7,927,754	8,145.21	7,664.01
February	24.85	21.15	9,621,574	8,411.16	8,063.00
March	24.10	20.00	7,211,605	8,812.70	8,485.69
April	20.50	16.80	8,587,602	8,700.39	8,377.90
May	17.90	15.60	8,669,710	8,535.87	8,053.69
June	18.10	16.85	7,287,468	8,716.25	8,458.87
July	17.65	16.20	6,443,380	9,076.64	8,575.75
August	16.60	15.00	6,474,484	9,200.42	8,981.81
September	16.55	15.75	5,821,399	9,284.62	8,902.30
October (through October 18)	17.45	16.30	11,700,187	9,287.77	9,165.17

Source: Bloomberg, Taipei Exchange Website, and TWSE Website.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See "Risk Factors — Risks Relating to the Bonds and the Shares — The market value of your investment may fluctuate due to the volatility of, and government intervention in, the Taiwan securities market" and "Appendix A — The Securities Markets of the ROC."

EXCHANGE RATES

The following table sets forth the average rates, high, low and period-end noon buying rate between NT dollars and U.S. dollars (in NT dollars per U.S. dollar) for the periods indicated. No representation is made that the NT dollar amounts actually represent such U.S. dollar amounts or could have been, or could be, converted into U.S. dollars at the rate indicated, at any other rate or at all. Fluctuations in the exchange rate between the U.S. dollars and NT dollars will affect the U.S. dollar equivalent of the NT dollar price of our Shares on the TWSE and, as a result, are likely to affect the market price of the Bonds. For additional information, see "Risk Factors — Risks relating to the Bonds and the Shares — Fluctuations in exchange rates could affect the value of the Bonds and the Shares independent of our operating results."

	NT dollar/U.S. dollar Noon Buying Rate			
	Average(1)	**High**	**Low**	**Period End**
2011	29.38	28.50	30.67	30.27
2012	29.56	28.96	30.28	29.05
2013	29.68	28.93	30.20	29.83
2014	30.37	29.85	31.80	31.60
2015	31.80	30.37	33.17	32.79
2016 (through October 14)	32.25	31.76	33.14	31.73
April	32.32	32.11	32.44	32.28
May	32.54	32.22	32.76	32.58
June	32.30	31.99	32.62	32.22
July	32.10	31.82	32.36	31.82
August	31.54	31.05	31.80	31.74
September	31.46	31.18	31.77	31.27
October (through October 14)	31.55	31.36	31.76	31.73

Source: The exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board.

(1) Determined by averaging the rates on the last business day of each month during the relevant period for annual periods and the rates on each business day for monthly periods.

DIVIDENDS AND DIVIDEND POLICY

Our articles of incorporation, as amended by the shareholders on June 16, 2016 (the "**Articles**"), provides that after we pay all income taxes, recover any losses incurred in prior years, set aside 10% of our earnings as legal reserve, and set aside or reverse a special reserve as may be necessary, and then any remaining profit together with any undistributed retained earnings shall be used by our board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

We will distribute dividends based on the budget for future capital expenditures and our financing needs. The dividends may be distributed in the form of cash or Common Shares, provided that dividends distributed in form of cash shall be no less than 10% of the total dividends declared. The following table sets forth the aggregate number of outstanding shares entitled to dividends, as well as the cash dividend paid and stock dividends distributed on each share, during each of the years indicated. Figures represent dividends in respect of the prior fiscal year paid in the then current fiscal year.

	Aggregate Number of Shares Outstanding on Record Date	Stock Dividend per Share	Cash Dividend per Share
		NT$	NT$
2009	160,405,426	1.1	1.1
2010	—	—	—
2011	312,794,574	0.5	4.6
2012	—	—	—
2013	789,272,274	—	0.3
2014	856,219,480	—	0.2
2015	—	—	—

Under the ROC Company Act, except under certain limited circumstances, an ROC company is not permitted to distribute dividends or make any other distributions to shareholders in any year in which it has no earnings.

The ROC Company Act also requires that out of our annual earnings, less prior years' losses, if any, and outstanding tax, 10% of which shall be set aside as a legal reserve. Allocation to legal reserve need not be made when the accumulated legal reserve equals the paid-in capital. Apart from the aforesaid legal reserve, we may appropriate another sum as a special reserve in accordance with applicable laws and regulations when necessary. See "Description of Our Shares."

Holders of our outstanding Shares on a dividend record date (including subsidiaries holding our Shares) will be entitled to the full dividend declared without regard to any subsequent transfer of such Shares.

CAPITALIZATION

The following table sets forth our total capitalization on a consolidated basis as of June 30, 2016 under Taiwan IFRSs (i) on an actual basis and (ii) as adjusted for the offering of the Bonds. This table should be read in conjunction with our financial statements, including the notes to those statements, included elsewhere in this Offering Circular.

	As of June 30, 2016			
	Actual		As Adjusted for this Offering Circular	
	NT$ (unaudited)	US$[(1)]	NT$ (unaudited)	US$[(1)]
	(in million)			
Cash and cash equivalents[(3)]	10,503.7	326.0	10,646.4	330.4
Noncurrent liabilities portion:				
Long-term bank loans	2,931.9	91.0	2,931.9	91.0
Bonds payable[(3)]	3,501.7	108.7	—	—
Bonds being offered[(3)]	—	—	3,769.1	117.0
Total noncurrent liabilities	6,433.6	199.7	6,701.0	208.0
Equity attributable to shareholders of the parent:				
Common shares	10,177.8	315.9	10,177.8	315.9
Capital surplus				
Share premium	11,545.4	358.3	11,545.4	358.3
Conversion of bonds	507.9	15.8	507.9	15.8
Conversion option of bonds	156.4	4.9	156.4	4.9
Difference between consideration and carrying amounts adjusted for changes in percentage of ownership in subsidiaries	13.8	0.4	13.8	0.4
Employee share options	3.0	0.1	3.0	0.1
Restricted shares for employees	120.7	3.7	120.7	3.7
Retained earnings				
Accumulated deficits[(3)]	(826.4)	(25.7)	(951.1)	(29.6)
Other equity				
Foreign currency translation reserve	69.7	2.2	69.7	2.2
Unrealized loss on available-for-sale financial assets	(79.8)	(2.5)	(79.8)	(2.5)
Unearned employee benefits	(13.7)	(0.4)	(13.7)	(0.4)
Total equity attributable to shareholders of the parent	21,674.8	672.7	21,550.1	668.8
Noncontrolling interest	601.5	18.7	601.5	18.7
Total equity	22,276.3	691.4	22,151.6	687.5
Total capitalization	28,709.9	891.1	28,852.6	895.5

(1) NT dollar amounts have been translated into U.S. dollars using the Noon Buying Rate published by the Federal Reserve Bank of New York on June 30, 2016 of NT$32.22 to US$1.00 solely for the convenience of the readers.

(2) The fair value of the exchanged option relating to the Bonds has not yet been determined.

(3) The as adjusted amounts are based on the assumption to use the net proceeds from this offering to repay the principal and other amounts including interest and related cost of contract amendment, due in the aggregate amount of approximately US$112.5 million under the facility of our 2014 Bond.

There has been no material change in our total capitalization since June 30, 2016.

SELECTED FINANCIAL AND OPERATING DATA

The following table presents our selected financial and operating data. The selected consolidated financial data as of and for the years ended December 31, 2013, 2014 and 2015 set forth below are qualified by reference to, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this Offering Circular. The selected consolidated financial data as of and the six months ended June 30, 2015 and 2016 set forth below are qualified by reference to, and should be read in conjunction with, our unaudited consolidated financial statements included elsewhere in this Offering Circular. The audited financial statements have been prepared and presented on a consolidated basis and in accordance with Taiwan IFRSs which, however, differs in certain material respects from U.S. GAAP and IFRSs, including with respect to the rules regarding the presentation of consolidated financial statements. See "Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs." The unaudited financial statements have been prepared and presented on a consolidated basis and in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting."

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2013	2014	2015		2015	2016	
	NT$ (audited)	NT$ (audited)	NT$ (audited)	US$	NT$ (unaudited)	NT$ (unaudited)	US$
	(in thousands, except for %)						
Statement of Operations Data:							
Net sales	20,084,253	27,580,249	22,214,496	689,463	9,617,797	10,407,801	323,023
Cost of sales	(18,374,388)	(26,000,535)	(21,631,655)	(671,374)	(9,921,259)	(10,052,514)	(311,996)
Gross profit (loss)	1,709,865	1,579,714	582,841	18,089	(303,462)	355,287	11,027
(Unrealized) Realized Gain from Sales	—	207,582	42,335	1,314	38,450	(4,548)	(141)
Total operating expenses	(1,255,997)	(1,577,066)	(1,904,768)	(59,118)	(892,535)	(1,062,916)	(32,990)
Other income and expenses	(139,511)	37,294	(20,477)	(636)	(16,224)	(121,770)	(3,779)
Income (loss) from operations	314,357	247,524	(1,300,069)	(40,351)	(1,173,771)	(833,947)	(25,883)
Nonoperating income and expenses	185,062	(25,535)	(252,886)	(7,848)	(108,247)	13,056	405
Income (loss) before income tax	499,419	221,989	(1,552,955)	(48,199)	(1,282,018)	(820,891)	(25,478)
Income tax benefit (expense)	16,026	22,400	14,553	452	5,935	(12,784)	(397)
Net income (loss)	515,445	244,389	(1,538,402)	(47,747)	(1,276,083)	(833,675)	(25,875)
Per Share Data[(1)]:							
Basic earnings (loss) per share	0.86	0.28	(1.71)	(0.05)	(1.45)	(0.90)	(0.03)
Diluted earnings (loss) per share	0.85	0.27	(1.71)	(0.05)	(1.45)	(0.90)	(0.03)
Other Financial Data:							
Gross margin	9%	6%	3%		(3%)	3%	
Operating margin	2%	1%	(6%)		(12%)	(8%)	
Net profit margin	3%	1%	(7%)		(13%)	(8%)	

(1) Earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of Common Shares outstanding during each period after adjusting retroactively for the effect of stock dividends and employees' bonuses.

	As of December 31,				As of June 30,		
	2013	2014	2015		2015	2016	
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
				(in thousands)			
Balance Sheet Data:							
Cash and cash equivalents	6,372,612	8,721,777	8,498,752	263,773	8,989,780	10,503,720	326,000
Notes and Accounts receivable, net	4,078,295	4,982,697	4,605,189	142,930	4,710,118	3,130,973	97,175
Inventories	1,520,630	2,043,721	4,253,107	132,002	2,583,105	5,898,076	183,056
Property, plant and equipment	15,606,909	14,193,490	12,924,354	401,128	13,245,977	11,893,825	369,144
Prepayments	264,611	719,244	635,751	19,732	641,660	497,094	15,428
Prepayments — noncurrent	1,804,767	1,175,748	1,516,406	47,064	1,202,192	1,727,648	53,620
Total assets	34,312,001	37,324,555	39,101,499	1,213,578	36,006,209	40,095,808	1,244,438
Notes and accounts payable	2,366,092	1,548,785	2,005,779	62,253	1,783,860	1,554,360	48,242
Current tax liabilities	10,201	888	640	20	3,866	424	13
Short-term bank loans	2,732,789	3,039,296	6,448,680	200,145	3,663,039	6,088,887	188,978
Current portion of long-term bank loans and bonds payable	1,757,933	1,868,726	1,796,303	55,751	1,498,872	657,119	20,395
Bonds payable	549,004	3,596,810	3,461,799	107,443	3,637,314	3,501,681	108,680
Long-term bank loans	4,708,754	1,943,953	1,588,351	49,297	1,667,897	2,931,918	90,997
Total liabilities	15,101,260	15,600,784	18,745,649	581,801	15,671,326	17,819,507	553,057
Total equity	19,210,741	21,723,771	20,355,850	631,777	20,334,883	22,276,301	691,381

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
Other Operating Data:				
Amounts of solar cells sold (in MW)	1,405.4	1,989.5	1,723.2	720.2
Amounts of solar modules sold (in MW)	130.4	170.4	302.7	144.3
Manufacturing yield rate of solar cells:				
Multicrystalline	98.7%	98.6%	98.9%	98.8%
Monocrystalline	99.0%	98.9%	99.0%	99.1%
Average conversion efficiency rate of solar cells:				
Multicrystalline	17.4%	17.6%	17.9%	18.1%
Monocrystalline	19.4%	19.4%	20.1%	20.1%
Manufacturing capacity utilization rate of solar cell and module[(1)]	97.0%	94.6%	87.2%	86.6%

(1) Utilization rate represents total output as a percentage of weighted average capacity during the respective periods.

Overview

We believe we are one of the leading vertically integrated providers of solar power products, services and solutions with operations across the globe. We are a leading solar product manufacturer specializing in the research, development and manufacturing of high-efficiency solar cells and solar modules. In recent years, we have also increased our presence in the development of solar power systems and the provisions of related services. The below sets forth description as to our products and services:

- ***Solar Cells***. The research, development, design, manufacturing and marketing of high-performance solar cells has been our primary focus of business before we began the production of solar modules and the provision of solar power systems development services, and continues to be one of the principal focuses of our business. Higher conversion efficiency solar cells generally result in higher power output solar modules with price premium as compared to the industry average. It remains our strategy to differentiate from competitors by offering high conversion efficiency products with superior quality to achieve better profitability. We market our solar cells with our own brand name and they are mainly sold to solar module manufacturers and solar power system developers who assemble and integrate our solar cells into solar modules and systems. In 2013, 2014 and 2015 and the six months ended June 30, 2016, net sales generated from our solar cells were NT$16,758.6 million, NT$23,342.5 million, NT$16,442.5 million (US$510.3 million) and NT$7,273.4 million (US$225.7 million), respectively, accounting for 83.4%, 84.6%, 74.0% and 69.9% of our total net sales for the respective periods.

- ***Solar Modules***. We also started to manufacture solar modules in 2009 and further enhanced our solar module manufacturing capability after we acquired DelSolar Co., Ltd. ("**DelSolar**") in May 2013. In the past, we designed and produced solar modules while working closely with our customers, and our solar modules were often based on our customers' and end-users' specifications and required applications. As such, majority of our solar modules were produced under our customers' brands. However, we have in recent years increased our efforts in the research, development, design, manufacturing and sale of solar modules under our own brand. In 2013, 2014 and 2015 and the six months ended June 30, 2016, net sales generated from our solar modules were NT$3,018.6 million, NT$3,217.3 million, NT$4,551.6 million (US$141.3 million) and NT$2,583.0 million (US$80.2 million), respectively, accounting for 15.0%, 11.7%, 20.5% and 24.8% of our total net sales for the respective periods. We will continue to focus on the development and sale of our branded solar modules in the future.

- ***Solar Power Systems***. Leveraging the expertise in the solar PV industry, we also commenced development of solar power systems in 2012. As of June 30, 2016, we have successfully completed the development of over 100MW of solar power systems, including approximately 37MW in the United States, 32MW in Taiwan, 3MW in Japan and 33MW in other regions. As of June 30, 2016, a total of approximately 59MW of the completed solar power systems were sold. Our completed solar power systems projects include the solar power system with a capacity of approximately 25MW at Indianapolis International Airport in the United States completed in December 2014, which is as of the date of this Offering Circular the world's largest solar power system at an airport in terms of power generating capacity. We also completed phase one of the Monte Plata solar power system with a capacity of approximately 33MW in Dominican Republic in March 2016, and when all phases are completed, such system is expected to be the largest solar power system in the Caribbean region with a capacity of approximately 67MW. Net sales from our power facility segment was NT$163.4 million, NT$939.4 million, NT$1,050.7 million (US$32.6 million) and NT$476.9 million (US$14.8 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, accounted for 0.8%, 3.4%, 4.7% and 4.6% of our total net sales in the respective periods. We recognize the sale of solar power systems as revenue when control of such solar power system is transferred to the customers prior to the completion of construction at the time when the solar power system is not yet connected to the grid. On the other hand, for the sale of solar power systems after the completion of construction at the time when the solar power system is connected to the grid, it is recognized as non-operating income or loss, as applicable. We recognized a gain on the disposal of solar power systems of NT$22.5 million (US$0.7 million) in the six months ended June 30, 2016. In addition to the sale of solar power systems, we also provide certain services in connection with such solar power systems and generate revenue from the sale of electricity in certain solar power systems that we develop and operate.

We intend to enhance our market leadership in the high conversion efficiency cell and module segments by continuing to focus on technological advancements and process technology improvements. The average conversion efficiency rate of our monocrystalline solar cells was 19.4%, 19.4%, 20.1% and 20.1% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. The average yield was 99.0%, 98.9%, 99.0% and 99.1% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. The average conversion efficiency rate of our multicrystalline solar cells were 17.4%, 17.6%, 17.9% and 18.1% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. The average yield rate was 98.7%, 98.6%, 98.9% and 98.8% in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

We plan to further boost our efforts in the development of solar power systems to generate attractive return from the sale of such systems and recurring revenue from the provision of relevant services and the sale of electricity. As of June 30, 2016, we have approved over 700MW solar power system development projects globally with various development partners, including the United States, Taiwan, United Kingdom, Dominican Republic and Europe, of which over 15MW was under construction.

We have a proven track record of steady capacity expansion, and our manufacturing operations are highly scalable. We began producing solar cells with an initial annual production capacity of 30MW in 2006 and have rapidly expanded our annual production capacity. We have also in recent years shifted certain of our production capacity from our own facilities in Taiwan to China. We have also entered into consignment arrangements with third-party manufacturers in Southeast Asia to further enhance our cost competitiveness and improve our logistics efficiency. Our solar cell capacity remained stable while our capacity for solar modules has increased rapidly in recent years in part driven by our focus on the sale of our branded solar modules and the growth of our solar power system development business that increased the demand for our solar modules. As of June 30, 2016, our total installed annual manufacturing capacity, including our own self-operated capacity and capacity under consignment arrangements with third-party manufacturers, for solar cells and modules was 2.2GW and 670MW, respectively. We plan to expand our solar cells capacity to 2.3GW by the end of 2016 and our solar modules capacity in the range of 600MW to 700MW by the end of 2016.

Our net sales increased by 37.3% from NT$20,084.3 million in 2013 to NT$27,580.2 million in 2014 and decreased by 19.5% to NT$22,214.5 million (US$689.5 million) in 2015. We generated net income of NT$515.4 million in 2013 due to increase in demand for solar cells and modules, rebound in average selling price of solar cells and cost reductions from procurement and manufacturing overhead, resulting from increased purchasing power and our increased economies of scale, which was in part contributed by our acquisition of DelSolar. We generated a net income of NT$244.4 million in 2014 due to increase in demand for solar cells and modules as a result of the anti-dumping and countervailing duty investigation which prompts Chinese module makers to place orders to Taiwanese cell manufacturers as compared to a net loss of NT$1,538.4 million (US$47.7 million) in 2015, primarily due to a decrease in average selling price of solar cells and the recognition of expenses incurred in connection with the relocation of our production capacity from Wujiang, Suzhou to Nanchang, Jiangxi in China and from Taiwan to Southeast Asia. Our shipment of solar cells and modules increased from 1,535.8MW (including 1,405.4MW in solar cells and 130.4MW in solar modules) in 2013 to 2,160MW (including 1,990MW in solar cells and 170MW in solar modules) in 2014, and decreased to 2,026MW (including 1,723MW in solar cells and 303MW in solar modules) in 2015.

Our net sales increased by 8.2% from NT$9,617.8 million in the six months ended June 30, 2015 to NT$10,407.8 million (US$323.0 million) for the same period in 2016. Our net loss decreased from

NT$1,276.1 million in the six months ended June 30, 2015 to NT$833.7 million (US$25.9 million) for the same period in 2016, primarily due to the decrease in production cost as a result of the relocation of our production capacity from Taiwan to Southeast Asia to further enhance our cost competitiveness and improve our operating efficiency. Our shipment of solar cells and modules decreased from 951MW (including 838MW in solar cells and 113MW in solar modules) in the six months ended in June 30, 2015 to 864MW (including 720MW in solar cells and 144MW in solar modules) for the same period in 2016. Despite the decrease in our shipment of solar cells, the shipment of our solar modules with higher average selling price increased as a result of the our increasing focus on solar module segment, which in turn contribute to the overall increase in our net sales.

Our Competitive Strengths

We believe the following competitive strengths enable us to compete effectively and to capitalize on the growth opportunities in the solar power industry:

Industry leading high conversion efficiency products and world-class research and development capability

The solar power industry is highly competitive that requires intense ongoing investment in research and development. Our world-class research and development ability has enabled us to achieve technological leadership in the high conversion efficiency cell and module segments that we believe differentiate us from our competitors. Since our inception, we have focused on research, design and development since our inception to achieve technological advancements in producing high quality solar cells with high conversion efficiencies on a cost-effective basis and on a large scale.

We have strong track record of introducing solar cell products with industry leading conversion efficiency. Our constant and ongoing investment in research and development has contributed to the continuous improvement in the conversion efficiency of our products. In June 2016, we introduced our p-type monocrystalline PERC solar cells, the "Black 21", the average conversion efficiency rate of which can reach up to 21.4% and which is able to provide potential power output of 315W or 375W using the standard 60-cell and 72-cell per module configuration, respectively. We also rolled out "Black 21-BiFi", our P-type PERC solar cell, and "Hello 22", our N-type HJT solar cell in June 2016, with a maximum conversion efficiency rate of 23.9% and 22.2%, respectively. We also offer modules with linear performance warranty that exhibit high performances during mechanical loading test and prolonged aging test.

Our research, design and development activities are primarily concentrated on the improvement of our manufacturing process, the innovation of product design, as well as the development of new technologies for solar cells and modules. We incurred research and development expenditure of NT$407.5 million, NT$451.6 million, NT$346.3 million (US$10.7 million) and NT$191.3 million (US$5.9 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, which accounted for 2.0%, 1.6%, 1.6% and 1.8% of our net sales for the respective periods.

Extensive global solar power system development network, sophisticated development capability and global financing capability

We have increased our investment in, and management attention on, solar power system development in recent years. We are engaged in the development, construction and the sale of solar power systems. Through our in-house development team and cooperation with world-wide project development partners, we have established a global development network with expertise in all aspects of solar power system development, from site identification, renewable energy resource assessment, environmental assessment, financial evaluation, regulatory compliance, system designs, project coordination and financing. In addition, we believe our experience in EPC planning and execution helps to reduce solar balance-of-systems costs, expedite completion date and increase project yield. Furthermore, our suite of O&M services, which include inspections, repair and replacement of solar power system equipment, site management and administrative support services, are essential in maximizing energy output, decreasing maintenance cost and reducing energy losses over the lifetime of the relevant solar power systems.

As of June 30, 2016, we have approved over 700MW of solar power system development pipeline globally with various development partners. These projects are in various stages of the development process, including many that are still in the early stage of development in which no agreement have been entered into as to such projects. As of June 30, 2016, over 15MW of the approximately 700MW pipeline was in construction, while the remaining 685MW was still in the early development and planning stage. Benefiting from our development capabilities, we have successfully completed the development of over 100MW of solar power systems as of June 30, 2016, including approximately 37MW in the United States, 32MW in Taiwan, 3MW in Japan and 33MW in other regions.

We have established strong relationships with global financial institutions, creating diversified capital raising channels. Such channels include access to the global banking network in addition to the banking network in Taiwan, as well as access to the global capital markets. As solar power system development is a capital intensive business and relies on long-term project financing, our long-term financing channels have enabled us to obtain favorable project financings and long-term financings to support the growth of our business. We are also exploring partnership opportunities with leading financial institutions to enhance our capital raising capability, including through equity commitments from such partners or to enhance our ability in the sale of our developed solar power systems. For example, both our board of directors and the board of directors of Cathay Life Insurance have approved and made public announcements in August 2016 as to the potential co-investment in a YieldCo to invest in solar power system projects in Taiwan with total planned capital of NT$3.5 billion that will be carried out in two phases. We expect to enter into agreements with Cathay Life Insurance as to such YieldCo subject to the relevant regulatory approval.

Well-recognized management team with global operational experience

Our management team consists of inter-disciplinary experts in semiconductors, electronic systems, silicon raw materials, PV cell processing and PV energy system engineering. Our management team, who possesses deep knowledge as to the leading manufacturing and processing technology in manufacturing solar cells, is led by Dr. Kun-Si Lin, one of our founders and directors and our Chief Strategic Officer, who had been the Chairman of our board of directors and resigned in August 2016 and is currently the honorary chairman of our board of directors, and Dr. Sam Chum-Sam Hong, one of our founders and the Chairman of our board of directors and our Chief Executive Officer, who has over 30 years of experience in PV cell development and was previously the Division Director of Photovoltaic Solar Energy Division of the Industry Technology Research Institute, and Mr. Andy Wei-Jiun Shen, our President and Chief Operating Officer, who has over 30 years of experiences with Taiwan Semiconductor Manufacturing Company Limited, a leading company in the semiconductor industry in Taiwan. Our management team has successfully led our global operations and increased our capacity, net sales and profits through strong growth. We believe that the industry expertise and field operating experiences of our management have provided us with significant competitive advantages in the fast growing solar industry.

Leadership in operating efficiency and manufacturing excellence

Our significant operation provides us with economies of scale to reduce raw materials procurement costs and to maximize our operating efficiency. It also provides us with a significant competitive advantage that allows us to enter into stable and long term supply contracts with flexible and competitive pricing terms with major players in the solar power industry and assumes an increasingly important role as a primary solar cell supplier to key customers in the solar power industry. The scale of our operation also gives us the ability to invest substantially in research and development, to improve our operating efficiency by reducing cost of sales and to strengthen our relationships with suppliers. Furthermore, our ability to deliver significant volume to each customer as its businesses continue to grow has also enabled us to foster close and strategic relationships with such customer. Our critical scale has also led to our strong balance sheet position, which further strengthens customers' trust in us and provides us with a strong foundation to grow our business.

Our total installed annual manufacturing capacity for solar cells increased from 2.1GW as of December 31, 2013 to 2.2 GW as of December 31, 2014 and remained stable at 2.2GW as of December 31, 2015 and June 30, 2016. Our total installed annual manufacturing capacity for solar modules increased from 240MW as of December 31, 2013, to 410MW as of December 31, 2014, to 458MW as of December 31, 2015 and to 670MW as of June 30, 2016 as a result of capacity expansion of our existing production lines.

In addition, our manufacturing excellence is achieved through our proprietary processing technology and manufacturing know-how, which allow efficient production with high yield rate. We believe that our rigorous manufacturing disciplines as a result of our advanced manufacturing process knowledge, combined with our strong record of continuous technology and process innovation and cost-efficient supply procurement strategy have created a seamless manufacturing process which enables us to produce premium quality solar cells under a competitive cost structure. Our competitive cost structure also allows us to provide attractive product pricing, thereby helping our customers achieve higher returns for their products and as a result, assist in building brand loyalty amongst our customers.

Our Strategies

Our goal is to remain competitive in the solar PV industry. To achieve our goal, we intend to grow our business through the following strategies:

Further boost our solar power system developments efforts by increasing our global project development, EPC and project financing networks

We believe as there continues to have healthy growth opportunities in the downstream solar PV market, we plan to further boost our efforts in the development of solar power systems to capture such prospects. We believe that, by taking advantage of the ongoing decrease of PV pricing, we will be able to generate attractive stable return from the sale of solar power systems and recurring revenues in the provision of EPC services and O&M services. As part of our efforts in the development of solar power systems, we will continue to selectively develop, own and operate solar power systems that provide strong internal rate of return with lower cost of capital and to further expand our global development network to achieve a broader geographical coverage to better source solar power system projects around the world. Furthermore, we also plan to operate certain of our solar power systems for the purpose of generating income from the sale of electricity, which we believe will provide stable and recurring revenues to our results of operations. In addition to project development partners, we will also explore different types of partnerships with financial institutions to enhance our financing capability and speed up our project development lifecycle from initial construction to divestment of the project. These financial institutions could be co-investment partners in our projects, special purpose vehicles such as YieldCos or off-takers of our completed projects. For example, both our board of directors and the board of directors of Cathay Life Insurance have approved and made public announcements in August 2016 as to the potential co-investment in a YieldCo to invest in solar power system projects in Taiwan with total planned capital of NT$3.5 billion that will be carried out in two phases. We expect to enter into agreements with Cathay Life Insurance as to such YieldCo subject to the relevant regulatory approval. In addition, on September 22, 2016, we entered into a letter of understanding with CFY and its shareholders in which we are to enter into a share purchase agreement and other documents as to the purchase of ordinary shares to be issued by CFY. CFY, together with its subsidiaries, are experienced in the development, acquisition and operation of solar power system projects in the United States. Furthermore, we will increase sourcing of our own PV module products by our solar power system projects, especially our high conversion efficiency module products, to create a stable source of demand of our products.

Enhance leadership in high conversion efficiency market

We believe our ability to produce superior quality solar cells with market leading conversion efficiency is our core competitiveness which differentiates us from competitors that focus on mass market solar cells. We believe our strengths in high conversion efficiency products will put us in a better position in the growing rooftop and distributed solar power market, which is forecasted to grow at a faster pace than the utility scale market, according to SolarPower Europe's forecast scenarios. We will continue to invest in technological advancement, research and development and process improvement to maintain our technology leadership in terms of solar cell conversion efficiency and product quality. As such, we intend to increase our exposure to the performance driven and less price sensitive segments, and reduce exposure in the more commoditized multicrystalline markets. Therefore, we plan to adjust our production mix to increase production output of our high conversion efficiency products, such as PERC and HJT solar cells, by upgrading our existing facilities to increase the number of monocrystalline production lines.

Expand overseas production capacities and capabilities

To further enhance our cost competitiveness and improve our logistics efficiency as well as to focus the manufacture of high conversion efficiency products, we have started to relocate part of the existing production capacity from Taiwan to Southeast Asia through consignment arrangements with third-party manufacturers. As of June 30, 2016, we have a total installed annual manufacturing capacity for solar cells of 340MW in Malaysia under such consignment arrangement. We also plan to continue to implement our consignment strategy and further expand our solar cells capacity to 540MW in the first half of 2017 in Southeast Asia with an additional 200MW capacity in Vietnam. We have also entered into consignment arrangements with third-party manufacturers to operate production facilities with a total installed annual manufacturing capacity for solar modules of approximately 600MW in Vietnam.

Enhance our brand recognition in PV module segment, further increase module shipment and strengthen end customer relationship

We historically focused on the research, development, design, manufacture and sale of solar cells. We then subsequently expanded into the research, development, design, manufacture and sale of solar modules, specifically in the design and manufacturing of solar modules based on our customers' and end-users' specifications and required applications, with a majority of these solar modules bearing our customers' brand. We have in recent years increased our efforts in the design, development, production and sale of our branded solar modules, and will continue to focus on the development, sale of our branded solar modules and increase shipment of module products as a percentage of our overall solar products in the near future. In connection with such effort, we will strive to further build up our global solar module sales network for the sale of our own brand of solar modules. We also plan to leverage our solar power system developments to illustrate the high performance, quality and reliability of our branded solar modules. We believe such efforts will enable us to enhance market recognition for our branded solar modules, deepen our market penetration in the solar module segment and improve end customer relationships, while further enhancing our development and production capability for our solar module products. Our focus on branded solar modules will also reduce our exposure to existing solar module customers, reduce pricing and margin pressures and improve our profitability.

Our Products and Services

Solar cell

Research, development, design, manufacturing and marketing of high-performance solar cells has been our primary focus of business before we began production of solar modules and offering of solar power systems services, and continues to be one of the principal focuses of our business. Production of solar cells is a stage in the solar power industry value chain that we believe has a significant amount of technology value add which results in higher profit potential and higher barriers to entry. Solar cells are made from specially processed silicon wafers. Our solar cells are assembled and integrated into solar modules and solar power systems that convert sunlight into electricity through a process known as the photovoltaic effect. Solar cells are the key components of solar modules. Net sales from solar cells was NT$16,758.6 million, NT$23,342.5 million, NT$16,442.5 million (US$510.3 million) and NT$7,273.4 million (US$225.7 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, accounting for 83.4%, 84.6%, 74.0% and 69.9% of our total net sales for the respective periods.

As of December 31, 2013 2014 and 2015 and June 30, 2016, our annual solar cell manufacturing capacity was 2.1GW, 2.2GW, 2.2GW and 2.2GW, respectively. We currently produce and sell both multicrystalline and monocrystalline solar cells. We are focused on the production of multicrystalline solar cells which have lower costs and a larger customer base than monocrystalline solar cells. However, since the beginning of 2016, we have increased the production and sale of monocrystalline solar cells as we began to shift our focus on the production of high conversion efficiency products. We have and will continue to upgrade our existing facilities to focus on the manufacturing of monocrystalline solar cells as compared to multicrystalline solar cells in order to increase production output of our premium products, such as PERC and HJT solar cells. We also provide cell processing services to some of our customers who supply us with their own polysilicon or wafers and we process them into solar cells that are sold back to them. The following table sets forth the type of solar cells that we offer and their specifications as of June 30, 2016:

Cell Type	**Dimensions (mm x mm)**	**Conversion Efficiency (%)**	**Thickness (microns)**	**Maximum Power (W)**
Multicrystalline silicon solar cells	156×156	17.0~19.5	180~200	4.1~4.7
Monocrystalline silicon solar cells	156×156	19.0~21.4	180~200	4.5~5.3

The most important aspects in determining production costs and the sale price of solar cells include conversion efficiency rate, cell format and cell thickness.

Conversion efficiency refers to the ratio of the maximum power output of electricity released from light received. A cell with a higher degree of efficiency, given the same format, will generate more electricity. Efficiency is a key determinant as to the sale price of solar cells and therefore affects the profitability margins of the manufacturer. While all solar cells operate essentially on the same principle, the efficiency levels may vary significantly depending on the way they are made. The main factors that affect efficiency are (i) the quality of wafers from which the solar cells are made of, and (ii) manufacturing process. We believe that our solar cells demonstrate a superior efficiency rate as a result of our advanced manufacturing processes in our production facilities. For example, our metallization grid is optimized to balance the light shadowing, resistance and yield. Our emitter junction is optimized between efficiency gain and cell-to-module power loss. In order to improve the conversion efficiency of our solar cells, our research and development team closely monitors the power loss of solar cells after assembly to modules to meet stringent industry power loss requirements and continues to develop new technology to minimize such power loss. Furthermore, we have developed a special binning method to help reduce such power loss. We have also achieved a positive-only tolerance rating. Our passivation layer has been engineered to provide good optical reflection characteristics and improve hydrogen passivation, and ultimately provide better efficiency. We believe the conversion efficiency of our solar cells is superior as compared to our competitors' products, our cell reliability tests far exceed standard specification, our cell experience minimal cell efficiency degradation with temperature and retain good cell efficiency under low lights, and such advantages enable us to maintain long-term relationships with our current customers and to win new customers.

The larger the format of a solar cell, the greater is its power output, given the same level of efficiency. As a result, a larger solar cell with the same efficiency as a smaller cell can be sold for a higher price. We currently produce solar cells with the format of 156 mm x 156 mm.

Solar cell thickness affect product cost as the thinner a cell, the less polysilicon is generally needed for its production. Therefore, thinner solar cells result in cost reduction per cell. However, thinner cells also tend to be more fragile and have higher breakage rates. One of the focuses of our research and development efforts is to refine the process technologies to reduce solar cell thickness. The average thickness of the silicon wafers from our suppliers is in the range of 170 to 220 microns. We are capable of processing silicon wafers that are as thin as 180 microns.

As a result of our efforts in research, development, design, manufacturing of solar cells, in June 2016, we successfully introduced our P-type monocrystalline PERC solar cell, the "Black 21", the average conversion efficiency rate of which can reach up to 21.1% and which is able to provide potential power output of 315W or 375W using the standard 60-cell and 72-cell per module configuration, respectively. We also rolled out "Black 21-BiFi", our P-type PERC solar cell, and "Hello 22", our N-type HJT solar cell in the same month, with maximum conversion efficiency rates of 23.9% and 22.2%, respectively. The table below sets forth our solar cell products with high conversion efficiency rate as of June 30, 2016:

Product Name	Product Type	Launched Month	Maximum Conversion Efficiency Rate (%)	Specification
Black 21	P-type PERC bificial solar cell	June 2016	21.4%	• 315Wp for 60-cell PV modules • 375Wp for 72-cell PV modules
Black 21 - BiFi	P-type PERC solar cell	June 2016	23.9%	• 335Wp for 60-cell PV modules • 405Wp for 72-cell PV modules
Hello 22	N-type HJT solar cell	June 2016	22.2%	• 348Wp for 60-cell PV modules • 417Wp for 72-cell PV modules
Super 19	NSP multi-crytalline PV cell	October 2013	19.5%	• 270Wp for 60-cell PV modules • 335Wp for 72-cell PV modules

Solar module

We started to manufacture solar modules in 2009 and further expanded our solar module manufacturing capacity after we acquired DelSolar in May 2013. A solar module is an assembly of solar cells that are electrically interconnected, laminated and framed in a durable and weatherproof package. Currently, most of our solar modules are made with solar cells produced by us. Our solar modules are made with a frame design that we believe enhances their ability to withstand strong wind, vibrations and snow load up to 5,400 Pascal. Our solar modules provide positive power tolerance and had all underwent electroluminescence inspection. We design and produce solar modules while working closely with our customers to address their specific requirements, and our solar modules are often based on our customers' and end-users' specifications and required applications. Majority of our solar modules are produced under our customers' brands. We have in recent years increased our efforts in the design, development, production and sale of solar modules under own brand, and will continue to focus on the development and sale of our own brand of solar modules in the future.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our annual solar module manufacturing capacity was 240MW, 410MW, 458MW and 670MW, respectively. We currently produce and sell both multicrystalline and monocrystalline solar modules. Our current focus is on producing multicrystalline modules which have lower costs and larger customer base than monocrystalline modules. However, since the beginning of 2016, we have increased the production and sale of monocrystalline modules as we began to shift our focus on the production of high conversion efficiency products and the production of solar modules under our own brand. We have and will continue to upgrade our existing facilities to focus on the manufacturing of monocrystalline modules as compared to multicrystalline modules. A majority of the solar modules produced by us have outputs ranging from 250 to 365 watts. The following table sets forth the type of modules that we offer and their specifications as of June 30, 2016:

Cell Type	Number of Cells	Maximum Power (W)
Multicrystalline solar modules	60~72	250~330
Monocrystalline solar modules	60~72	280~365

The most important aspects in determining production costs and the sale price of modules are silicon costs, non-silicon costs and module power output. Net sales from our solar modules were NT$3,018.6 million, NT$3,217.3 million, NT$4,551.6 million (US$141.3 million) and NT$2,583.0 million (US$80.2 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, accounting for 15.0%, 11.7%, 20.5% and 24.8% of our total net sales for the same periods.

Solar power system development

We commenced developing solar power systems in 2012 through our subsidiary General Energy Solutions International Co., Ltd. and have also acquired a solar system development team in the United States in 2015 which we currently operate through our subsidiary Clean Focus Renewables Inc. to further enhance our solar power system development capability. We completed our first project in 2012 in Taiwan and in 2013 expanded such efforts to include solar power systems in the United States and other regions around the world, including the projects set forth below:

- *Indianapolis International Airport, United States*. Our Indianapolis Airport project is located in the City of Indianapolis, Indiana, United States and was developed in two phases. Development of phase one of the project was completed in October 2013 and continued to be owned by us, while development of phase two of the project was completed in December 2014 and was subsequently sold in February 2015. The total capacity of this project is 25MW and was, as of the date of this Offering Circular, the world's largest solar power system at an airport in terms of power generating capacity.

- *Dominican Republic Monte Plata Solar System Project, Dominican Republic*. Our Dominican Republic Monte Plata Solar System project is located in Municipal of Monte Plata, Monte Plata Province, Dominican Republic and was developed in two phases. Development of phase one of the project was completed in March 2016 and continued to be owned by us, while phase two of the project is currently under development. When all phases are completed, such system is expected to be, as of the date of this Offering Circular, the largest solar power system in the Caribbean region with a total capacity of approximately 67MW.

- *Tameside Rooftop Solar Systems, United Kingdom*. We have entered into a framework agreement in June 2014 with a project development partner in the United Kingdom to develop solar systems in Tameside, United Kingdom. The project is currently under development and is expected to supply up to 4,500 households upon completion.

- *DP World, United Arab Emirates*. We have entered into agreements with DP World FZE in 2016 with respect to the development of a solar system project in Dubai, Emirate of Dubai, United Arab Emirates. The project is currently under development and is expected to achieve a total capacity of approximately 22MW upon completion.

- *Fukushima, Japan*. Our Fukushima project is located in Fukushima, Japan. This project is currently under construction and is expected to achieve a total capacity of approximately 15MW upon completion.

Our current solar power system development activities include:

- *Project development*. Our solar power system development activities include selecting site and securing rights to acquire or use the site, obtaining the requisite interconnection and transmission studies, executing an interconnection agreement, obtaining environmental and land-use permits, maintaining effective site control, and entering into a PPA with an off-taker of the power to be generated by the solar power system. Depending on the market opportunity or geographic location, we may acquire projects in various stages of development or acquire project companies from developers in order to complete the development process, construct a system incorporating our modules, and sell the system to a long-term owner. We also collaborate with local partners in connection with these project development activities. Depending primarily on the location, stage of development upon our acquisition of the project, and other site attributes, the development cycle typically ranges from one to two years but can be as long as five years.

- *Other related services*. In addition to project development activities, we also engage in EPC and O&M services. Our EPC services primarily include engineering design and related services, balance-of-systems procurement, advanced development of grid integration solutions, and construction contracting and management. Our suite of O&M services primarily involve the performance of standard activities associated with operating and maintaining a solar power system, including inspections, repair and replacement of solar power system equipment, site management and administrative support services. We perform these services pursuant to the scope of services outlined in the underlying contracts. While we provide the majority of our EPC and O&M services to our own solar power systems, we also provide these services to projects developed by third parties on a limited basis.

We classify our solar power system projects as complete, under construction or in the pipeline for future developments. Solar power system projects are considered completed when they can start producing electricity and commence commercial operation ("**COD**") and we have entered into PPA with a third-party for the sales of electricity generated from such projects. Solar power system projects are considered under construction once notice to proceed or similar notice as to the commencement of construction has been issued according to the EPC agreement. Solar power system projects that are approved for development by the relevant investment committees within our group overseeing such project, whether or not any agreements were entered into as to such projects, are considered to be in the pipeline for future developments.

As of June 30, 2016, we have successfully completed the development of over 100MW of solar power systems, including approximately 37MW in the United States, 32MW in Taiwan, 3MW in Japan and 33MW in other regions. As of June 30, 2016, a total of 59MW of the completed solar power systems were sold, which included the sale of 71 solar power system projects to Chailease Finance with total capacity of 22.5MW and the sale of phase two of our Indianapolis Airport project with a total capacity of 13MW.

As of June 30, 2016, we have approved over 700MW of solar power system development pipeline globally. These projects are in various stages of the development process, including many that are still in the early stage of development in which no agreement have been entered into as to such projects. As of June 30, 2016, over 15MW of the approximately 700MW pipeline was in construction, while the remaining 685MW was still in the early development and planning stage.

Net sales from the disposal of our developed solar power system developments were NT$163.4 million, NT$939.4 million, NT$1,050.7 million (US$32.6 million) and NT$476.9 million (US$14.8 million) in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, accounted for 0.8%, 3.4%, 4.7% and 4.6% of our total net sales in the respective period. We recognize the sale of solar power systems as revenue when control of such solar power system is transferred to the customers prior to the completion of construction at the time when the solar power system is not yet connected to the grid. On the other hand, for the sale of solar power systems after the completion of construction at the time when the solar power system is connected to the grid, it is recognized as non-operating income or loss, as applicable. We recognized a gain on the disposal of solar power systems of NT$22.5 million (US$0.7 million) in the six months ended June 30, 2016.

We also generate revenues from the provision of certain services in connection with solar power systems and the sale of electricity on a limited basis, which are accounted for under revenue from other activities.

Manufacturing Capacity and Facilities

We currently operate manufacturing facilities in Hsinchu and Tainan in Taiwan and Wujiang in Jiangsu province in China. To further enhance our cost competitiveness and improve our operating efficiency, we have started to relocate existing production capacity from Taiwan to Southeast Asia in 2015, particularly in Vietnam and Malaysia, through consignment arrangements with third-party manufacturers.

All of our existing and new self-operated manufacturing facilities are capable of producing cells and modules of a flexible mix between multicrystalline solar cells/modules and monocrystalline solar cells/modules. However, we have recently increased our focus on high conversion efficiency products and have and will continue to upgrade and convert existing self-operated facilities to increase focus on the manufacturing of monocrystalline solar cells/modules.

Our self-operated manufacturing facilities have class 100K cleanroom as of June 30, 2016. A cleanroom is an environmental condition with low level of pollutants such as dust, chemical vapors and aerosol particles. As cleanroom protocols improve the performance of operators working in there, we have adopted the cleanroom standard to ensure high quality of our products.

The tables below set forth manufacturing capacities for our solar cells and modules for the periods indicated:

Solar cell

The table below sets forth installed annual manufacturing capacities for our solar cells for the periods indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
		(in MW)		
Solar cell Fab 2 — Hsinchu Science Park	680	700	700	700
Solar cell Fab 3 — Tainan Science Park	660	760	760	760
Solar cell Fab 5 — Chunan Science Park	—	340	340	—
Solar cell Fab 6 — Wujiang	—	400	400	400
Solar cell Malaysia(1)	—	—	—	340
Total Installed Annual Manufacturing Capacity	2,120	2,200	2,200	2,200

(1) Operated through consignment arrangement with a third-party manufacturer.

As of June 30, 2016, we have entered into consignment arrangement with a third-party manufacturer to manufacture solar cells in Malaysia. According to our agreements with such consignment manufacturer, we sold the relevant manufacturing equipment to such third-party manufacturer, and the manufacturer is obliged to purchase raw materials required for the production of solar cells from suppliers recommended by us. We then purchase the completed solar cells from such manufacturer.

We plan to expand our installed solar cells annual manufacturing capacity to 2.3GW by the end of 2016. The 100MW of installed solar cells annual manufacturing capacity is to be provided through consignment arrangement with a third-party manufacturer in Vietnam. We expect to further expand the total installed annual manufacturing capacity for solar cells under such consignment arrangements to approximately 200MW by the end of June 2017.

Furthermore, we plan to relocate the solar cell manufacturing facility with total installed annual manufacturing capacity of 400MW in Wujiang, Suzhou to Nanchang, Jiangxi in the PRC. The new facility is expected to commence production in 2017.

Solar module

The table below sets forth installed annual manufacturing capacities for our solar modules for the periods indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
		(in MW)		
Module Fab 51 — Hsinchu Science Park	70	170	170	—
Module Fab 52 — Wujiang	110	180	180	—
Module GES — Hsinchu Hukou	60	60	60	70
Module Vietnam(1)	—	—	48	600
Total Installed Annual Manufacturing Capacity	240	410	458	670

(1) Operated through consignment arrangement with a third-party manufacturer.

As of June 30, 2016, we have entered into consignment arrangement with a third-party manufacturer to manufacture solar modules in Vietnam. According to our arrangement with such consignment manufacturer, we provide the relevant manufacturing equipment to such third-party manufacturer, and provide the manufacturer with the major raw materials required for the production of solar modules, such as solar cells and relevant components, while the third-party manufacturer is to procure other auxiliary materials. We then purchase the completed solar cells from such manufacturer.

Product Manufacturing

Solar cell

We use an automated manufacturing process to lower our cost of sales and capital expenditures. The following provides a brief overview of the most important steps in our solar cell manufacturing process:

- *Texturing and cleaning*. The solar cell manufacturing process begins by texturing the wafer surface with a chemical treatment to reduce the solar cell's reflection of sunlight, followed by a surface cleaning of the cell. The texturing process for multicrystalline wafers is slightly different from that for monocrystalline wafers. The chemical treatment process for monocrystalline silicon wafers produces a "pyramid-textured surface," which traps as much incident sunlight photons as possible into the silicon. For multicrystalline silicon wafers, a similar chemical treatment is applied to reduce the reflection of sunlight.

- *Diffusion*. Through a thermal process, an inversely doped thin layer is formed by applying doping compound material into a diffusion furnace. At the processing temperature, the phosphorous atoms disassociate from its gas phase doping compound and diffuse into the wafer surface. As a result, an "n-type" thin layer is formed above the "p-type" wafer substrate.

- *Isolation*. During the diffusion furnace process, a thin oxide layer is formed which may create electric current leak path between cell front and back side. Hence, an isolation process must be applied to achieve a clean separation between front side electrodes and back side electrodes.

- *Anti-reflection coating*. After isolation, we deposit a thin layer to act as an anti-reflective coating to enhance light trapping and passivate the surface.

- *Printing and firing*. By using a screen printing process, we print silver paste and aluminum paste to the front and back surface of the cell, respectively, to act as the contacts and photo current collecting grids. After these metal electrodes are defined, a belt driven furnace is used to apply high temperature process to the cells for firing front side silver paste through the underling PECVD silicon nitride layer to form an ohmic contact to reduce series resistance of the cells.

- *Testing and sorting*. Finally, the manufacturing process is completed and the finished cells are sorted according to their efficiency, appearance and color. Following a final visual inspection and a random sampling quality-check process, the finished cells are packed and ready to be shipped to their final destination.

Solar module

Solar modules are constructed to protect solar cells from environmental damages. The individual cells are electrically connected in a module by soldering process to provide an appropriate electrical output and are encapsulated by lamination technique. We use an automated manufacturing process to lower our cost of sales and capital expenditures. The following provides a brief overview of the most important steps in our solar module manufacturing process:

- *Soldering*. The solar module manufacturing begins with connecting solar cells by soldering process. Solder-coated copper ribbons are used to string the screen-printed silicon solar cells, which have metal busbars on the front and rear sides to enable soldering.

- *Lay out*. After soldering, the solar cell strings are electrically interconnected in series or parallel to give the appropriate current and voltage levels.

- *Lamination*. The electrically connected solar cells are sandwiched between two sheets of encapsulant, together with a module front cover (typically glass sheet) and a rear surface (typically plastic sheet). The whole structure is placed in the laminator, and undergoes a process of vacuum, heating and press, during which the encapsulant melts and surrounds the solar cells to protect them from exposure to the environment. Through lamination the modules will be persistent enough to withstand the rigors of outdoor exposure in different kinds of climates for long periods of time to convert sunlight to electricity at a reasonable cost and efficiency rate.

- *Framing*. The laminated structure is assembled together with an aluminum frame to enable the module to fix to solar system rails. The frame is designed to provide the module with the required mechanical strength so as to withstand snow load and wind pressure when in operation.

- *Testing*. The finished modules are sorted according to their efficiency levels. The electrical output is tested under Standard Testing Conditions in accordance with IEC60904 International Standard from the International Electrotechnical Commission. Following a final visual inspection, the finished modules are packed and shipped to their final destination.

Solar Project Development Processes

The following provides a brief overview of the most important steps in our solar power system development process:

- *Market due diligence and project selection*. We search for solar power system project opportunities globally with the goal of maintaining a robust and geographically diversified project portfolio. Our business team closely monitors the global solar power system projects market and work with various development partners to gather market intelligence to identify project development opportunities. Our development team prepares market analysis reports, financial models and feasibility studies to guide us in evaluating and selecting solar power system projects. As we consider undertaking new solar power system projects, we weigh a number of factors including location, local policies and regulatory environment, financing costs and potential internal rate of returns.

- *Permitting and approval*. We either obtain the permits and approvals necessary for solar projects ourselves or we acquire projects that have already received the necessary permits and approvals. The permitting and approval process for solar power system projects varies from country to country and often among local jurisdictions within a country.

- *Project financing*. We typically include project financing plans in our financial models and feasibility studies. We finance our projects through our working capital and debt financing from local banks or international financing sources that require us to pledge project assets.

- *Project design, engineering, procurement and construction*. Our engineering team generally reviews design of solar power systems to optimize performance while minimizing construction and operational costs and risks. The engineering design process includes the site layout and electrical design as well choosing the appropriate technology, in particular module and inverter types. We use solar modules produced by us and by third-party manufacturers, and procure inverters and other equipment from third-party suppliers.

Raw Materials

Silicon wafers are the most important raw materials for producing solar cells, with multicrystalline and monocrystalline silicon wafers as the most commonly used materials. Silicon wafers are sliced from crystalline ingots developed from melted polysilicon. As such, polysilicon is an essential raw material that is used to make silicon wafers.

Securing an adequate supply of silicon wafers is of critical importance for us. The success of our business and our growth strategy depend heavily on securing a sufficient supply of silicon wafers and polysilicon at commercially reasonable prices and terms to meet our existing and planned production capacity. We seek to procure silicon wafers from various suppliers who have demonstrated reliability and quality control. In order to better manage our unit costs and to secure adequate supply of silicon wafers, we entered into a number of multiyear supply agreements, ranging from three to ten years, for silicon wafers in amounts that were expected to meet our anticipated production needs.

The unit prices of silicon wafers under our current agreements are generally negotiated monthly or quarterly and are subject to adjustment that closely links to our purchase costs and to the market prices. In addition, we secure a portion of our silicon wafers through the purchase of polysilicon under long-term contracts directly from polysilicon manufacturers and entering into tolling arrangements with wafer manufacturers, as well as through our OEM arrangement with customers and from time to time, through opportunistic spot market purchases.

We, including DelSolar we acquired in 2013, had previously entered into fixed price supply contracts for polysilicon and silicon wafers. These contracts generally also require us to make an advance payment of a certain negotiated amount. However, when the price of polysilicon declined in 2011, we became obligated to pay higher than spot market prices for polysilicon or silicon wafers as a result of these long term supply agreements. We terminated or amended some of these fixed price supply contracts in order to ensure our flexibility in the future. For the long-term contracts that have not yet been terminated or re-negotiated, we continue to negotiate with our suppliers at an aim to reach a mutual-agreed solution to mitigate the impact from price fluctuation. Meanwhile, we have booked certain loss reserve that may arise from these long-term contracts at a reasonable estimate. However, if we cannot reach a settlement or amendment at targeted price level or a targeted settlement amount, we cannot assure you that the booked reserve will be sufficient to cover the potential loss.

We also enter into OEM arrangements with some of our customers, under which we secure silicon wafers from some of our customers and provide solar cells to them, or a third party designated by them, in return.

Our principal suppliers of silicon wafers and polysilicon currently include OCI Company Ltd., Xi'an LONGI Silicon Materials Corp. and Jiangxi LDK Solar Hi-Tech Co. Ltd. Our top five suppliers supplied approximately 65.0%, 26.3%, 48.1% and 35.3% of our total silicon raw material needs in the years ended 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Other than silicon wafers, raw materials for manufacturing solar cells and modules include auxiliary materials such as glass, ethylene vinyl acetate, back sheet, junction box and aluminum frame. We secure these raw materials from multiple vendors who have demonstrated quality control, reliability and the competitiveness of their pricing terms. We seek to maintain active relationships with multiple suppliers for each of these auxiliary raw materials, and we believe we can readily find alternative sources of supply on terms acceptable to us if any of our current suppliers cannot meet our requirements for these auxiliary materials.

Our top five suppliers accounted for approximately 35.6%, 38.8%, 34.8% and 35.0% of the total amount of raw material procured for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Manufacturing Equipment

The major manufacturing equipment used in solar cell manufacturing process includes texturing machines, diffusion furnaces, edge isolators, wafer cleaning machines, anti-reflection machine, in-line printers, firing furnaces and sorting machines. The major manufacturing equipment used in module manufacturing process includes stringer, laminator and IV-tester and sorter. We purchase our equipment from various recognized equipment manufacturers in the United States, Europe and Japan. We have close relationships with the world's leading equipment manufacturers in the solar power industry.

We also work closely with selected equipment manufacturers to customize the design, development and build of our solar cell manufacturing facilities. Certain of our manufacturing equipment has also been designed and made specifically for us. Our technical team is responsible for supervising the installation of the manufacturing equipment and the adjustment of the manufacturing process and equipment parameters to ensure the entire production process is optimized.

Our specialized equipment includes, among others, Chroma automation machines, wafer inspection loading/unloading equipment, equipment for texture manufacturing process and isolation process, and equipment used for cell inspection and sorting process.

Quality Assurance and Customer Service

Our senior management team is actively involved in setting quality assurance policies and managing quality assurance performance to ensure the high quality of our solar cell and module products. Our quality control consists of three components: incoming inspection of raw materials to ensure quality, in-process quality control of our manufacturing processes and inspection and testing of finished products. During the manufacturing process, we continuously monitor the quality of our products by following procedures including: (i) automatic monitoring and sorting system based on measurement of the efficiency, edge integrity, appearance and color grade of our solar cell products; (ii) automatic measuring of electrical properties, output power, 100% electroluminescence inline inspection of solar modules; and (iii) manual inspection of the appearance and cosmetic defects of solar cells and modules. If any of our solar cell and module products is damaged, defective, or does not meet other quality standards, it will be sorted out during the monitoring process.

We believe that we have a strong equipment maintenance team with well-trained personnel to oversee the operation of our manufacturing activities to avoid any unintended interruption, and to minimize regular down time. To ensure that our quality assurance procedures are effectively applied, manufacturing employees are provided with regular job training.

We have received international certifications for our quality assurance programs, including ISO 9001:2008 for our quality management system, ISO 14001:2004 for our environmental management system and OHSAS 18001:2007 for our occupational health and safety management system, which we believe demonstrate our technological capabilities as well as instill customer confidence.

We pride ourselves on our customer support and service. We emphasize gathering customer feedback on our products and addressing customer concerns in a timely manner. We staff teams comprising sales managers and customer service persons to provide on-site and off-site customer support and services for our customers to meet their production goals. Our skilled and knowledgeable team provides our customers with technical training and consultation with respect to the application of our products to ensure that the most efficient process is used in the development of their products and systems.

Customers and Markets

We derive most of our net sales from the sale of solar cells and modules. We also generate net sales from the sale of our solar power system developments and in the provision of other services. The following table sets forth breakdown of our net sales in absolute amount and as percentage of total net sales for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2013		2014		2015		2016	
	NT$	%	NT$	%	NT$	%	NT$	%
	(In thousands, except for percentages)							
Solar cell	16,758,637	83.4	23,342,524	84.6	16,442,493	74.0	7,273,390	69.9
Module	3,018,569	15.0	3,217,297	11.7	4,551,562	20.5	2,582,994	24.8
Power facility	163,387	0.8	939,412	3.4	1,050,681	4.7	476,855	4.6
Others	143,660	0.8	81,016	0.3	169,760	0.8	74,562	0.7
Total	20,084,253	100.0	27,580,249	100.0	22,214,496	100.0	10,407,801	100.0

Solar cells and modules

We sell our solar cells and modules principally to solar module manufacturers who assemble and integrate our products into modules and solar power systems, respectively. We plan to continue to expand our direct sales in four major overseas markets: Asia (excluding Japan), Japan, North America and Europe.

Our sales and marketing strategy is to selectively and quickly expand our customer base to include established players in the global solar power industry by (i) establishing long-term strategic relationships with existing customers to develop a loyal customer base, and (ii) continuing to expand our international sales and distribution channels worldwide to develop a diverse customer base in terms of geographic coverage in order to manage our exposure to each market segment.

Over the past year, our strategy has allowed us to successfully diversify our international presence. The following table sets forth our net sales by region and as percentage of total net sales for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2013		2014		2015		2016	
	NT$	%	NT$	%	NT$	%	NT$	%
	(audited)		(audited)		(audited)		(unaudited)	
	(in thousands, except %)							
PRC	5,689,762	28.3	11,066,162	40.1	11,792,180	53.1	4,525,909	43.5
Taiwan	4,665,482	23.2	6,111,187	22.2	3,097,485	13.9	852,069	8.2
United States	1,264,341	6.3	3,721,611	13.5	1,800,083	8.1	700,460	6.7
Germany	1,350,962	6.7	2,107,253	7.6	1,457,307	6.6	1,608,677	15.5
United Kingdom	34,268	0.2	287,923	1.0	1,209,915	5.4	288,780	2.8
Japan	6,082,765	30.3	2,430,842	8.8	1,177,345	5.3	272,905	2.6
Others	996,673	5.0	1,855,271	6.8	1,680,181	7.6	2,159,001	20.7
Total	20,084,253	100.0	27,580,249	100.0	22,214,496	100.0	10,407,801	100.0

We have depended on a limited number of customers for a significant portion of our net sales. Net sales generated from our top five customers accounted for 49.3%, 57.3%, 48.4% and 51.3% of our total sales in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Net sales generated from customers individually accounting for 10% or more of our total net sales accounted for approximately 24.7%, 40.3%, 33.0% and 17.4% of our total net sales in 2014 and 2015 and the six months ended June 30, 2016, respectively. Net sales to our largest customer accounted for approximately 14.7%, 18.0%, 19.5% and 17.4% of our total net sales in 2014 and 2015 and the six months ended March 31, 2014, respectively. As of December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we had 266, 346, 362 and 269 customers worldwide, respectively.

We typically enter into one-year framework sales agreements with our customers, with monthly firm orders stipulating prices and quantities. We have endeavored to avoid over-dependence on any single customer or on any single country or region. In order to continue growing our sales and to reduce our reliance on any particular market segment, we intend to further broaden our geographic presence and customer base.

Our pricing policy takes into account of a number of factors, including product specification, costs of production and transportation, market conditions and size of order. As the majority of our customers are located overseas, our products are shipped by air to ensure timely delivery across the globe.

We market and sell our solar power products worldwide through our direct sales team, which is based in Taiwan. Each member of our sales team is dedicated to a particular region. Our marketing programs include industrial conferences, trade fairs, sales training, advertising and public relations events. Our sales and marketing team works closely with our research and development and manufacturing teams to coordinate our product development activities, product launches and ongoing demand and supply planning.

In order to maximize the effective utilization of our production capacity, we also provide OEM services to some of our customers who supply us with their own wafers and we process these wafers into solar cells that are sold back to them or a third party designated by the customer. In 2013, 2014 and 2015 and the six months ended June 30, 2016, we generated net sales of NT$682.5 million, NT$539.6 million, NT$1,096.4 million (US$34.0 million) and NT$392.5 million (US$12.2 million), respectively, from such OEM services.

Solar power system development

As of June 30, 2016, we have approved over 700MW solar power system development projects globally with various development partners, including the United States, Taiwan, United Kingdom, Dominican Republic and Europe, of which approximately 15MW was under construction. In 2013, 2014, 2015 and the six months end June 30, 2016, substantial majority of our sales of solar power systems were in the United States and Japan. We generally sell our projects to large utility companies, independent power producers, commercial and industrial companies, financial institutions and other system owners and other power producers. We also provide EPC and O&M services primarily in Taiwan on a limited basis. Customers of our EPC and O&M services are solar project developers and owners. We also sell electricity on a limited basis from the solar power systems we operate.

Research and Development

Solar cells and modules

Our research and development activities are primarily focused on the improvement of our manufacturing process, as well as development of new technologies for our products, such as increasing the efficiency and reducing the thickness of our solar cells. We believe as a result of our focus on research and development, our solar cells and modules have very low appearance defects and are of excellent color uniformity.

In order to strengthen our research and development capabilities, we have established cooperative relationships with a number of universities and research institutions. Our collaborative efforts with those organizations not only give us access to more advanced testing facilities and equipment, but also enable us to keep up-to-date with the latest industry developments and trends. We also collaborate closely with our suppliers and customers by providing and requesting feedback on the raw materials we outsourced and the products we sold, respectively, in a timely manner to further develop new technology and refine the product quality throughout the value chain, so to create first-mover advantage and to achieve higher cost efficiency. We will continue to develop equipment and tools in-house and redesign our manufacturing processes to improve and streamline our operations, lower costs and realize economies of scales.

As of June 30, 2016, our research and development team consisted of 63 members. Among those, over 31.8% of them have Ph.D. designation and most of the rest have master designation. Most of our team members have over 10 years of experience in solar cell production, solar technology development or semiconductor industry. We believe that the continual improvement of our technology is vital in maintaining our long-term competitiveness. Consequently, we plan to continue to expand our research and development team and increase our funding for the research and development activities. We had research and development professional personnel of 55, 87, 57 and 63 as of December 31, 2013, 2014 and 2015 and June 30, 2016.

Solar power system development

Research and development for our solar power system development business are primarily focused on the objective of lowering the installation cost of energy through reductions in balance-of-systems costs, improved system design, and energy yield enhancements associated with solar power systems that use our modules. These efforts are also focused on continuing to improve our solar power systems in terms of grid reliability. Innovations related to system design, hardware platforms, inverters, trackers, and installation techniques and know-how, among other things, can and are expected in the future to continue to reduce balance-of-systems costs, which can represent a significant portion of the costs associated with the construction of a typical solar power system.

Intellectual Property

As of June 30, 2016, we held 131 patents, including 74 patents in Taiwan, 29 in the PRC and 16 in Japan. We also had 55 patent applications pending in various countries, including the PRC, Taiwan, the United States, Japan and the European Union as of the same date. Approximately 150 of our issued patents and our pending patent applications relate to technology that we are currently using. The development and protection of our intellectual property will become more important to our business. We intend to continue to assess appropriate opportunities for patent protection of those aspects of our technology that we believe provide a significant competitive advantage to us.

In addition to our patented technologies, we also use know-how available in the public domain and unpatented know-how developed in-house. We rely on a combination of trade secrets and employee contractual protections to establish and protect our proprietary rights. We believe that many elements of our business operations involve proprietary know-how, technology or data that are not coverable by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We have taken security measures to protect these elements. All of our employees, including our executive officers, management and other personnel, have signed employment agreements and intellectual property and confidentiality undertakings that contain non-competition provisions, confidentiality provisions and provisions assigning to us the rights to all intellectual properties and confidential information developed by such persons during and in connection with their employment with us or by utilizing our intellectual properties, equipment and resources.

We have registered as a trademark the logo “NSP” in the European Union and have pending trademark registration applications for the logo “NSP” in Taiwan, the PRC, the United States, Canada and Japan. We also have registered as a trademark the logo “Super Cell” in Taiwan.

Competition

The solar power market is intensely competitive and rapidly evolving. The number of solar power product and service providers has increased due to the growth of actual and forecast demand for solar power products and services and the relatively low barriers to entry. We primarily compete with Motech Industries Inc., Gintech Energy Corporation and JA Solar Holdings Co., Ltd. for the sale of our solar cells. We primarily compete with Trina Solar Limited, Canadian Solar Inc. and JinkoSolar Holding Co., Ltd. for the sale of our solar modules. We primarily compete with Altus Power America Management, LLC, Cypress Creek Renewables, LLC, Ecoplexus Solar Solutions, Kenyon Energy, LLC, New Energy Capital Partners LLC, Trina Solar Limited, Canadian Solar Inc., Soleq Pte Ltd., and Chailease Finance Co. as to our solar power system development business.

We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Some of our competitors have also become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. We expect to compete with future entrants to the PV market that offer new technological solutions. Furthermore, many of our competitors are developing or currently producing products based on new PV technologies, including silicon thin film, copper indium gallium selenide thin film, ribbon silicon, organic and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. In addition, the entire solar PV industry also faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Many of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do, which may provide them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. Such competitors may have stronger bargaining power with suppliers and have an advantage over us in pricing as well as securing silicon wafer supplies at times of shortages. Our competitors may also have greater brand name recognition, more established distribution networks, larger customer bases, more established relationships with existing and potential customers or more extensive knowledge of our target markets. They may also be able to devote greater resources to the research, development, promotion and sale of their products and respond more quickly to evolving industry standards and changes in market conditions than we can.

Environmental Matters

Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. We have installed various types of anti-pollution equipment in our facilities to reduce, treat and, where feasible, recycle the wastes generated in our manufacturing process. We are subject to regulation and periodic monitoring by local environmental protection authorities and are required to comply with all national and local environmental protection laws and regulations in the regions in which we operate. We have all necessary environmental permits to conduct our business and we have not faced any material noncompliance issues in respect of any applicable laws and regulations on environmental protection. To promote and implement ideas of environmental protection, we strive to curb any activities that may result in pollution, and we are constantly trying to enhance our energy-use efficiency. Our solar cell products also obtained SGS Certification in 2007 for our compliance with European Union's Restriction of Hazardous Substances Directive. The hazardous substance content in our solar cell products are much lower than the requirements set forth in the Restriction of Hazardous Substance Directive. We have implemented ISO 14001 environmental management system to actively manage and reduce environmental impacts due to our manufacturing process. Our ISO 14001 environmental management system has been certified by TÜV Rheinland Group. In March 2011, we also received the NP-PAS20500 process carbon footprint certification.

Employees

We had 3,131, 2,840, 2,844 and 2,141 full-time employees as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. The following table sets forth the number of our manufacturing employees and non-manufacturing employees (including engineers, administrative staff, and managers) as of December 31, 2014 and 2015 and June 30, 2016:

	As of December 31,			As of June 30,
	2013	**2014**	**2015**	**2016**
Manufacturing employee	2,479	1,906	1,917	1,327
Non-manufacturing employee	652	934	927	814
Total	3,131	2,840	2,844	2,141

Our continued success is dependent in large part on our ability to attract, retain, train and motivate qualified operational, technical and management personnel. As of June 30, 2016 over 48.8% of our full-time employees have received bachelor or higher educational degrees, respectively. We conduct campus recruiting and hire through referrals and job postings on the Internet. We believe that our compensation packages are competitive with those of our competitors.

Under applicable laws and regulations, we may be subject to social insurance contribution plans, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance schemes. We believe that we have complied with relevant national and local labor and social welfare laws and regulations in all material respects in all of the jurisdictions where we operate,

We have not experienced any major disputes with our employees and we believe that we maintain a good working relationship with our employees.

We have adopted three employee stock option plans since 2005 (the "**NSP Original Plans**"). Furthermore, after our acquisition of DelSolar in May 2013, we have inherited six of DelSolar's employee stock option plans (the "**DelSolar Legacy Plans**"), and the employee stock options granted under the DelSolar Legacy Plans may be converted to Shares issued by us. We have reserved a total of 80,000,000 Shares in our Articles of Incorporation for issuance of employee stock options.

For two of the NSP Original Plans adopted in 2005 and 2006 respectively, the options are to vest equally on the first, second, third and fourth anniversary of the issuance. For the NSP Original Plan adopted in 2007, 50% of the options are to vest on the second anniversary following the issuance, with the remaining portion to be vested equally at the third and fourth anniversary from the date of issuance. The employee stock options issued in 2005 and 2006 Original NSP Plans are to be exercised within ten years after the options vest, the employee stock options issued in 2007 Original NSP Plans are to be exercised within six years after the options vest.

For the six DelSolar Legacy Plans originally adopted in 2007, 2009 and 2010, the options are to vest equally on the second, third, fourth and fifth anniversary of the issuance. The employee stock options issued in one DelSolar Legacy Plan adopted in 2007 are to be exercised within six years after the options vest, and the employee stock options issued in the other five DelSolar Legacy Plans are to be exercised within seven years after the options vest.

The exercise price is initially the market price on the issuance date, subject to adjustments for certain dilutive events, and cannot fall below NT$10. As of June 30, 2016, 509,355 options have been granted with nil options vested.

Insurance

We maintain property insurance and business interruption insurance policies with reputable insurance companies covering our equipment, facilities, and inventories (including raw materials and products). These insurance policies cover losses due to fire, earthquake, flood and a wide range of other natural disasters. Insurance coverage for our fixed assets other than land amounted to NT$24,817.8 million, NT$26,131.5 million, NT$25,813.4 million (US$801.2 million) and NT$23,161.7 million (US$718.9 million) as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively. We also maintain insurance policies in respect of transit risks for the import of our raw materials, export of our goods and employee casualty insurance. We consider our insurance coverage to be consistent with the market practice in the regions in which we operate. We paid an aggregate of approximately NT$15.6 million, NT$17.5 million, NT$17.7 million (US$0.5 million) and NT$8.8 million (US$0.3 million) in insurance premiums in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Legal Proceedings

In October 2008, SilRay Inc. ("**SilRay**"), a California based company, brought a suit against us in Hsinchu District Court in Taiwan for US$1.269 million on the grounds of breach of the solar cell sales agreement between SilRay and us. After both the Hsinchu District Court and Taiwan High Court ruled in favor of SilRay, we filed an appeal to the Taiwan Supreme Court which remanded the case to Taiwan High Court. However, after the Taiwan High Court's subsequent ruling in which we are required to pay the relevant damages, the Taiwan Supreme Court also ruled in favor of SilRay on September 12, 2014. We filed an appeal for retrial which was subsequently dismissed by the Taiwan Supreme Court on April 16, 2015. We recognized loss arising from such claim in NT$52.2 million in September 2014.

In July 2010, we brought a suit against Sun Q Solar Corporation in the Hsinchu District Court in Taiwan seeking approximately US$3.5 million in damages on the grounds of breach of outsourcing contract. The Hsinchu District Court ruled in our favor for the entire amount in June 2013. Sun Q Solar Corporation filed an appeal against such ruling with the Taiwan High Court, which later ruled in favor of Sun Q Solar Corporation. We filed an appeal but subsequently reached a settlement with Sun Q Solar Corporation. Based on the settlement, Sun Q Solar Corporation paid us the agreed amount of NT$1 million on July 1, 2015 and we had withdrawn the appeal.

In December 2010, we entered into a construction agreement and materials purchase agreement with M+W Group for the total amount of NT$510 million. On September 4, 2013, M+W Group claimed the construction was completed and filed a civil action against us in Hsinchu District Court requesting for the remaining payment of the construction in the amount of approximately NT$191.2 million plus interests at the rate of 5% per annum. We have submitted pleadings and counter arguments in due course and the district court is currently in the process of hearing the case. As of June 30, 2016, we had made payment as to the construction fee in the amount of approximately NT$368.2 million, except for the additional construction fee of NT$49.3 million claimed by M+W Group, all remaining construction fee of NT$141.8 million and the remaining amount payable after we exercise the right of set-off.

DelSolar entered into a purchase agreement with OFUNA Industry, Ltd., Nippon Bunkaseiko Cop., and Noritake Co., Ltd. (the "**Counter Party**") in October 2010. On July 20, 2013, we filed a request for arbitration for disputes arising out of such purchase agreement with the ROC Arbitration Association requesting the Counter Party to return payment in the amount of JPY¥854 million. All four parties to the purchase agreement entered into a settlement agreement and we received a substantial amount of refund of the claimed amount in JPY155 million.

In December 2013, a U.S. solar company filed petitions with the DOC and the ITC against PRC and Taiwan solar companies for dumping of solar power products and requested anti-dumping duties be imposed on certain crystalline silicon PV cells and modules imported from the PRC and Taiwan. Acting as one of the representatives of Taiwan solar product manufacturers, we testified at the public hearing held on January 22, 2014 by the ITC, which later approved to commence the preliminary injury investigation and found that U.S. solar industry might have suffered actual injury from the solar products in question in February 2014. The PRC and Taiwan solar products in questions are being accused of a dumping margin of 165.04% and 75.68%, respectively, and the anti-dumping duties may be imposed retroactively for up to 90 days from the preliminary determination. The preliminary determination was released in June 2014 under which modules, laminates or panels assembled in the PRC consisting of cells that are manufactured using ingots or wafer manufactured in the PRC are subject to countervailing duties of 18.56% to 35.21%. On December 17, 2014, the DOC issued its affirmative final antidumping determination that imports of certain crystalline silicon PV cells and modules were dumped in the United States from the PRC and Taiwan and that imports of certain crystalline silicon PV cells and modules from the PRC received subsidies. According to the determination, the DOC chose two mandatory respondents in Taiwan which received an anti-dumping margin of 27.55% while all other producers or exporters, including us, received an anti-dumping margin of 19.50%, which will be in effect until the final determination of the first administrative review. On January 21, 2015, the ITC affirmed that imports of crystalline silicon PV cells and modules from the PRC and Taiwan materially injure the domestic industry. The actual duty rates at which entries of covered merchandise will be finally assessed may differ from the announced deposit rates, because they will be subject to completion of administrative reviews of these anti-dumping and countervailing duty orders. In addition, we also submitted a claim to the USCIT to challenge the decision by DOC in March 2016, and the USCIT is currently in the process of hearing the case.

In July 2015, we brought a suit against two subsidiaries of China Electric Equipment Group ("**CEEG**"), CEEG (Shanghai) and CEEG (Nanajing), whom are our customers, in Suzhou Basic People's Court in the PRC seeking approximately RM48.2 million for payment of purchase price for our solar cells. We also filed a request for arbitration for the disputed purchase price of RMB32.1 million with the Shanghai International Economic and Trade Arbitration Commission in the same month for a dispute arising out of an agreement with China Electric Equipment (Nanjing) New Energy Co., Ltd., also a subsidiary of China Electric Equipment Group. We recognized a loss for the disputed amount and petitioned for attachment of property to secure future payment. The Suzhou Basic People's Court ruled in our favor on September 23, 2015, after which China Electric Equipment Group filed an appeal to such judgment. We subsequently reached a settlement with CEEG (Shanghai) and CEEG (Nanajing) and they agreed to pay us RMB48.2 million. In addition, we also received a favorable decision in the arbitration and China Electric Equipment (Nanjing) New Energy Co., Ltd. is to pay RMB32.1 million according to the decision. After China Electric Equipment Group and is subsidiaries' failure to fulfill their obligation to pay the above amounts, we applied to the court to enforce such arbitration order and had successfully seized part of the cash of China Electric Equipment Group. We are in the process of tracking additional assets of China Electric Equipment Group that can be used to fulfill its payment obligation to us.

In January 2016, Wafer Works Corp., one of our suppliers of wafers, brought a suit against us in Hsinchu District Court in Taiwan seeking NT$10 million as part of its claim that we have failed to fulfill our contractual obligation. The court is currently in the process of hearing the case.

In April 2016, we filed a motion for provisional seizure with Kaohsiung District Court in Taiwan against G Energy Co., Ltd. with respect to its failure to pay NT$71.3 million according to the purchase agreement under which they purchased solar modules from us. The responsible person of G Energy Co., Ltd. had previously issued a promissory note of approximately NT$9.5 million to secure the payment of the outstanding purchase price and we had sought for the enforcement of such note and had recognized loss for the remaining payables in May 2016. The Kaohsiung District Court in Taiwan is currently in the process of hearing the case.

DelSolar entered into a wafer purchase agreement with PV Silicon AG, which later changed its name to PV Crystalox, in February 2008 with a term of seven years (from 2009 to 2015). According to the agreement, PV Crystalox is obliged to provide agreed amount of wafer to DelSolar with agreed prices which reflected then market price in a specified period, while DelSolar is obliged to pay prepayment for each purchase during the period from 2009 to 2015. However, due to considerable decline in market price of solar cells, both parties signed a memorandum of understanding in June 2009 in which both parties agreed to negotiate purchase price in good faith going forward. In March 2015, we received notice from ICC Court of Arbitration with respect to PV Crystalox's claim against us to fulfill obligation under the agreement. We believe that there are certain issues to be clarified and we have engaged legal counsel to assist us in the proceeding. PV Crystalox asserted that we are responsible for a total purchase amount of EUR36,089,281 (excluding delayed interest and other expenses) for the period from 2009 to 2012 and a total purchase amount of EUR68,372,201 (excluding delayed interest f and other expenses) for the period from 2013 to 2015. However, PV Crystalox has not yet made any claim for any other potential damages it may have under the purchase agreement. As part of our acquisition of DelSolar in May 2013, we recorded a loss reserve for the prepayment arising from this purchase agreement and will make further adjustments pending the result of the arbitration.

In January 2016, Mosel Vitelic Inc. ("**Mosel**") filed a motion against us for an order for seizure and mandatory transfer of rights as creditor with Hsinchu District Court in Taiwan. Mosel's basis for such order is based on the decision made by Hong Kong International Arbitration Center which was recognized by courts in Taiwan. After we filed an objection to such motion, Mosel brought a suit against us in Hsinchu District Court in Taiwan in March 2016 seeking payment for approximately NT$60.5 million. The court is currently in the process of hearing the case.

In July 2016, DelSolar (Wujiang) Ltd., our indirectly wholly-owned subsidiary, filed a suit against Shanghai Jingyao Industrial Co., Ltd., one of its suppliers, in the Shanghai Jiading District People's District Court to claim the return of prepayment made for the purchase of solar cells that amounted to approximately RMB5.4 million and RMB41,000 in interest. The claim was accepted by the Shanghai Jiading District People's District Court in July 2016. The court is currently in the process of hearing the case and had issued a temporary restrain order to freeze the bank account of Shanghai JingYao Industrial Co., Ltd. to secure assets in connection with potential future enforcement.

Except as disclosed above, we are not currently a party to any material legal proceeding. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business.

Subsidiaries and Significant Investments

We maintain shareholdings in our subsidiaries and investments in other companies or securities for long term strategic investment purposes. The following table sets forth certain information as of June 30, 2016 regarding our Principal Subsidiaries and significant investments. All issued shares in these subsidiaries and other companies are fully paid and non-assessable:

	Book Value of Our Investments	Value at which We Show Shares Held in Our Accounts	Percentage of Common Shares Owned by Us as of June 30, 2016	Date of Incorporation	Principal Business
	as of June 30, 2016				
	(except otherwise specified, in NT thousands)		(%)		
General Energy Solutions Inc. No.18-1, Guangfu N. Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County 303, Taiwan	1,794,226	1,794,226	75.9	July 9, 2009	Electronic component manufacturing and selling

Directors

ROC Company Act and our Articles provide that our directors are to be elected by our shareholders for three-year terms in an ordinary shareholders' meeting. The chairman is a director elected by and from our board. Our board of directors is responsible for the management of our business. Our Articles provide for a board comprising nine directors, among them at least three and not fewer than one-fifth of the total number of directors shall be independent directors. We currently have eight directors as one of our directors resigned in August 2016.

Directors may serve any number of consecutive terms and may be removed from office at any time for a bona fide reason, including breach of duties, by a resolution adopted at an ordinary shareholders' meeting. Our current directors were elected at the ordinary shareholders' meeting held on June 16, 2016, and their terms expire on June 16, 2019.

The following table shows certain specified information with respect to each director as of the date of this Offering Circular:

Name	Age	Position
Sam Chum-Sam Hong	66	Chairman
Kung-Si Lin	67	Director
Hsueh-Lee Lee(1)	59	Director
Andy Wei-Jiun Shen	60	Director
Lanford Liu(2)	55	Director
Albert Chang(2)	55	Director
Shyur-Jen Chien	65	Independent Director
Simon Lin	64	Independent Director
C.H. Chen	71	Independent Director

(1) As a representative of China Development Industrial Bank.
(2) As a representative of Delta Electronics Inc.

The business address of our directors is our registered address.

Sam Chum-Sam Hong is our co-founder and has served as our Chairman since August 2016, as our director since 2005 and our Chief Executive Officer since January 2013. Dr. Hong was also our President from 2005 to January 2013. Dr. Hong holds a Ph.D. degree in electrical engineering from National Tsing Hua University. Prior to founding our company, Dr. Hong was the Division Director of Photovoltaic Solar Energy Division of the Industry Technology Research Institute and the vice president and plant director of Sinonar Solar Corporation.

Kun-Si Lin is our co-founder and has served as our Director since 2005 and our Chief Strategic Officer since January 2013. Mr. Lin served as our Chairman from 2005 to August 2016. Mr. Lin was also our Chief Executive Officer from 2005 to January 2013. Mr. Lin was a senior vice president at Taiwan Semiconductor Manufacturing Company Limited before founding our company. Mr. Lin is also currently the Chairman of Fortune Investment Group IC Fund and Rafael Microelectronics, Inc. Mr. Lin graduated with a doctoral degree in business administration from University of Kentucky and received his MBA and bachelor's degrees in electronic engineering from National Chiao Tung University.

Hsueh-Lee Lee has served as our director since 2010. Mr. Lee received a bachelor degree in accounting from Soochow University. Mr. Lee is the vice president of China Development Industrial Bank.

Andy Wei-Jiun Shen has served as a director since June 2016 while also serving as our President and Chief Operating Officer since January 2013. Prior to that, Mr. Shen was our Vice President of Worldwide Sales and Marketing from 2008 to January 2013. Mr. Shen has over 30 years of industry experience in semiconductor engineering, sales and marketing. Prior to joining our company, Mr. Shen was a senior director in Taiwan Semiconductor Manufacturing Company Limited and was the president of TSMC Europe B.V. Mr. Shen received a bachelor's degree in physics from National Taiwan University, a master's degree in electrical engineering from Case Western Reserve University and a MBA from Santa Clara University.

Lanford Liu has served as our director since May 2013. Mr. Liu holds an MBA degree of University of Southern California. Mr. Liu also serves as the Chairman of Delta Electronics Capital Company and a director of Trillion Science, Inc.

Albert Chang has served as our director since May 2013. Mr. Chang holds an EMBA degree from National Central University. Mr. Chang also serves as the president and a director of Delta Electronics Inc.

Shyur-Jen Chien has served as our independent director since 2007. Mr. Chien holds a master's degree and a bachelor degree in engineering from Massachusetts Institute of Technology. Mr. Chien is also currently the Chairman of the board of directors of KISmart Corporation, a director of Yageo Corporation, and an independent director of UltraChip, Inc.

Simon Lin has served as our independent director since 2008. Mr. Lin holds a bachelor's degree in computing and control from National Chiao Tung University. Mr. Lin is also currently the chairman and chief executive officer of Wistron Corporation.

C.H. Chen has served as our independent director since 2015. Mr. Chen holds a bachelor's degree in electronic engineering from National Chiao Tung University. Mr. Chen is also currently the president of ASML Taiwan.

Audit Committee

Prior to June 30, 2008, we had three supervisors, each of whom was elected by our shareholders for a three-year term at the ordinary shareholders' meeting. On June 30, 2008, our shareholders' meeting and board of directors resolved to set up an audit committee, which replaced these three supervisors and is responsible for implementing the powers and functions of supervisors required by relevant laws and regulations, including but not limited to, investigation of our business and financial condition, inspection of our corporate records, verification of some statements by our board of directors at shareholders' meetings, calling of shareholders' meetings, representing us in negotiations with our directors and notification, when appropriate, to the board of directors to cease acting in contravention of any applicable law or regulation or in contravention of our Articles or beyond our scope of business. Our audit committee currently consists of Mr. Shyur-Jen Chien, Mr. Simon Lin and Mr. C.H. Chen. In 2014, 2015 and the six months ended June 30, 2016, our audit committee held meetings six times, seven times and two times, respectively.

Executive Officers

The following table sets forth certain information relating to our executive officers:

Name	Age	Position
Kun-Si Lin	67	Chief Strategic Officer
Sam Chum-Sam Hong	66	Chairman and Chief Executive Officer
Andy Wei-Jiun Shen	60	President and Chief Operating Officer
Alex Jyh-Chung Wen	54	Senior Vice President of Quality Assurance, Environmental Safety and Health
Marco Hwei-Fong Hu	67	Senior Vice President of Supply Chain Management
Thomas Jacheng Hsu	61	Senior Vice President and Chief Financial Officer

The business address of our executive officers is our registered address.

Kun-Si Lin is our Chief Strategic Officer. Please see above, under "Directors."

Sam Chum-Sam Hong is our Chairman and Chief Executive Officer. Please see above, under "Directors."

Andy Wei-Jiun Shen is our director, President and Chief Operating Officer. Please see above, under "Directors."

Alex Jyh-Chung Wen is our Senior Vice President of quality assurance, environmental safety and health. Mr. Wen joined our company as Executive Vice President in 2005. Mr. Wen has more than 15 years of experience in silicon material technology. Prior to joining our company, Mr. Wen was the manager and laboratory director of Materials Research Laboratories of the Industrial Technology Research Institute. Mr. Wen holds a Ph.D. degree in power mechanical engineering from National Tsing Hua University.

Marco Huei-Fong Hu is our Senior Vice President of Supply Chain Management. Mr. Hu joined us as Senior Vice President of Supply Chain Management in 2009. Mr. Hu has more than 30 years of experience in high-tech production management and general management. Prior to joining our company, Mr. Hu was the president of Tynsolar Corporation. Mr. Hu also previously served as the marketing manager at Hewlett-Packard, Taiwan, Ltd. and as the production manager of Texas Instruments Taiwan Limited. Mr. Hu holds a bachelor's degree in Communication Engineering from National Chiao Tung University.

Thomas Jacheng Hsu is our Senior Vice President and Chief Financial Officer. Mr. Hsu joined us as Senior Vice President and Chief Financial Officer in 2011. Prior to joining our company, Mr. Hsu was the chief financial officer of Tatung Group and InnoLux Display Corporation. Mr. Hsu has more than 25 years of experience in financial and technology industries. Mr. Hsu received a MBA from the University of Michigan.

There have been no transactions that are unusual in their nature or condition between our company and members of our administrative, management and supervisory bodies.

Compensation of Directors and Executive Officers

Our directors and executive officers, each as a group in such capacities, received remuneration and benefits in kind from us of approximately NT$86.8 million, NT$70.7 million (US$2.2 million) and NT$37.0 million (US$1.1 million) in 2014 and 2015 and the six months ended June 30, 2016, respectively. As of June 30, 2016, our directors and executive officers, held no options that were not exercised. There are no outstanding loans granted by us to any of the directors or executive officers and there are no outstanding guarantees provided by us for the benefit of any of the directors or executive officers.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of June 30, 2014 with respect to the Common Shares owned by each of our ten largest shareholders, according to our records, and by all directors and executive officers as a group:

	Number of Shares Held as of June 30, 2016	Percentage of Shares Held as of June 30, 2016
Principal Shareholders:		
Delta Electronics, Inc.	167,145,851	16.42%
Fubon Life Insurance Co., Ltd.	43,700,000	4.29%
Nan Shan Life Insurance Company, Ltd.	17,912,145	1.76%
Mei-Ling Yu	15,000,000	1.47%
China Development Industrial Bank	14,012,424	1.38%
New Castle Investment Co., Ltd.	13,139,799	1.29%
King's Town Bank Co., Ltd.	12,000,000	1.18%
KGI Securities Co., Ltd.	10,959,000	1.08%
Tungshun Investment Co., Ltd	10,572,235	1.04%
Entrusted investment account of TriOrient Investment Ltd. held by Bank SinoPac	10,000,000	0.98%
Directors and Executive Officers:		
Directors as a group	185,966,420	18.27%
Executive officers as a group	836,219	0.08%

RELATED PARTY TRANSACTIONS

We have from time to time engaged in transactions with companies whose management members are partially the same as those of our Company. There are no significant differences in purchase and selling prices between transactions with our related parties and arms-length transactions with our suppliers and customers. There were no unusual transactions in terms of the nature of or conditions contained in such transactions with our directors and executive officers for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016.

The following summary of significant transactions with related parties are based on the notes to our audited consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 and our unaudited consolidated interim financial statements as of and for the six months ended June 30, 2015 and 2016 included elsewhere in this Offering Circular.

Summary of Significant Related Party Transactions for the Years Ended December 31, 2013, 2014 and 2015

Trading transactions

	Sale of Goods			
	For the Year Ended December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Other related parties	2,028,654	805,172	432,059	13,410
Related parties in substance	940	736	2,078	64
Investors with significant influence on certain group entities	42	318	1,265	39
Associates	—	287,923	—	—
	2,029,636	1,094,149	435,402	13,513

	Purchase of Goods			
	For the Year Ended December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Investors with significant influence on certain group entities	—	377	891	28
Related parties in substance	87,968	3,516	479	15
Associates	—	26,555	—	—
	87,968	30,448	1,370	43

	Rental Expense			
	For the Year Ended December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Other related parties	24,447	44,674	45,611	1,416

	Utilities			
	For the Year Ended December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Other related parties	71,219	123,943	115,327	3,579

Accounts receivable from related parties

	Accounts Receivable			
	As of December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Other related parties	—	32,830	340,434	10,566
Investors with significant influence on certain group entities	—	54	26	1
Associates	264,427	160,611	—	—
	264,427	193,495	340,460	10,567

	Other Receivable			
	As of December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Associates	—	652,560	475,550	14,759
Other related parties	—	—	549	17
	—	652,560	476,099	14,776

Trade payables from related parties

	Accounts Payable			
	As of December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Investors with significant influence onc ertain group entities	—	144	324	10
Related parties in substance	8,723	226	169	5
Other related parties	62	65	64	2
Associates	—	84,485	—	—
	8,785	84,920	557	17

	Payables to Contractors and Equipment Suppliers			
	As of December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Investors with significant influence on certain group entities	52,681	121,394	70,235	2,180
Related parties in substance	—	—	4,168	129
	52,681	121,394	74,403	2,309

	Other Accrued Expenses			
	As of December 31,			
	2013	2014	2015	
	NT$	NT$	NT$	US$
	(in thousands)			
Investors with significant influence on certain group entities	498	16,468	6,455	200
Related parties in substance	503	—	—	—
Other related parties	58,114	59,408	77,128	2,394
	59,115	75,876	83,583	2,594

Summary of Significant Related Party Transactions for the Six Months Ended June 30, 2015 and 2016

Trading transactions

	Sale of Goods		
	For the Six Months Ended June 30,		
	2015	2016	
	NT$	NT$	US$
	(in thousands)		
Other related parties	50,812	198,770	6,169
Related parties in substance	998	273	8
Investors with significant influence on certain group entities	45	—	—
	51,855	199,043	6,177

	Purchase of Goods		
	For the Six Months Ended June 30,		
	2015	2016	
	NT$	NT$	US$
	(in thousands)		
Investors with significant influence on certain group entities	499	643	20
Related parties in substance	314	330	10
	813	973	30

	Other Expenses		
	For the Six Months Ended June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Investors with significant influence on certain group entities	858	8,416	261
Other related parties	1,608	8,029	249
	2,466	16,445	510

	Rental Expense		
	For the Six Months Ended June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Other related parties	22,663	17,950	557

	Utilities		
	For the Six Months Ended June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Other related parties	56,057	44,298	1,375

Accounts receivables from related parties

	Accounts Receivable		
	As of June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Other related parties	7,697	275,898	8,563
Investors with significant influence on certain group entities	23	—	—
	7,720	275,898	8,563

	Other Receivables		
	As of June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Associates	488,410	625,147	19,402
Investors with significant influence on certain group entities	9,986	—	—
Other related parties	—	11,441	355
	498,396	636,588	19,757

Accounts payables to related parties

	Accounts Payable		
	As of June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Investors with significant influence on certain group entities	346	597	19
Other related parties	64	62	2
Related parties in substance	70	—	—
Associates	80,838	—	—
	81,318	659	21

	Payables to Contractors and Equipment Suppliers		
	As of June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Investors with significant influence on certain group entities	60,930	62,827	1,950
Related parties in substance	—	4,168	129
	60,930	66,995	2,079

	Other Accrued Expenses		
	As of June 30,		
	2015	2016	
	NT$	NT$	US$
		(in thousands)	
Other related parties	48,525	48,519	1,506
Investors with significant influence on certain group entities	317	4,968	154
	48,842	53,487	1,660

CHANGES IN SHARE CAPITAL

Changes in our issued share capital since our inception up to September, 2016 are set forth below:

Issue Date	Type of Issue	Number of shares Issued/ (Cancelled)	Number of shares Outstanding After Issue
August 2005	Initial issuance of 150,000 Shares	150,000	150,000
October 2005	Issuance of 7,595,000 Shares for capital increase	7,595,000	7,745,000
December 2005	Issuance of 52,255,000 Shares for capital increase	52,255,000	60,000,000
December 2006	Issuance of 1,375,000 Shares for employee stock option exercise	1,375,000	61,375,000
January 2007	Issuance of 20,000,000 Shares for capital increase	20,000,000	81,375,000
March 2007	Issuance of 15,000,000 Shares for capital increase	15,000,000	96,375,000
July 2007	Issuance of 50,000 Shares for employee stock option exercise	50,000	96,425,000
October 2007	Issuance of 617,500 Shares for employee stock option exercise	617,500	97,042,500
January 2008	Issuance of 1,460,000 Shares for employee stock option exercise	1,460,000	98,502,500
April 2008	Issuance of 82,500 Shares for employee stock option exercise	82,500	98,585,000
April 2008	Issuance of 20,000,000 Shares for capital increase	20,000,000	118,585,000
September 2008	Issuance of 50,000 Shares for employee stock option exercise and 24,837,926 Shares of retained earnings	24,887,926	143,472,926
November 2008	Issuance of 517,500 Shares for employee stock option exercise	517,500	143,990,426
February 2009	Issuance of 15,500,000 Shares for capital increase	15,500,000	159,490,426
March 2009	Issuance of 785,000 Shares for employee stock option exercise	785,000	160,275,426
August 2009	Issuance of 20,024,383 Shares of retained earnings	20,024,383	180,299,809
September 2009	Issuance of 80,000 Shares for employee stock option exercise	80,000	180,379,809
September 2009	Issuance of 30,000,000 Shares for capital increase	30,000,000	210,379,809
October 2009	Issuance of 302,500 Shares for employee stock option exercise	302,500	210,682,309
April 2010	Issuance of 1,287,500 Shares for employee stock option exercise	1,287,500	211,969,809
May 2010	Issuance of 1,528,500 Shares for employee stock option exercise	1,528,500	213,498,309
August 2010	Issuance of 418,546 Shares for conversion of convertible bonds	418,546	213,916,855
August 2010	Issuance of 485,000 Shares for employee stock option exercise	485,000	214,401,855
October 2010	Issuance of 70,000,000 Shares for capital increase	70,000,000	284,401,855
November 2010	Issuance of 909,810 Shares for conversion of convertible bonds and 392,500 Shares for employee stock option exercise	1,302,310	285,704,165
February 2011	Issuance of 10,973,696 Shares for conversion of convertible bonds and 495,200 Shares for employee stock option exercise	11,468,896	297,173,061
February 2011	Issuance of 15,088,763 Shares for conversion of convertible bonds and 367,750 Shares for employee stock option exercise	15,456,513	312,629,574
July 2011	Issuance of 16,020,193 Shares for capital increase	16,020,193	328,649,767
August 2011	Issuance of 100,000,000 Shares for capital increase	100,000,000	428,649,767
September 2011	Issuance of 215,000 Shares for employee stock option exercise	215,000	428,864,767
January 2012	Issuance of 400,000 Shares for employee stock option exercise	400,000	428,904,767

Issue Date	Type of Issue	Number of shares Issued/ (Cancelled)	Number of shares Outstanding After Issue
May 2012	Issuance of 410,000 Shares for employee stock option exercise	410,000	429,314,767
September 2012	Issuance of 12,500 Shares for employee stock option exercise	12,500	429,327,267
October 2012	Issuance of 2,948,500 employee restricted Shares	2,948,500	432,275,767
January 2013	Issuance of 28,470,092 Shares for capital increase	28,470,092	460,745,859
March 2013	Cancellation of 68,500 employee restricted Shares	(68,500)	460,677,359
May 2013	Issuance of 45,000 Shares for employee stock option exercise and cancellation of 100,500 employee restricted Shares	(55,000)	460,621,859
June 2013	Issuance of 168,507,504 Shares for merger and acquisition	168,507,504	629,129,363
August 2013	Issuance of 15,000 Shares for employee stock option exercise and cancellation of 794,393 employee restricted Shares	(779,393)	628,349,970
October 2013	Issuance of 3,530,500 employee restricted Shares	3,530,500	631,880,470
November 2013	Issuance of 130,000,000 Shares for capital increase	130,000,000	761,880,470
December 2013	Issuance of 60,000 Shares for employee stock option exercise and cancellation of 257,416 employee restricted Shares	(197,416)	761,683,054
April 2014	Issuance of 15,135,759 Shares for conversion of convertible bonds and 340,000 Shares for employee stock option exercise and cancellation of 129,600 employee restricted Shares	15,006,159	777,029,213
May 2014	Issuance of 10,088,159 Shares for conversion of convertible bonds and cancellation of 33,580 employee restricted Shares	10,054,579	787,083,792
August 2014	Issuance of 2,188,482 Shares for conversion of convertible bonds and cancellation of 47,666 employee restricted Shares	2,140,816	789,224,608
October 2014	Issuance of 2,000,000 employee restricted Shares	2,000,000	791,224,608
November 2014	Issuance of 162,372 Shares for conversion of convertible bonds and cancellation of 33,500 employee restricted Shares	128,872	791,353,480
January 2015	Issuance of 65,000,000 Shares for capital increase	65,000,000	856,353,480
April 2015	Cancellation of 76,500 employee restricted Shares	(76,500)	856,276,980
May 2015	Cancellation of 57,500 employee restricted Shares	(57,500)	856,219,480
August 2015	Issuance of 2,000,000 employee restricted Shares and cancellation of 233,000 employee restricted Shares	1,767,000	857,986,480
November 2015	Issuance of 275,000 employee restricted Shares and cancellation of 33,000 employee restricted Shares	242,000	858,228,480
March 2016	Cancellation of 66,750 employee restricted Shares	(66,750)	858,161,730
May 2016	Issuance of 160,000,000 Shares for capital increase and cancellation of 157,250 employee restricted Shares	159,842,750	1,018,004,480
August 2016	Cancellation of 224,750 employee restricted Shares	(224,750)	1,017,779,730

DESCRIPTION OF THE SHARES

The following is a summary of information relating to our share capital, including the material provisions of our Articles, the ROC Securities and Exchange Act and regulations promulgated there under and the ROC Company Act, all as currently in effect.

General

As of the date of this Offering Circular, our authorized share capital registered with the Ministry of Economic Affairs of the ROC is NT$12,000,000,000, divided into 1,200,000,000 Common Shares with a par value of NT$10 per share (of which 80,000,000 Common Shares have been reserved for issuance upon any exercise of employee stock options). As of the date of this Offering Circular, the paid-in capital was NT$10,177,797,300.

Under the ROC Company Act, any change in our authorized share capital, including decreases in authorized share capital, requires an amendment to our Articles, which in turn requires approval at the shareholders' meeting. Authorized but unissued Common Shares may be issued subject to the ROC Company Act and our Articles, upon terms that the board of directors may determine.

We have adopted three employee stock option plans since 2005 (the "**NSP Original Plans**"). Furthermore, after we merged DelSolar in 2013, we have inherited six employee stock option plans from DelSolar (the "**DelSolar Legacy Plans**"), and the employee stock options granted under the DelSolar Legacy Plans may be converted to the Shares issued by us. We have reserved a total of 80,000,000 shares in our Articles of Incorporation for issuance of employee stock options.

For two of the NSP Original Plans adopted in 2005 and 2006 respectively, the options are to vest equally on the first, second, third and fourth anniversary of the issuance. For the NSP Original Plan adopted in 2007, 50% of the options are to vest on the second anniversary following the issuance, with the remaining portion to be vested equally at the third and fourth anniversary from the date of issuance. The employee stock options issued in 2005 and 2006 Original NSP Plans are to be exercised within ten years after the options vest, the employee stock options issued in 2007 Original NSP Plans are to be exercised within 6 years after the options vest.

For the six DelSolar Legacy Plans originally adopted in 2007, 2009 and 2010, the options are to vest equally on the second, third, fourth and fifth anniversary of the issuance. The employee stock options issued in one DelSolar Legacy Plan adopted in 2007 are to be exercised within six years after the options vest, and the employee stock options issued in the other five DelSolar Legacy Plans are to be exercised within seven years after the options vest.

The exercise price is initially the market price on the issuance date, subject to adjustments for certain dilutive events, and cannot fall below NT$10. As of June 30, 2016, 509,355 options have been granted with nil options vested.

Our overseas convertible bonds issued in 2008 have all been converted, and an aggregate of 27,390,765 Common Shares were issued at the conversions. We have one class of Common Shares. Pursuant to the ROC Company Act, a company may not issue preferred stock unless authorized by its articles of incorporation. There is no such authorization in our Articles.

Dividends and Distribution

Our Articles, as amended by the shareholders in their meeting on June 16, 2016, provides that after we pay all income taxes, recovers any losses incurred in prior years, set aside 10% of our Earnings as legal reserve, and set aside or reverse a special reserve as may be necessary, and then any remaining profit together with any undistributed retained earnings shall be used by our board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

We will distribute dividends based on the budget for future capital expenditures and our financing needs. Cash dividends should be not less than 10% of the total dividends. At each of our annual ordinary shareholders' meetings, the board of directors submits to the shareholders for their approval any proposal for the distribution of a dividend or the making of any other distribution to shareholders from our Earnings (subject to compliance with the requirements mentioned above) for the preceding fiscal year. All Common Shares issued and outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution approved by our shareholders. Dividends should be distributed in a combination of cash and Common Shares in principal, provided that dividends distributed in the form of cash shall be no less than 10% of the total dividends declared. Under current ROC law, cash dividends which are unclaimed for a period of five years from the date of the relevant notice of distribution may no longer be claimed. Such unclaimed cash dividends will, upon expiry of such five-year period, remain our property. However, stock dividends are not subject to any prescription period under ROC law. Thus, uncollected stock dividends will remain in our safekeeping and continue to be claimable by the relevant shareholders.

In addition to dividends paid out of Earnings of a company, the ROC Company Act also permits a company to make distributions to shareholders in the form of additional shares or cash from reserves (including its legal reserve referred to above and certain other reserves). For information as to ROC taxes on cash and stock dividends, see "ROC Taxation." However, the capitalization or cash distribution of the legal reserve can only be effected when there is a profit and the accumulated legal reserve exceeds 25% of the company's paid-in capital. The capitalized portion payable out of our capital reserves may be from the aggregate of the premium from issuing stock, earnings from gifts received and the legal reserve.

New Common Shares and Preemptive Rights

New Common Shares may only be issued with the prior approval of the board of directors. If the issuance of any new shares will result in any change in the authorized share capital, we are also required under the ROC Company Act to amend our Articles and obtain approval of the shareholders. In addition, we must also obtain the approval of, and submit a registration with, the Ministry of Economic Affairs and ROC FSC.

Under the ROC Company Act, when we issue new Common Shares for cash, existing shareholders who are listed on the shareholders' register as of the record date have preemptive rights to subscribe for the new issue in proportion to their existing shareholdings, while our employees, whether or not they are existing shareholders, have a similar right to subscribe for 10% to 15% of the new issue. Any new Common Shares that remain unsubscribed at the expiration of the subscription period may be offered to the public or specific persons at the discretion of our board of directors. Our existing shareholders will not have preemptive rights to subscribe either for the Bonds or for the new Common Shares that may be issued upon the conversion of the Bonds.

In addition, in accordance with the ROC Securities and Exchange Act, when we intend to offer new Common Shares for cash, we must conduct a public offering of at least 10% of the Common Shares to be sold, except under certain circumstances or when exempted by the ROC FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, which would diminish the number of new Common Shares subject to the preemptive rights of existing shareholders. In addition, the preemptive right provisions will not apply to offerings of new shares in certain limited circumstances, such as a private placement approved in a shareholders' meeting.

Meetings of Shareholders

Our annual meeting of shareholders is usually held in Hsinchu City, Taiwan, ROC, as determined by the board of directors, within six months of the end of each calendar year. Extraordinary meetings of shareholders may be convened by resolutions of the board of directors whenever they consider it necessary, and they must do so if requested in writing by shareholders holding not less than 3% of the paid-in capital who have held these shares for more than one year. Notice in writing of annual and extraordinary shareholders' meetings stating the place, time and purpose thereof must be dispatched to each of our shareholders at least 30 days and 15 days, respectively, prior to the date set for the meeting.

Voting Rights

Under the ROC Company Act, a shareholder has one vote for each common share except for treasury shares. Except as otherwise provided by law, a resolution can be adopted by the holders of at least a majority of the Common Shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding Common Shares are present. In accordance with the ROC Company Act, the election of directors and supervisors at a shareholders' meeting is by means of cumulative voting. In all matters, except for the election of directors and supervisors, a shareholder must cast all of his votes in the same direction unless such shareholder is recognized by the ROC FSC to hold shares on behalf of multiple beneficial owners. Candidates for the offices of directors and supervisors may be nominated at the shareholders' meeting at which ballots for the election are cast.

Moreover, as authorized under the ROC Company Act, we have adopted a nomination procedure for election of our independent directors in our Articles. According to our Articles, ballots for the election of directors and independent directors are cast separately. Any shareholder who has a personal interest in a matter to be discussed at the shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights on behalf of another shareholder on such matter. Under the ROC Company Act, the approval by at least a majority of the shares represented at a shareholders' meeting in which a quorum of shareholders holding at least two-thirds of all issued and outstanding shares is present is required for major corporation actions, including:

- amendment to the Articles (which is required, inter alia, for any increase in authorized share capital);
- transfer of the whole or a substantial part of our business or assets;
- execution, amendment or termination of any contract that leases our entire business, mandates our operation to other persons, or operates the business frequently for the joint interest of us and other persons;
- taking over of the entire business or assets of any other company which would have a significant impact on our operations;
- distribution of any stock dividend;
- dissolution or amalgamation of a company;
- merger or spin-off; and
- removal of directors or supervisors.

Alternatively, the ROC Company Act provides that in the case of a public company, such as us, a resolution may be adopted by the holders of at least two-thirds of the shares represented at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present. However, if a controlling company holds not less than 90% of its subordinate company's outstanding shares, the controlling company's merger with the subordinate company can be approved by a board resolution adopted by majority consent at a meeting with two-thirds of directors present.

A shareholder may be represented at an ordinary or extraordinary meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for the ordinary or extraordinary shareholders' meeting. In the case of a public company, except for trustee enterprises or stock affair agents approved by the ROC FSC, where (i) a person who holds proxies for two or more shareholders who together hold more than 3% of the total issued shares, or (ii) a person who holds proxies for three or more shareholders who together hold more than four times of such authorized person's own shares, the votes of those shareholders in excess of 3% of the outstanding shares or four times of such authorized person's own shares (as applicable) shall not be counted. Voting rights attached to our shares exercised through a proxy are subject to the proxy regulations promulgated by the ROC FSC.

Under the ROC Company Act, we may set a record date and shall close the register of shareholders for a specified period immediately prior to and including the record date in order to determine the shareholders or pledgees that are entitled to rights pertaining to the shares. The specified period required for the respective record date is as follows:

- ordinary shareholders' meeting — sixty days;
- extraordinary shareholders' meeting — thirty days; and
- relevant record date for distribution of dividends, bonuses or other interests — five days.

Other Rights of Shareholders

Under the ROC Company Act, our dissenting shareholders are entitled to appraisal rights in the event of amalgamation, spin-off and various other major corporate actions within 20 days of a shareholders' resolution approving the event. A dissenting shareholder may request us to redeem all of the shares owned by such shareholder at a fair price to be determined by mutual agreement. If an agreement cannot be reached, the valuation will be determined by a court order. For amalgamation or spin-off, a dissenting shareholder may exercise its appraisal right by serving written notice on us before or during the related shareholders' meeting or by raising and registering its objection in the shareholders' meeting. For other major corporate actions, a dissenting shareholder may exercise its appraisal right by serving written notice on us before the related shareholders' meeting and by raising and registering its objection in the shareholders' meeting.

In addition to appraisal rights, within 30 days after the date of the shareholders' meeting, any shareholder has the right to annul any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were or was legally defective. However, if the court is of the opinion that such violation is not material and does not affect the result of the resolution, the court may reject or dismiss the shareholder's lawsuit. If the substance of a resolution adopted at a shareholders' meeting contradicts any applicable law or regulation or our Articles, a shareholder may bring a suit to determine the validity of such resolution.

Shareholders may bring suit against directors and supervisors under the following circumstances:

- Shareholders who have continuously held 3% or more of the total number of issued and outstanding shares for a period of one year or longer may request in writing that a supervisor/audit committee member institute an action against a director on our behalf. In case the supervisor/audit committee member fails to institute an action within 30 days after receiving such request, the shareholders may institute an action on our behalf. In the event that shareholders institute an action, a court may, upon application of the defendant, order such shareholders to furnish appropriate security.

- Shareholders holding 3% or more of the total number of issued and outstanding shares may institute an action with a court to remove a director who has materially violated the applicable laws or our Articles or has materially damaged our interests if a resolution for removal on such grounds has first been voted on and rejected by the shareholders and such suit is filed within 30 days of such shareholders' vote.

- In the event that any director, supervisor, officer or shareholder holds more than 10% of the issued and outstanding shares and their respective spouse and minor children and/or nominees sells shares within six months after the acquisition of such shares, or repurchases the shares within six months after the sale, we may make a claim for recovery of any profits realized from the sale and purchase. If the board of directors or the supervisors fails or fail to make a claim for recovery, any shareholder may request the board of directors or the supervisors to make such claim within 30 days. After such 30-day period, the requesting shareholder will have the right to make a claim for such recovery, and our directors and supervisors will be jointly and severally liable for damages suffered by us as a result of their failure to exercise the right of claim.

In addition, one or more shareholders who have held more than 3% of our issued and outstanding shares for more than a year may require our board of directors to convene an extraordinary shareholders' meeting by sending a written request to the board of directors. The ROC Company Act allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the ordinary meeting of shareholders. The ROC Company Act also provides that a company may adopt a nomination procedure for election of directions or supervisors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles currently adopt such nomination procedure for the election of our independent directors.

Annual Financial Statements

For a period of at least 10 days before the ordinary shareholders' meeting, our annual audited financial statements must be available at our principal office and our share registrar, for inspection by the shareholders. According to the regulations of the ROC FSC, starting from 2008 we are required to publish our annual, semiannual and quarterly financial statements on a consolidated basis.

Transfers of Common Shares

Under the ROC Company Act, a public company, such as us, may issue individual share certificates, one master or no certificate at all to evidence Common Shares. Under the ROC Company Act, when individual share certificates are issued and delivered to the shareholders, the transfer of the shares (in registered form) is effected by endorsement and delivery of share certificates. Under the ROC Securities and Exchange Act and the relevant regulations, public companies listed on the TWSE and TPEx are required to issue scripless shares and the settlement of trading of the shares will be carried out on the book-entry system maintained by the Taiwan Depositary and Clearing Corporation. In order to assert shareholders' rights against us, the transferee must have his name and address registered on our register of shareholders. Shareholders are required to register their respective specimen seal or chop with us.

Acquisition by Us of Our Own Shares

Under the ROC Company Act, an ROC company could not acquire its own shares except for minor exceptions. In addition, under the ROC Securities and Exchange Act, we may, pursuant to a board resolution adopted by majority consent at a meeting attended by more than two-thirds of the directors and pursuant to the procedures prescribed by the ROC FSC, purchase our shares on the TWSE or by a tender offer for the following purposes:

- for transfer of shares to our employees;
- to meet the exercise of conversion rights for shares by holders of bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants issued by us; and
- for maintaining our credit and our shareholders' equity, if necessary.

Shares purchased by us for the purpose set out in the first two items of the preceding paragraph shall be transferred to the intended transferees within three years of the relevant purchase, failing which they will be canceled and we will be required to complete and amend registration for the cancellation. Shares purchased by us for the purpose set out in the last item of the preceding paragraph shall be canceled, and we are required to amend the registration of our issued paid-in capital to reflect such cancellation within six months of such purchase.

The total shares so purchased by us shall not exceed 10% of our total issued and outstanding shares. In addition, the total amount for purchase of the shares shall not exceed the aggregate amount of the retained earnings, the premium from stock issues and the realized portion of the capital reserve.

The shares purchased by us shall not be pledged or hypothecated. In addition, we may not exercise any shareholders' rights attaching to such shares. Our affiliates (as defined in Article 369-1 of the ROC Company Act), directors, managers and their respective spouses and minor children and/or nominees are prohibited from selling the shares held by them during the period in which we purchase our own shares.

In addition to the share purchase restriction, the ROC Company Act further provides that our subsidiary may not acquire our shares if the majority of the outstanding voting shares or paid-in capital of such subsidiary is directly or indirectly held by us. As of the date of this Offering Circular, we do not hold any of our Common Shares in treasury.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of preferred shares, if any, will be distributed pro rata to the shareholders in accordance with the ROC Company Act.

Transfer Restrictions

The number of shares that each of our directors, managers or major shareholders (i.e., a shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of the shares) can sell or transfer per day on the TWSE is limited by the ROC Securities and Exchange Act. Further, they may sell or transfer the shares on the TWSE only after reporting to the ROC FSC at least three days before the transfer, provided that such reporting is not required if the number of shares transferred does not exceed 10,000.

Limitation on Shareholdings in Us and Reporting Obligations

The ROC Securities and Exchange Act requires each director, supervisor, manager or major shareholder (i.e., a shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of our issued shares) to report any change in that person's shareholding to us before the fifth day of each month and we shall report the same to the ROC FSC before the fifteenth day of each month. Such persons are also required to report to us immediately the pledge of their shares, and we shall report the same to the ROC FSC within five days from the pledge date. A person who individually or together with other persons (as defined under the ROC FSC regulations) acquires more than 10% of our issued and outstanding shares shall report to the ROC FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the ROC FSC.

Register of Shareholders

Chinatrust Commercial Bank Co., Ltd. currently acts as our share registrar and maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of shares in such register upon presentation of, among other documents, certificates in respect of the transferred shares. The registered office of our share registrar is at 6F, No. 83, Section 1, Chong-Qing South Road, Taipei, Taiwan.

DESCRIPTION OF THE BONDS

The following is a description of the terms and conditions of the Bonds (except for the sentences in italics), which includes summaries of, and is subject to, the more detailed provisions of the Indenture referred to below.

The issue of the US$120,000,000 aggregate principal amount of credit enhanced zero coupon convertible bonds due 2019 (the "**Bonds**", which shall include, unless the context requires otherwise, any further Bonds issued in accordance with the Indenture (as defined below) and consolidated and forming a single series therewith) of Neo Solar Power Corporation (the "**Company**" or the "**Issuer**") was authorized by a resolution of the board of directors of the Company adopted on August 4, 2016. The Bonds will be constituted by an indenture (the "**Indenture**") dated on or about October 27, 2016 (the "**Issue Date**") between the Company and Citicorp International Limited, as trustee (the "**Trustee**", which term shall include all persons for the time being appointed as trustee or trustees under the Indenture) for the holders of the Bonds. The Company will also enter into a paying, conversion and transfer agency agreement (the "**Agency Agreement**") dated the Issue Date with Citibank, N.A., London Branch, as the registrar (the "**Registrar**") and as the principal paying agent, conversion agent and transfer agent (the "**Principal Agent**") and any other paying agents, conversion agents and transfer agents appointed thereunder (each a "**Paying Agent**," "**Conversion Agent**" and "**Transfer Agent**" and together with the Principal Agent and the Registrar, the "**Agents**") in relation to the Bonds. The registrar, principal paying agent, conversion agent and transfer agent, paying agents, conversion agents and transfer agents for the time being are referred to below as the "**Registrar**", the "**Principal Agent**", the "**Paying Agents**" (which expression shall include the Principal Agent), the "**Conversion Agents**" (which expression shall include the Principal Agent) and the "**Transfer Agents**" (which expression shall include the Principal Agent and the Registrar), respectively. Approval-in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Copies of the Indenture, the Agency Agreement and the Letter of Credit (as defined below) are available for inspection during normal business hours and at the specified office of the Trustee. The holders of the Bonds are entitled to the benefit of the Indenture and are bound by, and are deemed to have notice of, all of the provisions of the Indenture, the Agency Agreement and the Letter of Credit.

1. Status and Letter of Credit

(A) Status

The Bonds constitute direct, unconditional, unsubordinated and, subject to the negative pledge provisions of Condition 3, unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves and, subject to the negative pledge provisions of Condition 3, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except as may be required by mandatory provisions of law. In addition, the common shares of the Company, par value NT$10 per share (the "**Shares**") issuable upon conversion of the Bonds will rank *pari passu* with all of our Shares outstanding as of the date of conversion of the Bonds.

(B) Letter of Credit

The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Letter of Credit**") issued in favor of the Trustee, on behalf of the holders of the Bonds, by Taipei Branch of ING Bank N.V. (or any replacement therefor) (the "**LC Bank**") in accordance with the terms of the Letter of Credit pursuant to a reimbursement agreement (the "**Reimbursement Agreement**") dated on or about August 10, 2016 between, *inter alios*, the Company, the LC Bank and certain other banks and financial institutions (including ING Bank N.V., Taipei Branch) (the "**Reimbursement Banks**"). The Letter of Credit shall be drawable by the Trustee as beneficiary under the Letter of Credit on behalf of the holders of the Bonds upon the presentation of a sight draft substantially in the form annexed to the Letter of Credit from the Trustee if (i) the Company has failed to pay in respect of the Bonds (a) the Maturity Redemption Amount (as defined in Condition 8(A)) on the

Maturity Date (as defined in Condition 8(A)) or (b) in the case of redemption or repurchase pursuant to any of Conditions 8(B), 8(C), 8(E), 8(F) or 8(H), the Early Redemption Amount as at the date fixed for redemption or repurchase, or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has, after having received the prior consent of the LC Bank (if required in accordance with Condition 10), given notice to the LC Bank that the Bonds are immediately due and payable in accordance with Condition 10. For the avoidance of doubt and without limitation, the Letter of Credit does not support (1) payment by the Company of any amounts in respect of any ROC withholding tax; (2) payment by the Company of any interest under the Bonds (including default interest under Condition 7(F)); or (3) the Company's obligations in respect of a conversion pursuant to Condition 6. The Trustee shall (unless otherwise instructed by the holders of the Bonds in respect of Condition 8(H)) as soon as practicable following receipt of notice in writing from the Principal Agent of the failure of the Company to make any payment due under these Conditions and to the extent that such payments are covered by the Letter of Credit, draw upon the Letter of Credit in accordance with the terms thereof and this Condition 1, provided that the Trustee shall not be obliged, and shall incur no liability for failing, to draw down on the Letter of Credit unless it has received such notice from the Principal Agent.

Every payment of any sum due in respect of the Bonds made under the Letter of Credit shall, to the extent of the drawing paid to or to the order of the Trustee and subject to the fees and expenses payable to the Trustee and the Agents, satisfy the obligations of the Company in respect of such payments.

The stated amount of the Letter of Credit will be US$122,725,440, for payment of the Maturity Redemption Amount on the Maturity Date or in the case of redemption or repurchase, the Early Redemption Amount, as from time to time reduced by redemption, repurchase or conversion or purchase and cancellation and less any amounts drawn under the Letter of Credit.

The Letter of Credit expires on the date falling three years and 30 days from the Issue Date unless:

(i) the Bonds are not issued by the date falling five (5) Bond Business Days (as defined in the Letter of Credit) after the date of the Letter of Credit (or such later date as the LC Bank may agree in writing with the Trustee and the Company), in which case the Letter of Credit shall expire at 5.00 p.m. (Taipei time) on that fifth Bond Business Day (or, as applicable, at 5.00 p.m. (Taipei time) on such later date as may have been so agreed);

(ii) the principal amount of the Bonds has been reduced to zero and no further interest or premium remains payable but unpaid in respect of the Bonds, in which case the Letter of Credit shall expire on the date on which the LC Bank receives notice in writing of such reduction from the Trustee or the Principal Agent;

(iii) any clause of the Indenture or Condition 1, 3, 5, 6, 7, 8 or 10 is amended, waived, supplemented or varied without the prior written consent of the LC Bank, in which case the Letter of Credit shall expire on the date such amendment, waiver, supplement or variation is effective; or

(iv) following the delivery of an LC Redemption Event Notice (as defined in Condition 8(H)) by the LC Bank to the Trustee, the Letter of Credit is not drawn down by the Trustee in accordance with Condition 8(H), in which case the Letter of Credit shall expire on the date falling 41 days from the date of delivery of such LC Redemption Event Notice to the Trustee.

Each drawing on the Letter of Credit will be payable to the Trustee within seven Bond Business Days (as defined in the Letter of Credit) following due presentation in accordance with the terms of the Letter of Credit.

2. Form, Denomination and Title

(A) Form and Denomination

The Bonds will be issuable only in registered book-entry form and only in denominations of integral multiples of US$100,000. The Bonds shall initially be represented by the Global Bond and only under the limited circumstances described in Condition 18 shall definitive bond certificates (each a "**Certificated Bond**") be issued to the Bondholders to represent their individual holdings. Each Certificated Bond, if issued, will have an identifying number which will be recorded on the relevant Certificated Bond and in the Bond Register that the Company will cause to be kept by the Registrar.

(B) Title

The Bonds will be registered instruments, title to which will pass only by registration in the register of the Bondholders (the "**Bond Register**"). Each Bondholder will be treated as the owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Bond) and neither the Company nor the Trustee nor any agent thereof shall be affected by notice to the contrary. In these Conditions, "**Bondholder**" and "**Holder**" in relation to a Bond means the person in whose name a Bond is registered on the Bond Register.

3. Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Indenture), neither the Company nor any of its Principal Subsidiaries shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Company's or the Principal Subsidiary's obligations under the Bonds and the Indenture (i) are secured equally and ratably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Indenture) of the Bondholders.

For the purposes of these Conditions:

"**Principal Subsidiary**" means any Subsidiary (as defined below) of the Company:

(i) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited income statement exceed 10% of the consolidated gross revenues as shown by the then latest published audited consolidated income statement of the Company and its Subsidiaries;

(ii) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Company and its Subsidiaries) as shown by its latest audited balance sheet exceed 10% of the gross consolidated assets of the Company and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Company and its Subsidiaries; or

(iii) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) above.

References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Principal Subsidiary, to a pro forma income statement or balance sheet, prepared by the Auditors (as defined in the Indenture) for the purpose of such determination.

"*International Investment Securities*" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures (debentures for this purpose shall exclude, for the avoidance of doubt, fixed or floating charges, loan agreements or other documents creating or evidencing indebtedness that are not commonly known as securities), loan stock or other similar securities that (i) either are, by their terms, payable, or confer a right to receive payments, in any currency other than NT Dollars or are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the authorization of the Company or any of its Principal Subsidiaries thereof and (ii) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market but excluding any such indebtedness that has a stated maturity of not exceeding one year.

"*Subsidiary*" means any company or other business entity more than 50% of the issued share capital or other ownership interest of which is for the time being owned, directly or indirectly, by the Company.

4. Transfers of Bonds; Issue of Certificated Bond

(A) Transfer

A Bond may be transferred as follows: (i) in the case of a Bond represented by a Certificated Bond, by depositing such Certificated Bond during normal business hours at the specified offices of the Registrar or any Transfer Agent, with the form of transfer on the back of such Certificated Bond duly completed and signed, or (ii) in the case of a Bond represented by the Global Bond, by delivery at such specified office of the Registrar or any of the Transfer Agents a form of transfer duly completed and executed, and any other evidence that the Registrar or such Transfer Agent may require. The Registrar and any Transfer Agent may decline to effect any exchange or transfer of a Bond (i) during the period of 15 days ending on (and including) the due date for any payment of the principal of and premium and other amounts of such Bond, (ii) after such Bond has been drawn for redemption under, and notice thereof is given pursuant to, Condition 8(D) or (iii) in respect of which a Conversion Notice (as defined in Condition 6(B)) has been delivered in accordance with Condition 6(B).

(B) Delivery of New Certificated Bonds

Each new Certificated Bond to be issued on the transfer of a Bond will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificated Bond and the form of transfer, be mailed at the risk of the Bondholder entitled to the Bond to the address specified in the form of transfer. Where some but not all the Bonds in respect of which a Certificated Bond is issued are to be transferred, converted or redeemed, a new Certificated Bond in respect of the Bonds not so transferred, converted or redeemed will, within five business days of deposit or surrender of the original Certificated Bond with or to the Registrar or the relevant Transfer Agent, Conversion Agent or Paying Agent, be mailed at the risk of the Bondholder of the Bonds not so transferred, converted or redeemed to the address of such Bondholder appearing on the Bond Register.

For the purposes of this Condition 4, "**business day**" means a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar, the relevant Transfer Agent, Conversion Agent or Paying Agent with whom a Certificated Bond is deposited or surrendered in connection with a transfer, conversion or redemption is located.

(C) Formalities Free of Charge

No service charge shall be made for any registration of transfer or exchange of Bonds, provided that the Company or any of the Transfer Agents may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed and such transfer shall not be made unless and until the required payment described herein is made.

(D) Regulations

All transfers of Bonds and entries on the Bond Register will be made subject to the detailed regulations concerning transfer of Bonds attached as a schedule to the Agency Agreement. A copy of the current regulations will be mailed (or sent via facsimile) by the Registrar to any Bondholder upon request.

(E) Change of Transfer Agent

The Company reserves the right at any time to vary or terminate the appointment of any Transfer Agent and to appoint additional or other Transfer Agents, in each case in accordance with the Agency Agreement. The Company will, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of that exchange so require, maintain a Transfer Agent having an office in Singapore. Notice of any such termination or appointment and of any changes in the specified offices of the Transfer Agents will be given promptly by the Company to the Bondholders in accordance with Condition 15.

5. Interest

The Bonds do not bear any interest.

6. Conversion

(A) Conversion Right

(i) Conversion Period

At any time during the Conversion Period referred to below on and subject to the terms set forth herein (the "**Conversion Right**") and the terms of the Agency Agreement, each Bondholder has the right hereunder to convert its Bonds into Shares.

Subject to and upon compliance with the provisions of this Condition 6, the Conversion Right attaching to any Bond may be exercised, at the option of the Bondholder and as and to the extent provided herein, at any time on or after December 7, 2016, which is the 41st calendar day after the Issue Date, up to and including the close of business (at the place where such Bond is deposited for conversion) on October 17, 2019, which is the 10th calendar day prior to the Maturity Date (or if such day shall not be a business day at such place, on the immediately preceding business day at such place, but in no event thereafter), or, if such Bond shall have been called for redemption prior to October 17, 2019, which is the 10th calendar day prior to the Maturity Date, then up to and including the close of business (at the place aforesaid) on the fifth business day prior to the date fixed for redemption thereof (or if such day shall not be a business day at such place, on the immediately preceding business day at such place) (the "**Conversion Period**"); *provided, however*, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period.

"**Closed Periods**" or a "**Closed Period**" mean (i) the 60-day period prior to the date of any of the Company's annual general shareholders' meetings; (ii) the 30-day period prior to the date of any of the Company's special shareholders' meetings; (iii) the five-day period prior to the record date for distribution of dividends, bonus or other benefits; (iv) the period beginning on the 15th Trading Day (as defined below) prior to the 5th day before the record date for the distribution of stock or cash dividends or subscription of new shares to the date ending on (and including) such record date; (v) the period beginning on the record date of a capital reduction to one day prior to the Trading Day on which the shares of the Company are reissued after such capital reduction; and (vi) such other periods during which the Company may be required to close its stock transfer books or not to issue new shares under ROC laws and regulations applicable from time to time.

For the purposes of this Condition 6:

"**business day**" means a day other than Saturday or Sunday on which banks are open for business in New York, London, Hong Kong and the city in which (1) the specified office of the Registrar, if a Certificated Bond is deposited in connection with a transfer, is located, (2) the relevant Transfer Agent, Conversion Agent or Paying Agent, if a Certificated Bond is deposited, in connection with a transfer, or a notice of conversion is deposited in connection with a conversion, is located, or (3) the Company and the ROC share registry of the Company, if a notice of conversion is deposited in connection with a conversion or for the purpose of calculating the Closed Period, is located.

The Company shall procure that the Bondholders are given at least seven days' prior notice of any Closed Period in accordance with Condition 15.

(ii) Number of Shares Delivered on Conversion

The number of Shares to be delivered upon conversion of any Bond will be determined by the Company by dividing the principal amount of the Bonds by the Conversion Price (as defined below) then in effect (translated into US Dollars at the Fixed Exchange Rate) on the Conversion Date (as defined in Condition 6(B)(ii)). If more than one Bond shall be deposited for conversion at any one time by the same holder of the Bonds, the number of Shares to be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Bonds so deposited. On conversion, the right of the converting Bondholder to repayment of the principal and other amounts of the Bond to be converted shall be extinguished and released.

The Trustee and the Agents shall be under no duty to calculate, determine or verify the number of shares to be delivered on conversion of a Bond or verify the Company's determination of such number of Shares or method used or to be used in such determination and neither the Trustee nor the Agents shall be responsible to holders or any other person for any loss arising from any failure to do so or for any delay of the Company in making such determination or any erroneous determination by the Company.

(iii) Fractions of Shares

Fractions of Shares will not be issued on conversion, and the Company will, upon conversion of the Bonds, pay cash in U.S. Dollars in a sum equal to such portion of the principal amount of the Bond or Bonds deposited for conversion as corresponds to any fraction of a Share not delivered as aforesaid, net of remittance and other processing fees, rounding to 0.01 U.S. Dollar with 0.005 being rounded upwards. For the purpose of calculating the amount of such payment, the Company shall use the Fixed Exchange Rate.

(iv) Conversion Price

The price used by the Company in determining the number of Shares to be issued upon conversion (the "**Conversion Price**") will initially be NT$18.00 per Share. The Conversion Price will be subject to adjustment in the manner provided in Condition 6(C).

The Trustee and the Agents shall not be obliged to monitor whether any event has occurred that may require any adjustment of the Conversion Price and shall assume that none has occurred until they have actual knowledge by way of express notice in writing from the Company to the contrary and will not be responsible to Holders or any other person for any loss arising from any failure by the Company to provide such notice or any adjustment or lack of adjustment of the Conversion Price.

(v) Revival on Default

Notwithstanding the provisions of Condition 6(A)(i), if the Company defaults in making payment in full in respect of any Bond that has been called for redemption prior to the Maturity Date on the date fixed for redemption thereof, the Conversion Right attaching to such Bond will continue to be exercisable up to, and including, the close of business (at the place where the Certificated Bond evidencing such Bond is deposited for conversion) on the date upon which the full amount of the monies payable in respect of such Bond has been duly received by the Trustee and the Principal Agent and notice of such receipt has been duly given to the Bondholders.

(B) Conversion Procedure

(i) Conversion Notice

To exercise the Conversion Right attaching to any Bond, a Bondholder must complete, execute and deposit at his own expense between 9:00 a.m. and 3:00 p.m. (local time at the specified office referred to below) on any business day during the Conversion Period at the specified office of any Conversion Agent outside the ROC at which the Bond is presented for conversion a notice of conversion (a "**Conversion Notice**") in duplicate, duly completed and signed, in the then current form obtainable from the specified office of any Conversion Agent, together with the relevant Bond and any certificates and other documents as may be required under the law of the ROC or the jurisdiction in which such Conversion Agent shall be located.

A Conversion Notice once deposited may not be withdrawn without the consent in writing of the Company. Bondholders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the business day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be deemed as the Conversion Date (as defined below) for such Bonds. A converting Bondholder shall retain the rights of a Bondholder with respect to the Bonds until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price then in effect on the Conversion Date.

No Shares or beneficial interests therein will be delivered to a converting Bondholder unless such Holder satisfies the foregoing conditions. If such Bondholder is unable or otherwise fails to satisfy the foregoing conditions, such Bondholder may transfer its Bond or beneficial interest therein subject to compliance with the transfer restrictions set forth in the Agency Agreement. See "Transfer Restrictions."

(ii) Taxes and Expenses; Deposit Date and Conversion Date

As conditions precedent to conversion, a Bondholder must pay to the relevant Conversion Agent all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the jurisdiction in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issuance of Shares or any other property or cash upon conversion to, or to the order of a person other than, the converting Bondholder. The Trustee and Conversion Agent shall not be concerned with, nor shall they be obliged or required to enquire into, the sufficiency of any amount paid to them for this purpose and are not under any obligation to determine whether the Company or the Bondholder is liable to pay any stamp, issue, registration and similar taxes and duties (including, without limitation, in the jurisdiction in which the Bond is deposited for conversion or in any jurisdiction consequent upon the issuance of Shares to or to the order of a person other than the converting Bondholder). Except as aforesaid, the Company will pay the expenses arising in the ROC on the issue of Shares on conversion of Bonds and all charges of the Conversion Agents in connection therewith as provided in the Agency Agreement.

The date on which any Bond and the Conversion Notice (in duplicate) relating thereto are deposited with a Conversion Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "**Deposit Date**." The "**Conversion Date**" applicable to a Bond means the business day next following the Deposit Date, which day both is a Trading Day (as hereinafter defined in Condition 6(C)) and falls during the Conversion Period.

(iii) Holders of Record

With effect from the opening of business in the ROC on the Conversion Date, the Company will deem the person designated in the Conversion Notice to have become the holder of record of the number of Shares to be delivered upon such conversion (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective) and at such time, subject to Condition 6(B)(iv) — Delivery of Shares, the rights of such converting Bondholder as a Bondholder with respect to the Bonds deposited for conversion shall cease (except rights arising under Condition 6(B)(v) — Retroactive Adjustment of Conversion Price).

(iv) Delivery of Shares

On the Conversion Date, the Company shall register the converting Holder (or its designee) in the Company's register of shareholders as the owner of the number of Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to applicable laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system maintained by the Taiwan Depositary and Clearing Corporation the relevant Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments or other documents (if any) as may be required by law to effect the delivery thereof.

(v) Retroactive Adjustment of Conversion Price

If (a) the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to Condition 6(C) and the provisions of the Indenture; and (b) the relevant Conversion Date falls on a date when the relevant adjustment has not been reflected in the Conversion Price, the Company shall, within 20 days after the effective date of such adjustment of the Conversion Price, issue and deliver such number of Shares to the person designated in the Conversion Notice as is equal to the excess of the number of Shares that would have been required to be issued and delivered on conversion of such Bond if the relevant retroactive adjustment had been made as at the said Conversion Date over the number of Shares previously transferred pursuant to such conversion, and in such event and in respect of such number of Shares referenced in Condition 6(B)(iv) (Delivery of Shares) to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).

(vi) Dividends and Other Entitlements

Each Bondholder will not have any right to receive or be paid any dividends declared on the Shares unless such Bondholder has exercised the Conversion Right in accordance with the procedures set forth in Conditions 6(B)(i) (Conversion Notice) and 6(B)(ii) (Taxes and Expenses; Deposit Date and Conversion Date). A converting Bondholder's right to receive dividends declared on the Shares which are delivered to the person designated in the Conversion Notice upon conversion of a Bond or Bonds will begin on the Conversion Date. The Shares issued on conversion of the Bonds will in all respects rank *pari passu* with the Shares outstanding on the date on the relevant Conversion Date (except for any right or distribution the record date for which falls on or precedes such Conversion Date and except for any other right excluded by mandatory provisions of applicable law).

(vii) Restrictions on Shareholding of PRC persons

ROC laws contain restrictions on PRC persons' conversion of the Bonds or to register as our shareholders. Pursuant to the Regulations Governing the Approval of Investment in Taiwan by PRC Persons and its implementing rules, only those businesses enumerated in the "positive list" may be directly invested by PRC persons. The Company is in the business of manufacturing solar power cells, and under the "positive list", if a PRC person wants to invest in the business of manufacturing solar power cells, such PRC person must present its industrial cooperation strategy and apply for approval with the Ministry of Economic Affairs and such PRC person may not have any control in the invested business. Therefore, a PRC person's direct investment in the Company is prohibited without the aforementioned approval from the Ministry of Economic Affairs ("**MOEA**"). Here, "**PRC person**" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

Besides, under the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors (the "**Mainland Investors Securities Investment Regulation**"), only qualified institutional investor which have been approved by the competent authority of the securities industry of the Mainland Area (the "**QDIIs**") are permitted to engage in securities investment or futures trading in Taiwan.

Accordingly, only the QDIIs or other PRC investors with prior approvals of the MOEA may exercise the conversion rights subject to the Mainland Investors Securities Investment Regulation or the scope of the MOEA approval. Pursuant further to the FSC's ruling dated December 27, 2010 (Ref. No.: Jing-Guan-Zheng-Zi No. 0990067043), the custodian bank for a QDII shall apply for remittance quota with the TWSE, the maximum quota available for each QDII is US$100 million.

Subject to the compliance with the above regulatory requirements, only a PRC QDII or a PRC investor with MOEA approval may exercise the conversion rights in accordance with the relevant laws and regulations, and restrictions described above may cause a Bondholder who is a PRC person to be unable to convert and hold the Shares issuable upon conversion of the Bonds.

(viii) ROC Procedures for Foreign Nationals Holding the Shares

Under the existing ROC law, a non-ROC converting Bondholder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Bondholder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Bondholder must also appoint a custodian bank in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Bondholder is required to appoint a tax guarantor in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Bondholder would not be able to hold or sell or otherwise transfer the Shares into which the Bonds may be converted on the TWSE or otherwise.

(C) Adjustments to Conversion Price

(i) Antidilution Adjustments

The Conversion Price shall be subject to adjustment as follows:

(a) Declaration of Dividend in Shares or Free Distribution or Bonus Issue of Shares

(i) If the Company shall declare a dividend in Shares or make a free distribution or bonus issue of Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of capital reserves), then the Conversion Price in effect on the date when such dividend and/or distribution is declared (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive such dividend and/or distribution, on such record date) shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [N/(N + n)]$$

where:

NCP = the Conversion Price after such adjustment. OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard in this case and in each subsection mentioned below to subsection (q) below) at the time of distribution of such dividend, free distribution and/or bonus issue.

n = the number of Shares to be distributed to the shareholders as a dividend, free distribution and/or bonus issue.

(ii) An adjustment made pursuant to this subsection (a) shall become effective on the record date for determination of shareholders entitled to receive such dividend and/or distribution; provided that in the case of a bonus issue of Shares or capitalization of reserves which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

(b) *Reduction of Share Capital*

(i) If the Company shall reduce its share capital other than by means of canceling any Shares held in treasury or repurchasing any Shares for the purpose of holding such Shares in treasury, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

NCP = OCP x (N / n) where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding immediately prior to such capital reduction.

n = the number of Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection (b) will be required if the Company cancels any Shares held in treasury or repurchases any Shares for the purpose of holding such Shares in treasury.

If any cash is distributed in connection with a reduction of share capital (other than the repurchase of outstanding Share at no less than the Current Market Price per Share), the Conversion Price then in effect shall be adjusted in accordance with this subsection (b) and subsection (h) below.

(ii) Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such capital reduction.

(c) *Sub-division, Combination, Paid-in Capital Reduction and Reclassification of Shares*

(i) If the Company shall (1) sub-divide its outstanding Shares, (2) combine its outstanding Shares into a smaller number of Shares, or (3) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond on the Conversion Date which occurs after the coming into effect of the adjustment described in this paragraph (i) shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive any such securities issued upon any such sub-division, combination or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(ii) An adjustment made pursuant to paragraph (i) above shall become effective immediately on the relevant event referred to above becoming effective or, if a record date is fixed therefor, immediately after such record date.

(d) Concurrent Adjustment Events

If the Company shall declare a dividend in, or make a free distribution or bonus issue of, Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

(i) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (e), (f) or (g) below;

(ii) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to subsection (i) below:

(iii) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to subsection (l) below;

(iv) the day immediately before the date of issue of any rights, options or warrants which requires an adjustment of the Conversion Price pursuant to subsection (m) below; or

(v) determined by the Company to be the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to subsection (n) below,

then no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under subsection (a), but in lieu thereof an adjustment shall be made under subsection (e), (f), (g), (i), (l) or (m) below (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend, bonus issue or free distribution and, in the case of such dividend, including in the numerator of the fraction described therein the number of Shares which the aggregate par value of Shares to be so distributed would purchase at the Current Market Price per Share.

(e) *Rights Issues to Shareholders*

(i) If the Company shall grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares (a "**Rights Issue**", which expression shall exclude those Shares offered to employees as employee bonus shares) at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v)/(N + n)] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares to be issued in connection with such Rights Issue at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company would purchase at such Current Market Price per Share specified above.

After the record date, the consideration per Share shall not be changed in any event.

(ii) Subject as provided below, such adjustment shall become effective immediately after the date the consideration for such Shares are received in full but retroactively to immediately after the record date.

(f) *Warrants and Options Issued to Shareholders*

(i) If the Company shall grant, issue or offer to the holders of Shares warrants or options entitling them to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v)/(N + n)] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such warrants or options at the said consideration where no applications by shareholders entitled to such warrants or options are required. Where applications by shareholders entitled to such warrants or options are required, n = the number of such Shares that equals (A) the number of warrants or options which underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of warrants or options for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified above.

(ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants or options are required from shareholders entitled to the same, upon their issue and (2) where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

(iii) If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such warrants or options, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(g) Issues of Rights or Warrants for Equity-Related Securities to Shareholders

(i) If the Company shall grant, issue or offer to the holders of Shares options, rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares or which carry rights to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share with respect to the record date; then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

$NCP = OCP \times [(N + v) / (N + n)]$ where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such rights or warrants and conversion or exchange of such convertible or exchangeable securities at the said consideration which, in the case of rights, equals (A) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities which the underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A), and which, in the case of warrants where no applications by shareholders entitled to such warrants are required, equals such number of Shares initially to be issued upon such exercise and conversion or exchange. Where applications by shareholders entitled to such warrants are required, n = the number of such Shares that equals (x) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, (y) the number of warrants for which applications are received from shareholders as referred to below save to the extent already adjusted for under (x).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified.

(ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants are required from shareholders entitled to the same, upon their issue and (2) in the case of rights and where applications by shareholders entitled to the warrants are required as aforesaid, immediately after the latest date for the submission of applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

(iii) If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such convertible or exchangeable securities or warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred such rights or the right to purchase such warrants) who have submitted applications for such convertible or exchangeable securities or warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(h) Capital Distribution, Other Distributions to Shareholders

(i) If the Company shall make any Capital Distribution or the distribution to the holders of Shares of evidences of indebtedness of the Company or of shares of capital stock of the Company (other than Shares) or of assets or of options, rights or warrants to subscribe for or purchase shares (other than Shares) or securities (other than those mentioned in (e), (f) or (g) above):

NCP = OCP x [(CMP - fmv) / CMP]

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

CMP = the Current Market Price.

fmv = the amount of such distribution or the fair market value (as determined by the Company and notified to the Trustee in writing or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court) of the portion of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed applicable to one Share, less any consideration payable for the same by the relevant Shareholder. In making a determination of the fair market value of any such evidences of indebtedness, shares of capital stock, assets, rights or warrants, the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank.

(ii) Such adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive such Capital Distribution or distribution, provided that (1) in the case of such a Capital Distribution or distribution which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before such Capital Distribution or distribution may legally be made and is so approved after the record date fixed for the determination of shareholders entitled to receive such Capital Distribution or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after the record date and (2) if the fair market value of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed cannot be determined until after the record date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after the record date.

(iii) Notwithstanding anything provided herein to the contrary, no adjustment to the Conversion Price shall be made if the Company reduces its share capital by purchasing and canceling its shares.

(i) Issue of Convertible or Exchangeable Securities Generally

(i) If the Company shall issue any securities convertible into or exchangeable for Shares (other than the Bonds, or in any of the circumstances described in subsection (g) above and subsection (m) below) and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement shall be less than the Current Market Price per Share on the date in the ROC on which the Company makes a public record following the pricing of such securities, then the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$NCP = OCP \times [(N + v)/(N + n)]$ where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such convertible or exchangeable securities are issued.

(j) Tender or Exchange Offers

(i) In case a tender or exchange offer made by the Company or any Subsidiary of the Company for all or any portion of the Shares shall expire and such tender or exchange offer shall involve the payment by the Company or such Subsidiary of consideration per Share having a fair market value (as determined by an independent financial institution selected by the Company at the expense of the Company and promptly notified in writing to the Trustee) at the last time (the "**Expiration Date**") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price per Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [N x M / (a + [(N - n) x M])] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date.

M = Current Market Price per Share as of the Expiration Date.

a = the fair market value of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Shares deemed so accepted up to any such maximum, being referred to as the "**Purchased Shares**").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

(ii) If the Company is obligated to purchase Shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(k) Merger

In case of a Merger of the Company (as defined in Condition 6(D)), each Bond then Outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger on the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Right to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in this Condition 6. Where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth herein.

(l) Other Issues of Shares

(i) If the Company shall issue any Shares (other than Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company or upon exercise of any rights or warrants granted, offered or issued by the Company or in any of the circumstances described in subsection (a), (b), (c) or (d) above) for a consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement less than (1) (in case of employee bonus arrangements), the closing sales price of the Shares on the TWSE on the date immediately preceding the date of the meeting of the shareholders approving such issue (after taking into account the effect of any dividend payment), or (2) (in case of other issues of Shares other than employee bonus arrangements), the Current Market Price per Share on the record date or on which the Company fixes the said consideration if no closed period is set forth for such issuance, then the Conversion Price in effect immediately prior to the issue of such additional Shares shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of additional Shares issued as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at (1) (in case of employee bonus arrangements) such Current Market Price per Share mentioned above in (i), or (2) (in case of other issues of Shares other than employee bonus arrangements) such Current Market Price per Share.

It being understood that, for the avoidance of doubt, in the case of the issuance of Shares pursuant to an employee bonus arrangement, the aggregate consideration receivable by the Company shall be the product of the number of Shares issued pursuant thereto and the closing price of the Shares on the date immediately preceding the date of the meeting of the shareholders approving such issuance (after taking into account the effect of any dividend payment).

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such additional Shares are issued.

(m) *Issue of Equity Related Securities*

(i) If the Company shall grant, issue or offer options, rights or warrants to subscribe for or purchase Shares (other than in any of the circumstances described in subsections (e) and (f)) or securities convertible into or exchangeable for Shares and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) shall be less than the Current Market Price per Share on the record date (or, if the offer, grant or issue of such rights, options or warrants is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of the offer, grant or issue of such options, rights or warrants shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v)/(N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued on exercise of such options, rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

(n) *Analogous Events*

If the Company determines that any other event or circumstance has occurred which has or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options and rights relating thereto) of the Company, taken as a class which is analogous to any of the events referred to in subsections (a) through (m), then, in any such case, the Company shall notify the Trustee in writing thereof and the Company shall consult with a leading independent securities company or commercial bank in Taipei selected by the Company as to what adjustment, if any, should be made to the Conversion Price to preserve the value of the Conversion Right of Bondholders and will make any such adjustment. Any such adjustment, where possible, shall be made using methodology similar in nature to one or more of the adjustments described above in this Condition 6(C), and may consist of a combination of such adjustments where appropriate.

(o) Simultaneous Issues of Different Classes of Shares

In the event of simultaneous issues of two or more classes of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes of share capital comprising Shares, then, for the purposes of this Condition 6(C), the formula:

NCP = OCP x [(N + v)/(N + n)] shall be restated as NCP = OCP x [(N + v1 + v2 + v3) / (N + n1 + n2 + n3)]

where v1 and n1 shall have the same meanings as "v" and "n" but by reference to one class of Shares, v2 and n2 shall have the same meanings as "v" and "n" but by reference to a second class of Shares, v3 and n3 shall have the same meanings as "v" and "n" but by reference to a third class of Shares and so on.

(p) Consideration Receivable by the Company

For the purposes of any calculation of the consideration receivable by the Company pursuant to this Condition 6(C), the following provisions shall be applicable:

(i) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash, provided that in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(ii) in the case of the issue of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company (and in making such determination the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank) or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

(iii) in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price;

(iv) in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price;

(v) if any of the consideration referred to in any of the preceding paragraphs of this subsection (p) is receivable in a currency other than New Taiwan Dollars, such consideration shall, in any case where there is a fixed rate of exchange between the New Taiwan Dollar and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into New Taiwan Dollars for the purposes of this subsection (p) at such fixed rate of exchange and shall, in all other cases, be translated into New Taiwan Dollars at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. Dollars if no direct rate is quoted) by a leading bank in the ROC for buying and selling spot units of the relevant currency by telegraphic transfer against New Taiwan Dollars on the date as of which the said consideration is required to be calculated as aforesaid; and

(vi) in the case of the issue of Shares credited as fully paid out of retained earnings or capitalization or reserves at their par value, the aggregate consideration receivable by the Company shall be deemed to be zero (and accordingly the number of Shares which such aggregate consideration receivable by the Company could purchase at the relevant Current Market Price per Share shall also be deemed to be zero).

(q) Cumulative Adjustments

If, at the time of computing an adjustment (the "**later adjustment**") of the Conversion Price pursuant to any of subsections above, the Conversion Price already incorporates an adjustment (the "**earlier adjustment**") made (or taken or to be taken into account pursuant to the proviso to subsection (r) below) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating the earlier adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

(r) Reference to "fix"

Any reference herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(s) Minor Adjustments

No adjustment will be made where such adjustment would be less than 1% of the Conversion Price then in effect; *provided, however*, that any adjustment that otherwise would be required to be made will be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this subsection (ii)) in determining any subsequent adjustment. The Company will promptly notify the Bondholders, the Trustee and the Conversion Agent in writing of any adjustment in accordance with Condition 15. Neither the Trustee nor the Conversion Agent will be responsible for verifying the information in the notice. Any such notice relating to an adjustment in the Conversion Price should set forth the event giving rise to the adjustment, the Conversion Price prior to the adjustment, the effective date of such adjustment and the Conversion Price after the adjustment.

For the purposes of the Conditions:

"**Capital Distribution**" means any cash dividend, distribution of cash or distribution of assets in specie made by the Company for any fiscal year;

"**Current Market Price**" on any date means (i) in the case of Shares, the average of the Market Prices of the Shares for the most recent 30 Trading Days, (ii) in the case of capital stock (other than Shares) which is listed on the relevant stock exchange, the average of the Market Prices of such capital stock (other than Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an independent, internationally recognized investment banking firm selected by the Company;

"**Market Price**" means for any Trading Day (a) with respect to the Shares, the closing sales price of the Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by a leading independent securities firm in Taiwan selected from time to time by the Company and notified to the Paying Agent for this purpose, and (b) with respect to capital stock of the Company (other than Shares), the closing bid price for such capital stock (other than Shares) on the relevant stock exchange; and

"**Trading Day**" means with respect to the Shares, a day when the TWSE is open for business; *provided, however*, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Shares for one or more Trading Days (or furnished by a reputable independent securities firm in Taiwan as aforesaid), such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

(D) Mergers; Disposals

So long as the Bonds remain outstanding, the Company will not merge, amalgamate or consolidate with or into any other corporation or entity, (provided that the Company is not the surviving entity) or sell, convey, transfer, lease or otherwise dispose of all, or substantially all, of the assets of the Company (each event a "**Merger**"), whether as a single transaction or a number of transactions, related or not, to any corporation, entity or person or to one or more members of any group under the common control of any corporation, entity or person unless:

(i) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly assume, by an indenture supplemental thereto, all obligations of the Company under the Indenture and the performance of every covenant and agreement applicable to it contained therein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Company at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer's Certificate stating that such Merger complies with this Condition and that all conditions precedent herein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to:

(x) indemnify each Holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such Holder solely as a consequence of such Merger with respect to the payment of principal of the Bonds; and

(y) if organized under the laws of a jurisdiction other than the ROC, deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the Holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Company would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Company shall as soon as practicable on or prior to the Merger, deliver an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

The Trustee shall not be responsible for verifying or confirming the information in any Officer's Certificate required pursuant to the above provisions.

Upon any Merger in accordance with Condition 6(D), the successor corporation formed by such Merger shall succeed to and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and the Bonds.

(E) Conversion Undertakings

The Company undertakes that:

(i) it will use its best efforts to ensure that all Closed Periods during any 365-day period shall not be in the aggregate more than 120 calendar days, having taken into account the applicable ROC laws and regulations;

(ii) it will procure sufficient Shares for transfer and delivery to the person designated on the Conversion Notice upon conversion of the Bonds, by way of increasing the Company's paid-in share capital and, if necessary, its authorized capitalization for the issuance of new Shares, if approval of the ROC FSC is obtained and future changes to ROC laws and regulations permit the Company to issue new Shares for delivery upon conversion of the Bonds. The Company acknowledges that the undertaking above may involve amending the Company's Articles of Incorporation, which requires the approval of its board of directors and its shareholders; and

(iii) it will use its best efforts to obtain and maintain a listing on the TWSE for the Shares to be issued upon the conversion of the Bonds.

7. Payments

(A) U.S. Dollar Settlement

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Company shall be payable and settled in U.S. Dollars only.

For the purposes of the Conditions:

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Taipei, New York, Hong Kong and London;

"**Fixed Exchange Rate**" means the fixed rate of US$1.00 = NT$31.740.

"**NT Dollars**" or "**NT$**" means the lawful currency for the time being of the ROC.

"**U.S. Dollars**" or "**US$**" means the lawful currency for the time being of the United States

(B) Method of Payment

Payment of principal of and premium and other amounts on the Bonds will be in U.S. Dollar and will be made (i) with respect to a Holder of a Bond, by wire transfer of immediately available funds to the registered account of the Holder of such Bond or (ii) in the case of a Holder of a Certificated Bond where the Registrar has advised that payments cannot be made via wire transfer, by U.S. Dollar check mailed to the registered address of the Bondholder. Payments of principal and premium and other amounts will only be made against surrender of the relevant Certificated Bond at the specified office of the Principal Agent or any of the other Paying Agents.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Business Days

If the due date for payment of any amount of principal or premium or any other amount in respect of any Bond (or any later date on which a Bond could otherwise be presented for payment) is not, in the relevant place of presentation, a business day, the Holder of the relevant Bond shall not be entitled to payment at such place of the amount due until the next following business day at such place and shall not be entitled to any interest or other payment in respect of such delay. In this Condition 7(D), "**business day**" means any day on which banks are open for business in Taipei, London, Hong Kong and in the relevant place of presentation and, unless the following sentence applies, in the case of payment by transfer to a U.S. Dollar account as referred to above, on which dealings in foreign currency may be carried on in New York, London, Hong Kong and in such place of presentation. If a Bond is presented for payment at a time when, as a result of differences in time zones, it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant date, the Company shall not be obliged to do so but shall be obliged to transfer the relevant amount to the account for value on the first practicable date thereafter.

(E) Paying Agents

The names of the initial Principal Agent and the other initial Paying Agents and their specified offices are set out in the Agency Agreement. The Company reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, in each case in accordance with the Agency Agreement, provided that the Company will at all times maintain a Principal Agent, Conversion Agent and a Paying Agent having a specified office in London and, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, a specified office in Singapore. The Paying Agent may resign at any time by giving written notice to the Company and the Trustee not less than 60 days in advance. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent and the Paying Agents will be given promptly by the Company to the Bondholders in accordance with Condition 15.

(F) Default Interest

If the Company fails to pay any sum in respect of the Bonds when due, default interest will accrue on the overdue principal amount at the rate of 2% per annum from the due date and ending on the date on which the overdue payment is to be made to the Bondholders as stated in a notice given to the Bondholders in accordance with Condition 15 (both dates inclusive) by the Company. The default interest will accrue on the basis of the actual number of days elapsed calculated on the basis of a year of 360 days consisting of 12 months of 30 days each.

8. Redemption, Repurchase and Cancellation

(A) Final Redemption

Unless previously redeemed, repurchased and canceled or converted as herein provided, the Company will redeem the Bonds at 102.2712% of their principal amount (the "**Maturity Redemption Amount**") on October 27, 2019 (the "**Maturity Date**"), representing a premium of 0.75% per annum. The Company may not redeem or repurchase the Bonds prior to that date except as provided in paragraph (B), (C), (E), (F) or (H) below (but without prejudice to Condition 10).

(B) Redemption at the Option of the Company

On or at any time after October 27, 2018 and on or prior to October 27, 2019, the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice will be irrevocable and given in accordance with Condition 8(D) and Condition 15), redeem in whole or from time to time in part (being US$100,000 in principal amount or an integral multiple thereof) of the Bonds at the Early Redemption Amount on the date of redemption if the Market Price (translated into US Dollars at the Prevailing Rate) for each of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date of the redemption notice, shall have been at least 130% of the quotient of the Early Redemption Amount divided by the Conversion Ratio. If the Market Price cannot be determined for one or more consecutive Trading Days, such day or days will be disregarded in the relevant calculation and will be deemed not to have existed when ascertaining such period.

Notwithstanding the foregoing, the Company may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Early Redemption Amount on the date of redemption if at least 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted; provided that the applicable date of redemption does not fall within a Closed Period.

"**Conversion Ratio**" means US$100,000 divided by the Conversion Price then in effect (translated into U.S. Dollars at the fixed exchange rate).

"**Early Redemption Amount**" means, for each US$100,000 principal amount of Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards.

Early Redemption Amount = Previous Redemption Amount x $(1 + r/2)^{d/p}$

Previous Redemption Amount = the Early Redemption Amount for each US$100,000 principal amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to April 27, 2017, US$100,000):

Semi-annual Date	Early Redemption Amount (in U.S. Dollars)
April 27, 2017	100,375.00
October 27, 2017	100,751.41
April 27, 2018	101,129.22
October 27, 2018	101,508.46
April 27, 2019	101,889.12

r = 0.75% expressed as a fraction

d = number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before April 27, 2017, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180

Upon the expiry of any such notice, the Company will be bound to redeem the Bonds to which such notice relates at the price aforesaid applicable at the date fixed for redemption.

For the avoidance of doubt, neither the Trustee nor the Agents shall be responsible for calculating or verifying the Early Redemption Amount.

"**Prevailing Rate**" means, for each relevant Trading Day, the fixing rate at 11:00 a.m. (Taipei time), expressed as the number of NT Dollars per one U.S. Dollar, as quoted by Taipei Forex Inc.

(C) Redemption for Tax Reasons

If, as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the laws of the ROC or any political subdivision or taxing authority or legislative body thereof or therein, or any treaty to which the ROC is party, or any change in the official application or interpretation of any such laws or treaty, in any such case, occurring after the Issue Date, or as a result of any action taken or proposed by the ROC or any political subdivision or any taxing authority or legislative body thereof or therein, or brought in a court of competent jurisdiction in the ROC or any political subdivision thereof, whether or not such action was taken or brought with respect to the Company but which, in any such case, becomes effective or generally known after the Issue Date, on the occasion of the next payment due in respect of any Bond, the Company has or will become required to pay Additional Amounts as provided in Condition 9 and such obligation cannot be avoided by the Company taking reasonable measures available to it, the Company may at its option, having given not less than 30 nor more than 60 days' notice (in accordance with Conditions 8(C) and 15) to the Bondholders (which notice will be irrevocable) redeem, in whole but not in part, the Bonds on the expiry date of the notice of redemption (the "**Tax Call Date**") at the Early Redemption Amount, provided that no notice of redemption shall be given earlier than 60 days before the earliest date on which the Company would be required to pay the Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee a certificate in form and substance reasonably acceptable to the Trustee signed by two authorized officers of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing the conditions precedent to the right of the Company so to redeem have occurred, and an opinion addressed to the Trustee in form and substance reasonably acceptable to the Trustee by an independent law firm of recognized standing admitted to practice in the ROC to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment and the Trustee shall be entitled to accept and fully rely on such certificate (without verification by it) as sufficient evidence of the conditions precedent referred to in this Condition 8(C) having occurred in which event it shall be conclusive and binding on the Bondholders.

If the Company gives a notice of redemption of the Bonds under this Condition 8(C), each Bondholder shall have the right (the "**Non-Redemption Right**") to elect that all or a portion (being US$100,000 in principal amount or an integral multiple thereof) of its Bonds not be redeemed by giving the notice to such effect to the Company (with a copy to the Trustee) no later than 15 days prior to the redemption date fixed by the Company. If a Bondholder exercises the Non-Redemption Right with respect to such Bonds, no Additional Amounts referred to in Condition 9 shall be payable on the payments due after the relevant date (as defined in Condition 9) in respect of such Bonds and such payments shall be made subject to the deduction or withholding required by law or regulation (or the interpretation or administration thereof) of a relevant taxing jurisdiction in effect after October 18, 2016 (the "**Pricing Date**") of the Bonds. For the avoidance of doubt, the Company shall continue to be responsible to such Bondholders for any Additional Amount that is payable in respect of the Bonds under Condition 9 as a result of the laws or regulations (or the interpretation or administration thereof) of a relevant taxing jurisdiction in effect on the Pricing Date.

(D) Redemption Procedures

In the case of a redemption, the Company will furnish the Trustee with a notice of redemption and instruct the Trustee to, within not less than 30 days nor more than 60 days prior to any such Redemption Date, mail to each Holder such notice of redemption, which notice will specify:

(i) the date of redemption or the Tax Call Date, as the case may be (the "**Redemption Date**");

(ii) the price at which such Bonds will be redeemed and the method by which such amount will be paid;

(iii) that, in the case of Bondholders that hold Certificated Bonds, payment will be made upon presentation and surrender of the Certificated Bond(s) to be redeemed;

(iv) the names and addresses of all Paying Agents;

(v) the Conversion Right of the Bondholders and the then current Conversion Price;

(vi) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided; and

(vii) that the right to convert such Bonds will expire five Trading Days prior to the Redemption Date.

No notice of redemption given under the above Conditions 8(B) and 8(C) shall be effective if the Redemption Date specified therein is during a Closed Period or within 30 days following the last day of a Closed Period.

Upon the expiration of such notice, the Company will be bound to redeem the Bonds at the applicable redemption price on the Redemption Date, except as otherwise indicated in these Conditions or the Indenture.

Payment of the relevant redemption price for any Bond will be made on the Redemption Date, *provided, however*, that (i) if such Bond is Certificated Bonds and has not been so delivered on or prior to the Redemption Date, payment will only be made at the time of delivery of such Certificated Bonds (together with the necessary endorsements), (ii) if the Redemption Date falls on a day other than a Business Day, payment shall be made on the next immediate Business Day and (iii) money sufficient for payment of the relevant redemption price has been deposited with the Paying Agents at least one Business Day prior to the Redemption Date. If the Company has made available to the Trustee and the Paying Agents, in accordance with the terms of the Indenture and the Agency Agreement, cash sufficient to pay the relevant redemption price of a Bond on the Redemption Date, then, immediately after such Redemption Date, whether or not such Bond is delivered to a Paying Agent, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Holder will terminate (other than the right to receive the relevant redemption price).

(E) Repurchase of the Bonds in the Event of Delisting

In the event that the Shares officially cease to be listed or admitted for trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the TWSE (a "**Delisting**"), each Bondholder shall have the right (the "**Delisting Put Right**"), at such Bondholder's option, to require the Company to repurchase, in whole or in part (being US$100,000 in principal amount or an integral multiple thereof), such Bondholder's Bonds on the date set by the Company for such repurchase (the "**Delisting Put Date**"), which shall be not less than 30 days nor more than 60 days following the date on which the Trustee mails to each Bondholder a notice regarding the Delisting referred to under Condition 8(G) below, at the Early Redemption Amount (the "**Delisting Put Price**").

(F) Repurchase of the Bonds in the Event of a Change of Control

If a Change of Control (as defined below) occurs, each Bondholder shall have the right (the "**Change of Control Put Right**"), at such Bondholder's option, to require the Company to repurchase, in whole or in part (being US$100,000 in principal amount or an integral multiple thereof), such Bondholder's Bonds on the date set by the Company for such repurchase (the "**Change of Control Put Date**"), which shall not be less than 30 nor more than 60 days following the date on which the Trustee mails to each Bondholder a notice regarding the Change of Control referred to under Condition 8(G) below, at the Early Redemption Amount (the "**Change of Control Put Price**").

A "**Change of Control**" will be deemed to have occurred when (i) Control of the Company is acquired or deemed to be held by any Person or Persons acting together if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date, (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Company or the successor entity; or (iii) one or more other Persons acquires the legal or beneficial ownership of all or substantially all of the capital stock of the Company. Notwithstanding anything in the Indenture to the contrary, for the purposes of this definition, the term "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company's Board of Directors or any other governing board of the Company and does not include the Company's wholly-owned direct or indirect Subsidiaries.

"**Control**" means the right to appoint and/or remove all or the majority of the members of the Company's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

(G) Repurchase Procedures

Promptly after becoming aware of, and in any event within seven days of, a Delisting or a Change of Control, the Company will provide a notice regarding the Delisting or the Change of

Control as the case may be to the Trustee and instruct the Trustee to mail to each Bondholder such notice. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence. Such notice shall state, as appropriate:

(i) The Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "**Repurchase Date**");

(ii) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(iii) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(iv) the date by which the Repurchase Notice (as defined below) must be given;

(v) the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(vi) the names and addresses of all Paying Agents;

(vii) the Conversion Right of the Bondholders and the Conversion Price then in effect;

(viii) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided;

(ix) the procedures that Bondholders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and Conversion Right, as the case may be; and

(x) that a Repurchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Company to purchase the Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a "**Repurchase Notice**") together with the applicable Certificated Bonds (if applicable) to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than five Business Days prior to the Repurchase Date.

Payment of the Delisting Put Price upon exercise of the Delisting Put Right or of the Change of Control Put Price upon exercise of the Change of Control Put Right, for any Bond for which a Repurchase Notice has been delivered is conditioned upon delivery of such Bond (including any Certificated Bonds, together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Repurchase Notice, and shall be made promptly following the later of the Repurchase Date and the time of delivery of such Bond. If the Paying Agent holds on the Repurchase Date money sufficient to pay the Delisting Put Price or the Change of Control Put Price, as the case may be (such money shall be deposited with the Paying Agents at least one Business Day prior to the applicable Repurchase Date), of Bonds for which Repurchase Notices have been delivered in accordance with the provisions of the Indenture, then, whether or not such Bond is delivered to the Paying Agent, on and after such Repurchase Date, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Bondholder shall terminate (other than the right to receive the Delisting Put Price or the Change of Control Put Price, as the case may be).

(H) LC Redemption Event

Upon the occurrence of an LC Redemption Event (as defined below) and to the extent permitted by applicable law, the Company shall redeem, in whole but not in part, (subject to the non-redemption right described in the fifth paragraph below), the outstanding Bonds at the Early Redemption Amount as at the LC Redemption Event Date (as defined below) (the "**LC Redemption Event Price**"). The "**LC Redemption Event Date**" shall be the 30th day after the day the Issuer LC Redemption Event Notice (as defined below) is delivered by the Company to the holders of the Bonds in accordance with Condition 15 or, in the event the Company fails to so deliver such Issuer LC Redemption Event Notice, the "**LC Redemption Event Date**" shall be the 30th day after the day the Trustee delivers the relevant LC Redemption Event Notice (as defined below) to the holders of the Bonds in accordance with Condition 15.

The Trustee shall not be required to take any steps to ascertain whether an LC Redemption Event or any event which could lead to the occurrence of an LC Redemption Event has occurred and will not be responsible or liable to holders of the Bonds or any other person for any loss arising from any failure by it to do so.

Immediately upon, and not later than three Bond Business Days (as defined in the Letter of Credit) after, receiving the LC Redemption Event Notice (as defined below) from the LC Bank, the Company shall procure that a notice (the "**Issuer LC Redemption Event Notice**") regarding the LC Redemption Event shall be delivered to the Trustee, the Agents and the holders of the Bonds (in accordance with Condition 15) stating:

(i) the LC Redemption Event Date;

(ii) the date of the event of default under the Reimbursement Agreement and the date of receipt by the Company of the LC Redemption Event Notice from the LC Bank and, briefly, the events constituting such event of default under the Reimbursement Agreement;

(iii) the LC Redemption Event Price and the method by which such amount will be paid;

(iv) the names and specified offices of all Paying Agents;

(v) the then current Conversion Price; and

(vi) that the holders of the Bonds have a right to elect that their Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letter of Credit.

In the event the Trustee does not receive the Issuer LC Redemption Event Notice within three Bond Business Days after receipt by the Trustee of the LC Redemption Event Notice from the LC Bank, the Trustee shall deliver a copy of the LC Redemption Event Notice to the holders of the Bonds, the Agents and the Company no later than four Bond Business Days after receipt by the Trustee of such LC Redemption Event Notice from the LC Bank. A copy of any notice delivered by the Trustee pursuant to this paragraph, shall be delivered to the LC Bank at its address stated in the Letter of Credit or otherwise notified to the Trustee in accordance with the Letter of Credit at the same time as it is delivered to the holders of the Bonds.

Following the receipt of an LC Redemption Event Notice, or as the case may be, the Issuer LC Redemption Event Notice, each holder of the Bonds has a right to elect that his Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letter of Credit. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Definitive Certificate evidencing such Bond on or before the day falling seven days prior to the LC Redemption Event Date. A copy of such notice of election shall also be given by such holder to the Issuer and the Trustee.

For the purposes of these Conditions "**LC Redemption Event**" means the delivery of the LC Bank's written notice to the Company, the Principal Agent and the Trustee (the "**LC Redemption**

Event Notice") to the addresses or fax numbers most recently notified to the LC Bank (by at least five Bond Business Days' notice (as defined in the Letter of Credit)) that: (i) an event of default under the Reimbursement Agreement has occurred and is continuing (as defined in the Reimbursement Agreement); and (ii) the Company shall redeem the Bonds at the Early Redemption Amount as at the LC Redemption Event Date.

The LC Bank is not obliged to have regard to the interests of the holders of the Bonds in exercising its rights under the Reimbursement Agreement.

Upon receiving notice in writing from the Principal Agent that the Company has failed to deposit the LC Redemption Event Price five days prior to the LC Redemption Event Date, the Trustee shall as soon as practicable following receipt of such notice draw upon the Letter of Credit in accordance with the terms thereof and Condition 1(B) and the paragraph below.

Subject as set out below, the Trustee shall have 41 days from the date of receipt of the LC Redemption Event Notice by the Trustee from the LC Bank to draw down on the Letter of Credit failing which the Letter of Credit shall expire 41 days from the date of the delivery of the LC Redemption Event Notice by the LC Bank to the Trustee. For the avoidance of doubt, the Trustee shall not be entitled to draw on the Letter of Credit pursuant to this Condition 8(H) on a day earlier than the twenty-fifth day after the day that the Issuer LC Redemption Event Notice is delivered by the Company to the Trustee, or, if the Company fails to procure the delivery of the Issuer LC Redemption Event Notice to the Trustee within the three Bond Business Day period referred to in the third paragraph of this Condition 8(H), the twenty-fifth day after the day that the Trustee delivers the LC Redemption Event Notice to the holders of the Bonds.

(I) Purchase and Cancellation

The Company or any Subsidiary may at any time and from time to time purchase Bonds in the open market or otherwise at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Any Bonds so purchased by the Company or any Subsidiary will be surrendered to the Principal Agent for cancellation and will not be reissued.

(J) Partial Redemption

In the case of a redemption of less than all of the Bonds then outstanding pursuant to Condition 8(B), the Bonds shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Bonds to be redeemed on the date of redemption bears to the aggregate principal amount of outstanding Bonds on such date. In case of partial redemption of Bonds in registered form represented by a Global Bond, the Bonds to be redeemed shall be redeemed in accordance with the rules and procedures of the relevant clearing systems or the stock exchange on which the Bonds are listed.

9. Taxation

Subject to Condition 8(C), all payments of principal and premium and other amounts on the Bonds and all issuance of Shares on conversion of the Bonds will be made after any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the government of the ROC or any authority thereof or therein having power to tax; *provided* that in respect of any such deduction or withholding from any such payment the Company will pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of any such deduction or withholding, except that no Additional Amounts shall be payable in respect of any Bond:

(i) to a Bondholder or beneficial owner (or to a third party on behalf of a Bondholder or beneficial owner) where such Bondholder or beneficial owner is liable for such Taxes in respect of such Bond by reason of its being connected with the ROC otherwise than merely by holding such Bond or by the receipt of principal or premium or any other amount in respect of any Bond or the enforcement of payment on such Bond;

(ii) to or on behalf of a Bondholder or beneficial owner to the extent that such Bondholder or beneficial owner would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other claims for exemption or deduction to the relevant tax authorities if such Bondholder or beneficial owner is eligible to make such declaration or claim and, such Bondholder or beneficial owner fails to timely to do so;

(iii) presented for payment more than 30 days after the relevant date except to the extent that the Bondholder or beneficial owner thereof would have been entitled to the Additional Amounts on presenting the same for payment on the last day of such 30-day period;

(iv) to or on behalf of a Bondholder or beneficial owner who is subject to withholding or deduction imposed on a payment to such Bondholder or beneficial owner and required to be made pursuant to European Council Directive 2003/48/EC or any European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income (the "**Directive**") or any law implementing or complying with, or introduced in order to conform with, such Directive; or

(v) to or on behalf of a Bondholder or beneficial owner if such Bondholder or beneficial owner would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Bond to, or otherwise accepting payment from, another paying agent in a member state of the European Union.

For this purpose the "**relevant date**" in relation to any Bond means (a) the due date for payment in respect thereof, or (b) if the full amount of the moneys payable on such due date has not been received by the Trustee and the Principal Agent on or prior to such due date, the date on which notice is duly given to the Bondholders that such moneys have been so received.

Additionally, the obligation to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges of similar nature or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Bonds or issuance of Shares on conversion of the Bonds.

References in these Conditions to principal, premium and/or any other amounts which may be payable pursuant hereto or pursuant to the Indenture shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Indenture.

Any premium paid on redemption of the bonds will be deemed interest income for the purpose of ROC taxation.

10. Events of Default

(A) Events of Default

The Trustee, if so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being indemnified and/or secured by the Bondholders to its satisfaction), give notice to the Company and the LC Bank that the Bonds are immediately due and repayable at an amount equal to the principal amount of and premium (if any) on the Bonds as of the date of payment, if any of the following events shall have occurred and be continuing; *provided* that so long as (a) the Letter of Credit is outstanding, and (b) there has been no default in payment under the Letter of Credit, such notice shall not be given or be effective (other than in relation to an Event of Default under paragraphs (i), (ii) and (xii) below) without the prior written consent of the LC

Bank (subject as provided below and without prejudice to the right of the holders of the Bonds to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6), if an Event of Default (as defined below) shall have occurred. An "**Event of Default**" occurs if:

(i) a default is made for more than three business days in the payment of principal or premium (if any) in respect of any of the Bonds when due;

(ii) a default is made by the Company in failing to give effect to a Conversion Right exercised by a Bondholder in accordance with the Indenture and such failure continues for more than five business days;

(iii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Indenture or in the Bonds on its part to be performed or observed (other than (i) the covenant to pay the principal amount or premium (if any) or any other amount, in respect of any of the Bonds and (ii) the covenant to give effect to a Conversion Right) and the default continues for the period of 30 days next following the service by the Trustee (acting on the written instructions of the Bondholders, of not less than 25% in principal amount of the Bonds then outstanding or by Extraordinary Resolution) on the Company of written notice requiring such default to be remedied;

(iv) (a) any other present or future indebtedness of the Company or any Principal Subsidiary for or in respect of money borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of an event of default (however called) or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for, or (c) the Company or any Principal Subsidiary fails to pay when due any amounts payable by it under any present or future guarantee, indemnity or similar obligation for any monies borrowed or raised, provided that the aggregate amount of the relevant indebtedness or amount payable in respect of which one or more of the events mentioned above in this paragraph (iv) have occurred equals or exceeds US$10 million (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank selected by the Company on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(v) a final judgment in an aggregate amount in excess of US$10 million is entered against the Company or any of its Principal Subsidiaries which results in a distress, attachment, execution or other legal process being levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its Principal Subsidiaries and is not discharged or stayed within 60 days;

(vi) a final judgment in an aggregate amount in excess of US$10 million is entered against the Company or any of its Principal Subsidiaries which results in any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Principal Subsidiaries becoming enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

(vii) the Company or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company or any of its Principal Subsidiaries; or an administrator or liquidator of the Company or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Company or any of its Principal Subsidiaries is appointed (or application for any such appointment is made);

(viii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary), or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (a) on terms approved by a resolution of Holders holding not less than 75% of the principal amount of the outstanding Bonds or in the case of amalgamation, merger or consolidation, the Company or the Principal Subsidiary is the surviving entity, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company or another of its Principal Subsidiaries;

(ix) any step is taken by any authorized person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Company or any of its Principal Subsidiaries (and if capable of being remedied, is not remedied within 60 days);

(x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Indenture, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Indenture admissible in evidence in the courts of the ROC is not taken, fulfilled or done (and if capable of being remedied, is not remedied within 60 days);

(xi) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds, the Indenture or the Agency Agreement (and if capable of being remedied, is not remedied within 60 days);

(xii) the Letter of Credit is not (or is classified by the LC Bank not to be) enforceable, valid or in full force and effective;

(xiii) the LC Bank has delivered notice to the Company and the Trustee as contemplated by Condition 8(H) and the Reimbursement Agreement; and

(xiv) there shall have been a default in payment by the LC Bank under the Letter of Credit.

The Company will notify the Trustee of the occurrence of any Event of Default. The Trustee will not be deemed to have knowledge of the occurrence of any Event of Default. The Trustee and the Agents shall not be required to take any steps to ascertain whether an Event of Default or any event which could lead to the occurrence of an Event of Default has occurred and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary.

For the purposes of (iv) above, any indebtedness or obligation which is in a currency other than U.S. Dollars shall be translated into U.S. Dollars at the spot rate for the sale of U.S. Dollars against the purchase of the relevant currency quoted by any leading bank in the relevant market selected by the Company on any day when the Company requests such a quotation for such purposes.

For the purposes of (vi) above, "**lien**" means any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any Subsidiary.

If any event specified in this Condition 10(A) shall occur upon the date on which notice as first mentioned in this Condition is given by the Trustee to the Company (the "**Default Notice Date**"), the Maturity Redemption Amount (as adjusted to reflect the reduced premium as of such earlier payment date) and other amounts on Bonds (if any) will become immediately due and payable on the Default Notice Date.

In case of (i) above, the amount due should be the principal of, and premium (if any) and other amounts on such Bonds as of the original due date and the default interest in accordance with Condition 7(F).

(B) Other Provisions

Subject to the provisions of the following four paragraphs, the Conversion Right attached to any Bonds shall survive the provision of the default notice and the acceleration of the payment of the Bonds pursuant to clause (ii) of this Condition 10(A).

Notwithstanding receipt of such payment, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent during the period from and including the Default Notice Date (as defined below) with respect to an event specified in this Condition 10(A) (at which time the Company will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the seventh business day thereafter.

If a converting Bondholder deposits a Conversion Notice pursuant to this Condition 10 on the business day prior to, or during, a Closed Period, the Bondholder's Conversion Right shall continue until the business day following the last day of the Closed Period which shall be deemed the Conversion Date, for the purposes of such Bondholder's exercise of its Conversion Right pursuant to this Condition 10(B).

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Company will issue Shares (which number will be disclosed to such Bondholders as soon as practicable after the Conversion Notice is given) in accordance with Condition 6(B)(iv), except that the Company shall have 12 business days before it is required to register the person designated in the Conversion Notice in the Company's register of shareholders as the owner of the number of Shares to be transferred pursuant to Condition 6(B)(iii).

For the purposes of this Condition 10, "**business day**" shall mean a day other than a Saturday or Sunday on which banks are open for business in Taipei, London and Hong Kong.

11. Prescription

Claims against the Company for payment of principal and premium and other amounts in respect of the Bonds will become prescribed unless made within 10 years from the relevant date for payment in respect thereof.

12. Enforcement

At any time after the Bonds shall have become immediately due and repayable, the Trustee may, at the written direction of the Bondholders holding not less than 25% in principal amount of the Bonds then outstanding or directed by Extraordinary Resolution, and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds together with premium, if any, with respect thereto and to enforce the provisions of the Indenture, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or so directed by an Extraordinary Resolution and

(b) it shall have been indemnified or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so for 60 days and such failure shall be continuing.

13. Meetings of Bondholders, Modification and Waiver

(A) Meetings; Modifications Requiring Extraordinary Resolution

The Indenture contains provisions for convening meetings of Bondholders to consider any matter affecting their interests. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented.

Modifications and amendments of the Indenture or the Bonds may be made by the Company and the Trustee with the written consent of the Bondholders of not less than a majority in aggregate principal amount of the outstanding Bonds (and notice of such change shall be given to the Bondholders in accordance with Condition 15) and with the prior written consent of the LC Bank (with respect to any clause of the Indenture (subject to Condition 13(B)) and any of Conditions 1, 3, 5, 6, 7, 8 and 10), unless the proposed modifications include, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the principal amount or premium or any other amount payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify or cancel the Conversion Rights, (v) to modify or release the Letter of Credit, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33%, in principal amount of the Bonds for the time being outstanding and with the prior written consent of the LC Bank. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Indenture provides that a written resolution signed by or on behalf of the Bondholders of not less than 90% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The Indenture defines "**Extraordinary Resolution**" to mean a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of the Indenture by a majority consisting of not less than three-quarters of the votes cast thereon.

(B) Modifications without Consent

The Company, the Trustee and the Principal Agent may enter into one or more indenture or indentures supplemental to the Indenture or the Agency Agreement for any of the following purposes: (i) to evidence the succession of another corporation to the Company and the assumption by such successor of the covenants and obligations of the Company under the Indenture and in, or with respect to, the Bonds, in the event of any merger, consolidation or other action in accordance with Condition 6(D) and Article 6 of the Indenture; or (ii) to add to the covenants of the Company for the benefit of the Holders of Bonds; or (iii) to surrender any right or power conferred upon the Company; or (iv) to reduce the Conversion Price then in effect; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or which is otherwise defective, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture, provided, such action pursuant to this clause (v) shall not adversely affect the interest of the Bondholders; or (vi) to make any modification of the Bonds, the Indenture or the Agency Agreement of a formal, minor or technical nature or necessary in the opinion of the Trustee to correct a manifest error or, upon advice of counsel, to comply with mandatory provisions of ROC law, provided, such action pursuant to this clause (vi) shall not adversely affect the interest of the Bondholders. Any such modification, waiver or authorization will be binding on all of the Bondholders and upon all future Bondholders and, unless the Trustee agrees otherwise, any such modification will be notified to the Bondholders by the Company in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Indenture. The Trustee is entitled to obtain and rely on a legal opinion or officers' certificate regarding the compliance of this Condition 13(B).

14. Replacement of Certificated Bonds

The Indenture includes provisions for the replacement of any mutilated, defaced, destroyed, stolen or lost Certificated Bonds at the specified office of the Registrar or at the specified office of any Paying Agent, including, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, the Singapore office of a Paying Agent, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and the Registrar may require. Mutilated or defaced Certificated Bonds must be surrendered before replacements will be issued.

In the event any such mutilated, destroyed, lost or stolen Certificated Bond has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Certificated Bond, pay such Bond.

15. Notices

Notices to Bondholders shall be validly given if in writing in English and mailed by first class mail to them at their respective addresses in the Bond Register. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear or Clearstream, or the Alternative Clearing System (as defined in Condition 18(F)), notices to Holders of the Bonds will be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the foregoing sentence. Any such notice shall be deemed to have been given on the later of such delivery and the seventh day after being so mailed.

In addition, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notice shall be published, at the Company's expense, either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (www.sgx.com). Any such notice shall be deemed to have been given on the date of such publication.

The Company shall cause to be filed with the Trustee, and shall cause to be given to all Bondholders (A) at least seven days prior to the applicable record date (or date of submission to a meeting of the shareholders or directors of the Company for their approval, if such approval is required), if the Company shall (i) declare a dividend (or other distribution) on its Shares payable otherwise than in cash out of its retained earnings, or (ii) authorize the grant to the holders of its Shares of options, rights or warrants to subscribe for or purchase any Shares in the authorized capital of any class or of any other rights, (B) at least 20 days prior to the applicable record date, upon (i) a reclassification of the Shares (other than a subdivision or combination of its outstanding Shares), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or of any tender or exchange offer by the Company or any Subsidiary for all or any of the Shares, or of the conveyance, lease, sale or transfer of all or substantially all of the assets of the Company, or (ii) the voluntary or involuntary dissolution, liquidation or winding up of the Company, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Shares of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Shares of record shall be entitled to exchange their Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up, and (C) within five business days of the occurrence of an event after which the Company is obligated to provide notice pursuant to Condition 6(A).

For the purposes of this Condition, "**business day**" means a day other than a Saturday or Sunday on which banks are open for business in Taipei.

16. Indemnification

The Indenture contains provisions for the indemnification of the Trustee, its officers, employees and agents and for its relief from responsibility, including provisions relieving it from taking any actions to enforce repayment unless indemnified or secured to its satisfaction.

Whenever in this Description of the Bonds, the Indenture, the Agency Agreement or by law, the Trustee shall have discretion or permissive power it may decline to exercise the same in the absence of approval by the Holders and need not exercise the same unless it has been indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims, actions or demands to which it may render itself liable and all costs, damages, charges, expenses and liabilities which it may incur by so doing.

17. Governing Law and Jurisdiction

The Indenture, the Agency Agreement and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Agency Agreement and the Bonds, the Company has in the Indenture or the Agency Agreement, as the case may be, irrevocably submitted to the jurisdiction of the State of New York and United States Federal courts sitting in the Borough of Manhattan, the City of New York. The Company has appointed Law Debenture Corporate Services, as its agent for service of process.

18. The Global Bond

The Global Bond contains provisions which apply to the Bonds in respect of which the Global Bond is issued, some of which modify the effect of the Conditions. The following is a summary of those provisions.

(A) Meetings

The registered Holders of the Global Bond will have one vote in respect of each US$100,000 in principal amount of Bonds for which the Global Bond are issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Bond has been issued to attend and speak at a meeting of Bondholders on appropriate proof of its identity and interest.

(B) Cancellation

Cancellation of any Bond following its redemption, repurchase, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the Bond Register.

(C) Trustee's Powers

In considering the interests of Bondholders, while the Global Bond is registered in the name of a nominee for a clearing system, the Trustee may, without being obliged to do so, have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to Bonds and may consider such interests as if such accountholders were the Bondholders.

(D) Conversion

Subject to the requirements of Euroclear and Clearstream, the Conversion Right attaching to a Bond in respect of which the Global Bond is issued may be exercised by the presentation to or to the order of the Principal Agent or to any Conversion Agent of one or more Conversion Notices duly completed by or on behalf of a Holder of a book-entry interest in the Bond. Such Conversion Notice is obtainable at, or may be delivered by, the Principal Agent or any Conversion Agent. Deposit of the Global Bond with the Conversion Agent together with the relevant Conversion Notice shall not be required. The Principal Agent or such other Conversion Agent shall notify the Registrar and the Holder of the Global Bond of the exercise of the Conversion Right.

(E) Payment

Payments in respect of Bonds, including the principal amount and any premium or other amount, represented by the Global Bond will be made without presentation or, if no further payment is to be made in respect of the Bonds, against presentation and surrender of the Global Bond to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

(F) Notices

So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear, Clearstream or any Alternative Clearing System as shall have been designated by the Trustee (the "**Alternative Clearing System**"), notices to Bondholders may be given by delivery of the relevant notice to Euroclear, Clearstream, or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions except that, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notices shall also be published either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (www.sgx.com).

(G) Certificated Bonds

Certificated Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Bond is issued, except where (i) the Common Depositary or any successor to the Common Depositary notifies us in writing that it is at any time unwilling or unable to continue as a depositary or if at any time it is no longer eligible to act as the Common Depositary for the Global Bond and a successor depositary is not appointed by us within 90 days, (ii) either Euroclear or Clearstream (or the Alternative Clearing System in which the Bonds evidenced by the Global Bond may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) if any of the Bonds shall have become due and payable in accordance with Condition 10.

(H) Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear or Clearstream and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream and their respective direct and indirect participants.

(I) Enforcement

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the Holder of the Bonds in respect of which the Global Bond is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the Holder, as if they were themselves the Bondholders in such principal amounts.

Trustee

Citicorp International Limited is the Trustee and Citibank, N.A., London Branch is the Registrar and Principal Agent. Citicorp International Limited and Citibank, N.A., London Branch, in each of its respective capacities, including without limitation as Trustee, Registrar and Principal Agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Except during the continuance of an Event of Default, the Trustee will not be liable, except to the extent of its own gross negligence, bad faith or willful misconduct, for the performance of such duties as are specifically set forth in the Indenture and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its discretions, rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability, tax, cost or expense. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may refrain from taking any action if it would render it liable to any person in any jurisdiction or if, in its opinion based upon legal advice, it would not have the power to take such action in that jurisdiction by virtue of any applicable law or if it is determined by any court or other competent authority in that jurisdiction that it does not have the power to take such action.

Pursuant to the terms of the Indenture, we will reimburse the Trustee, Registrar and Principal Agent for all fees, costs, taxes and expenses. The Indenture contains limitations on the rights of the Trustee, should it become our creditor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with us, including normal banking and trustee relationships. With respect to notices to Holders of a beneficial interest in the Global Bond, such notices would be deemed to have been provided to such Holders if the notices are sent to the clearing systems for dispatching to the Holder.

DESCRIPTIONS OF THE LETTER OF CREDIT

Taipei Branch of ING Bank N.V. (the "**Initial LC Bank**") has agreed to issue a standby letter of credit (the "**Letter of Credit**"), pursuant to the reimbursement agreement dated August 10, 2016 in respect of the Letter of Credit between *inter alios* the Company, the LC Bank (as defined below), ING Bank N.V., Taipei Branch (as the facility agent), First Commercial Bank (as the security agent) and certain other banks and financial institutions (including the Initial LC Bank) (together, the "**Reimbursement Banks**") (the "**Reimbursement Agreement**"). "LC Bank" refers to the Initial LC Bank or such other bank or financial institution as may replace the Initial LC Bank (or any replacement therefor) in accordance with the terms of the Letter of Credit. "**Finance Documents**" refers to the Reimbursement Agreement and related documents.

The Letter of Credit will be issued on or prior to the Closing Date in favor of the Trustee for the benefit of holders of the Bonds and will be issued with an initial face value of US$122,725,440, for payment of the Maturity Redemption Amount at the maturity or the Early Redemption Amount upon redemption or repurchase, as from time to time reduced by redemption or conversion or purchase and cancellation and will be reduced by any payments thereunder. The payment of the Letter of Credit will be made by the LC Bank to the Trustee in US Dollars up to the then face value of the Letter of Credit.

The Letter of Credit does not support any other payment obligation of the Company save as above. For the avoidance of doubt and without limitation, the Letter of Credit does not support (1) payment by the Company of any amounts in respect of any ROC withholding tax; (2) payment by the Company of any interest under the Bonds (including default interest under Condition 7(F)); or (3) the Company's obligations in respect of a conversion pursuant to Condition 6.

Any failure by the Company to comply with the Terms and Conditions of the Bonds will, upon expiry of the grace periods and periods to remedy such defaults as provided in the Terms and Conditions of the Bonds, result in the occurrence of an Event of Default under Condition 10. However, so long as (i) the Letter of Credit is outstanding, and (ii) there has been no payment default on the Letter of Credit, no action can be taken by the Trustee or the Bondholders to accelerate the Bonds without the prior written consent of the LC Bank save where the relevant Events of Default are any of those set out in Condition 10(A)(i), Condition 10(A)(ii), and Condition 10(A)(xii).

The Letter of Credit expires on the date falling three years and 30 days from the date of issue of the Bonds unless:

(i) the Bonds are not issued by the date falling five (5) Bond Business Days (as defined in the Letter of Credit) after the date of the Letter of Credit (or such later date as the LC Bank may agree in writing with the Trustee and the Company), in which case the Letter of Credit shall expire at 5.00 p.m. (Taipei time) on that fifth Bond Business Day (or, as applicable, at 5.00 p.m. (Taipei time) on such later date as may have been so agreed);

(ii) the principal amount of the Bonds has been reduced to zero and no further interest or premium remains payable but unpaid, in which case the Letter of Credit shall expire on the date on which the LC Bank receives notice in writing of such reduction from the Trustee or the Principal Agent;

(iii) any clause of the Indenture or Condition 1, 3, 5, 6, 7, 8 or 10 of the Description of the Bonds is amended, waived, supplemented or varied without the prior written consent of the LC Bank, in which case the Letter of Credit shall expire on the date such amendment, waiver, supplement or variation is effective; or

(iv) following the delivery of a LC Redemption Event Notice (as defined in Condition 8(H)) by the LC Bank to the Trustee, the Letter of Credit is not drawn down by the Trustee in accordance with Condition 8(H), in which case the Letter of Credit shall expire on the date falling 41 days from the date of delivery of such LC Redemption Event Notice to the Trustee.

See "Description of the Bonds — 1. Status and Letter of Credit".

If the Company fails to pay any principal or premium (if any) on any due date under the Description of the Bonds, the Principal Agent shall immediately notify the Trustee of such failure to pay. The Trustee shall (to the extent it is entitled to do so in accordance with the terms of the Letter of Credit) as soon as practicable, make a drawing on the Letter of Credit in an amount equal to any payment due on the Bonds but not paid by the Company to the extent that such payments are covered by the Letter of Credit. The Trustee is entitled to make a drawing on the Letter of Credit (i) within 30 days of the relevant due date or (ii) in the event that an LC Redemption Event Notice has been delivered, within 41 days from the date of delivery of the LC Redemption Event Notice by the LC Bank to the Trustee.

Each drawing on the Letter of Credit will be payable within seven Bond Business Days (as defined in the Letter of Credit) after the date of the presentation of a notice of drawing by the Trustee in accordance with the terms of the Letter of Credit. Such payment will be made by the LC Bank into a U.S. Dollar account designated by the Trustee.

The following is a summary description of the events of default under the Reimbursement Agreement:

- failure to pay by the Company;
- failure by the Company to deposit certain amounts in accordance with the Reimbursement Agreement upon the occurrence of certain events;
- an Event of Default occurs under the Bonds;
- breach of any obligations, undertakings or covenants of the Company under the Reimbursement Agreement or any other of the Finance Documents provided that, such event shall not constitute an event of default under the Reimbursement Agreement if, with respect to such event, the Company shall have deposited the required amount of funds into the relevant account;
- misrepresentation by the Company;
- cross default in relation to the Company or any of its Subsidiaries;
- the Company's inability to pay its debts as they become due;
- value of the assets of the Company is less than its liabilities;
- a moratorium, standstill or similar suspension of payment is declared in respect of any indebtedness of the Company;
- insolvency proceedings against the Company are commenced;
- any assets of the Company are subject to any attachment, compulsory execution, injunction, auction, or any expropriation, seizure, taking custody or disposal limitation by any governmental authority or other similar proceedings;
- repudiation of a Finance Document by the Company or unlawfulness of the Reimbursement Agreement;
- cessation of Listing of the Bonds or the shares of the Company in the recognized share exchange;
- a judgment adversely impacting the Company's ability to perform under the Finance Documents is rendered or failure by the Company to pay any sum due from it under any final judgment or order of a court;

- cessation of all or a material part of business of the Company;
- there is a material adverse change in the business, operations, property, conditions (financial or otherwise) or prospects of the Company and its subsidiaries taken as a whole; and
- the outstanding amount of the Secured Obligations has been fixed for the purpose of the Real Property Mortgage Agreement and/or the Chattel Mortgage Agreement as defined under the Reimbursement Agreement.

The LC Bank is entitled, following an event of default under the Reimbursement Agreement, to give the LC Redemption Notice to the Company, the Principal Agent and the Trustee requiring the Company to redeem the Bonds at the Early Redemption Amount as at the LC Redemption Event Date. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (H) LC Redemption Event."

The Reimbursement Agreement provides for the issue of the Letter of Credit by the Initial LC Bank and participation of the Reimbursement Banks and reimbursement by the Company, of all amounts drawn under the Letter of Credit. The Reimbursement Agreement provides that the Reimbursement Banks may transfer or assign their rights and obligations under the Reimbursement Agreement to certain other banks and financial institutions. The Reimbursement Banks and the LC Bank have certain rights, powers and discretions under the Reimbursement Agreement which include the calling of certain events of default thereunder.

The Reimbursement Agreement also contains financial covenants that among others, the Company is required to comply with, including a ratio of total current assets to total current liabilities not less than 110%, a ratio of total liabilities to total tangible net worth not exceeding 125%, a ratio of EBITDA to interest expenses not less than (i) 200% during the first year after the issue date of the Letter of Credit; (ii) 250% during the second year after the issue date of the Letter of Credit; and (iii) 300% during the third year after the issue date of the Letter of Credit and thereafter, and the total tangible net worth no less than NT$10 billion; *provided, however*, that, under certain circumstances specified in the Reimbursement Agreement, a breach of certain financial covenants by the Company will not immediately constitute an event of default under the Reimbursement Agreement if such breach has been cured within 90 days after the breach or the required funds have been deposited into a sinking fund account pursuant to the Reimbursement Agreement.

The Company has been advised that the Initial LC Bank's senior unsecured obligations are, at the date of the Reimbursement Agreement, rated A1 by Moody's Investors Service, Inc. and A by Standard & Poor's Rating Service.

The LC Bank may transfer by novation or assignment all or any of its rights and obligations under the Letter of Credit (a) to another bank or financial institution which has a rating of at least A by Standard & Poor's Rating Service or A1 by Moody's Investors Service, Inc. and (b) where the novation or assignment relates to all the rights and obligations of the LC Bank. Any transfer by novation by the LC Bank is subject to certain other requirements as set out in the Reimbursement Agreement. In the case of transfer by novation or assignment of the LC Bank's rights and obligations under the Letter of Credit, the Trustee will deliver to the LC Bank a duly completed surrender certificate for surrender of the Letter of Credit and, the Letter of Credit issued by the LC Bank shall be replaced by the new letter of credit issued by the new LC Bank on the same terms of the replaced Letter of Credit.

The LC Bank may exercise its rights under the Reimbursement Agreement without regard to the interests of the holders of the Bonds, and there can be no assurance that the rights of the holders of the Bonds, the value of the Bonds and the period during which these rights may remain available for exercise may not be adversely affected as a result.

THE LETTER OF CREDIT BANK

Incorporation and History

ING Groep N.V. ("**ING Group**") was founded in 1991 by a merger between Nationale-Nederlanden and NMB Postbank Group. The roots of ING can be traced to the insurers De Nationale Levensverzekering Bank and De Nederlanden van 1845 and to the public bank services such as De Rijkspostspaarbank and De Postcheque- and Girodienst, as well as to the Nederlandsche Middenstands Bank. These are the legal predecessors of the 'founding fathers' of ING Group: Nationale-Nederlanden and NMB Postbank Group.

ING has developed from a Dutch company with some international business to a multinational with Dutch roots. This was achieved through a mixture of organic growth, such as the creation of ING Direct, as well as various acquisitions. ING Bank forms the main part of ING Group.

ING Bank's articles of association were last amended by notarial deed executed on December 13, 2013. ING Bank is registered at the Chamber of Commerce of Amsterdam under no. 33031431. The registered office of ING Bank is at Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands.

According to Article 2 of its articles of association, the objects of ING Bank is to conduct banking business in the widest sense, including insurance brokerage, to acquire, build and operate real estate, to participate in, manage, finance and furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which engage in lending, investment and/or other financial services, and to engage in any activity which may be related or conducive to the forgoing.

Overview

ING Bank is part of ING Group. ING Group is the holding company for a number of companies (together, "**ING**"). ING Group holds all shares of ING Bank N.V., which is a non-listed 100% subsidiary of ING Group.

ING currently is a global financial institution with a strong European base, offering banking services. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

The IPO of NN Group, ING's former European/ Japanese insurance businesses, the completion of the divestment of ING's stake in NN Group and the full divestment of ING's shares in Voya Financial, Inc. ("**Voya**") largely completed ING's restructuring mandated by the restructuring plan ING submitted to the European Commission ("**EC**") in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules (as amended, the "**Restructuring Plan**").

ING Bank currently offers retail banking services to individuals, small and medium-sized enterprises ("**SMEs**") and mid-corporates in Europe, Asia and Australia and wholesale banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organizations. ING Bank currently serves more than 34 million customers through an extensive network in more than 40 countries. ING Bank has 52,000 employees.

ING Bank's reporting structure reflects the two main business lines through which it is active: Retail Banking and Wholesale Banking.

Retail Banking

Retail Banking provides banking services to individuals, SMEs and mid-corporates in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand.

In all markets ING Bank pursues a digital-first approach, complemented by advice when needed, with omni-channel contact and distribution possibilities. ING Bank views Retail Banking as having leading position in the Netherlands, Belgium and Luxembourg. It also operates in a number of other markets — Australia, Austria, the Czech Republic, France, Germany, Italy and Spain, where ING Bank combines strong deposit-gathering capabilities with low-cost digital distribution. It also participates in key growth markets such as Poland, Romania and Turkey. It operates in China, Thailand and India through its stakes in Bank of Beijing and TMB and its investment in Kotak Mahindra Bank, respectively.

Wholesale Banking

ING Bank is a European wholesale bank with global reach. It has an extensive international network of offices in more than 40 countries across Europe, Asia and the Americas. ING Bank's global franchises in industry lending, general lending, transaction services and financial markets serve a range of organizations, including corporates, multinational corporates, financial institutions, governments and supranational bodies.

ING Bank views its lending capabilities as the core of client relationships. ING Bank continues to grow industry lending by supporting clients with sector expertise and in-depth knowledge of their business. ING Bank extends its client offering with international payments and cash management, trade finance services and working capital solutions through transaction services. Financial markets serves ING Bank's clients from treasury through to capital markets, and provides clients with risk management and structured financial products.

As of 2016, ING's commercial banking activities were renamed Wholesale Banking to reflect the international, large corporate and institutional nature of its business.

The authorized share capital of ING Bank N.V. amounted to EUR 1,808 million at December 31, 2015, consisting of 1,600 million ordinary shares with a nominal value of EUR 1.13 each and 50 preference shares, with a nominal value of EUR1.13 each. The issued and paid-up capital amounted to EUR525 million, consisting of 465 million ordinary shares and seven preference shares at December 31, 2015.

Management

ING Bank has a two-tier board system, consisting of a Supervisory Board and a Management Board Banking. The Supervisory Board supervises the policy of the Management Board Banking and the general course of events at ING Bank, and assists the Management Board Banking by providing advice. The Management Board Banking is responsible for the daily management of ING Bank.

The composition of the Management Board and Supervisory Board of ING Bank as of September 30, 2016 is as follows:

Management Board Banking	Supervisory Board
R.A.J.G. Hamers, chairman and CEO	J. van der Veer, chairman
J.V. Timmermans, vice-chairman	H.J.M. Lamberti, vice-chairman
P.G. Flynn, chief financial officer	E.F.C.B. Boyer de la Giroday
R.M.M. Louwhoff, chief operating officer	H.W. Breukink
W.F. Nagel, chief risk officer	M. Gheorghe
W.L.A. Connelly	I. Martín Castellá
A. Bogdaneris	R.W.P. Reibestein
M.I. Fernandez Niemann	A. Sherry

The business address of all the Supervisory Board and the Management Board Banking members is the registered office of ING Bank.

Statutory Auditors

ING Bank's financial year is the calendar year. ING Bank is required by Netherlands law to have statutory auditors. KPMG is ING's external auditor from financial year 2016.

Recent Developments

Delivering on restructuring

As a result of having received Dutch state aid, ING in 2009 agreed a restructuring plan that met the EC's requirements to approve the state aid. The Restructuring Plan subjected ING to certain behavioral restrictions and it was required among other things, to divest a significant part of its operations, including its insurance activities and its ING Direct operations in the United States.

The behavioral restrictions ceased to apply on May 29, 2015 after ING divested NN Group more than 50% and deconsolidated NN Group under IFRS. As of December 31, 2015, the Restructuring Plan had been fully implemented, except for ING's obligation to sell its remaining stake in NN Group. The divestment transactions improved ING Group's Common Equity Tier 1 ratio and also strengthened its cash base, providing ING with ample financial flexibility. ING believes the divestment has left the company stronger, simpler and more sustainable.

Divestment in 2015

In April 2015, the merger between ING Vysya Bank ("**ING Vysya**") and Kotak Mahindra Bank ("**Kotak**") was completed and the legal entity ING Vysya ceased to exist. As a result of this transaction, ING held a stake of 6.5% in the combined company, which operates under the Kotak brand. The transaction did not materially impact the shareholders' equity of ING Group. As of December 31, 2015, ING accounts for the investment in Kotak as an Available-for-sale equity investment. In September 2016, ING announced the sale of shares of Kotak which reduced ING's stake in Kotak to 3.9%.

Additional tier 1 securities

On April 9, 2015, ING announced it would issue USD2.25 billion securities in the form of perpetual additional tier 1 contingent convertible capital securities qualifying as additional tier 1 capital under CRD IV/CRR to further strengthen ING's capital base. The securities are subject to full conversion into ordinary shares of ING Group in the event ING Group's phased-in CET 1 ratio falls below 7.0%. The settlement of the securities occurred on April 16, 2015 and the proceeds of the issue were on-lent to ING Bank with the intention that the loan qualifies as additional tier 1 capital under CRD IV/CRR to further strengthen ING's capital base.

Tier 2 debt instruments

On April 11, 2016, ING Bank issued EUR1 billion debt instruments in the form of fixed rate subordinated notes due April 11, 2028 under its EUR55 billion Debt Issuance Programme qualifying as Tier 2 capital under CRD IV/CRR to further strengthen its capital base. These debt instruments are subject to an exchange provision pursuant to which these debt instruments issued by ING Bank may be exchanged for subordinated notes issued by ING Group.

Five-Year Key Consolidated Figures for ING Bank N.V.[1]

	2015	2014	2013	2012	2011
			(EUR millions)		
Balance sheet[2]					
Total assets	838,528	828,602	787,566	834,322	961,603
Total equity	41,495	38,686	33,760	35,807	35,498
Deposits and funds borrowed[3]	660,104	640,243	624,274	633,683	682,523
Loans and advances	536,543	518,119	508,329	541,527	577,569
Results[4]					
Total income	17,070	15,674	15,327	16,298	17,195
Operating expenses	9,308	10,225	8,805	9,630	10,239
Additions to loan loss provisions	1,347	1,594	2,289	2,125	1,670
Result before tax	6,415	3,855	4,233	4,543	5,286
Taxation	1,684	1,032	1,080	1,171	1,215
Net result (before minority interests)	4,731	2,823	3,153	3,372	4,071
Attributable to Shareholders of the parent	4,659	2,744	3,063	3,281	3,993
Ratios (in %)					
BIS ratio[5]	16.04	15.53	16.46	16.96	14.26
Tier 1 ratio[6]	13.43	12.52	13.53	14.40	11.69

(1) These figures have been derived from the audited annual accounts of ING Bank N.V. in respect of the financial years ended 31 December 2011 to 2015, respectively, provided that certain figures in respect of the financial years ended 31 December 2011 to 2013, respectively, have been restated to reflect changes in accounting policies in 2014. See for further details page 26 of the 2014 Annual Report ING Bank N.V.

(2) At December 31.

(3) Figures including Banks and Debt securities.

(4) For the year ended December 31.

(5) BIS ratio = BIS capital as a percentage of Risk Weighted Assets. Note: Until year-end 2013 the Risk Weighted Assets were based on Basel II.

(6) Tier 1 ratio = Available Tier 1 capital as a percentage of Risk Weighted Assets. Note: Until year-end 2013 the Risk Weighted Assets were based on Basel II.

Further information on ING Group

Extensive information on ING Group, such as annual reports and press releases can be found in the ING Group website at http://www.ing.com.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares.

This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.

Except in certain limited circumstances, interests in the Bonds may only be held through owning beneficial interests in the Global Bond. Interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See "Description of the Bonds — The Global Bond" Each owner of Bonds, by its acceptance of the Bonds, will be deemed to have acknowledged and represented to and agreed with our company and the Sole Bookrunner as follows (terms used that are defined in Regulation S are used as so defined):

(1) The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and are subject to significant restrictions on transfer.

(2) Each owner is purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S.

(3) Such owner will not offer, sell, pledge or otherwise transfer any Bonds and the Shares, except as permitted by the applicable legend set forth in paragraph (4) below.

(4) The Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE BONDS EVIDENCED HEREBY AND THE COMMON SHARES ("**SHARES**") OF NEO SOLAR POWER CORPORATION ("**NSP**") ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), SUCH BONDS MAY (X) NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY U.S. PERSON OUTSIDE THE UNITED STATES OR ANY PERSON IN THE UNITED STATES AND (Y) BE CONVERTED INTO SHARES OF NSP ONLY BY PERSONS LOCATED OUTSIDE THE UNITED STATES.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that we have received approval-in-principle for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

ROC TAXATION

The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds or the Shares to a non-resident individual or non-resident entity that holds such Bonds or Shares (a "Non-ROC Holder"). A "non-resident individual" (a "Non-ROC Individual Holder") is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds or the Shares and a "non-resident entity" (a "Non-ROC Entity Holder") is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

Bonds

Interest

Payments of interest or premium (if any) on a Bond to a Non-ROC Holder constitute interest income and, therefore, are subject to ROC withholding tax at the rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. The Company has agreed to pay Additional Amounts in respect of such withholding tax on the payments of interest or premium. See "Description of the Bonds."

Sale

Capital Gains

Capital gains generated from transactions of corporate bonds issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of the Bonds.

Securities Transaction Tax

Securities transaction tax does not apply to transactions of corporate bonds which are convertible and are offered outside of the ROC; accordingly, no securities transaction tax will be imposed on the sale or transfer of the Bonds.

However, securities transaction tax, gift tax and/or income tax may be imposed in relation to the Bondholder's designation of other persons to be the holder of the Shares upon the conversion of the Bonds.

Conversion into Shares

The conversion of Bonds into Shares will not be taxable to Non-ROC Holders under ROC income tax law.

Stamp Duty

There is no ROC stamp tax, issue or registration fee imposed on the issuance of the Shares upon conversion of the Bonds.

Shares

Dividends

Dividends (whether in cash or Shares) declared by the Company out of its retained earnings and distributed to a Non-ROC Holder in respect of the Shares are subject to ROC withholding tax, currently at the rate of 20%, on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of stock dividends) unless a lower withholding rate is provided under an applicable tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident.

A 10% retained earnings tax is imposed on an ROC company's after-tax earnings generated after January 1, 1998 that are not distributed in the following year. The retained earnings tax so paid reduces the retained earnings available for future distribution. When the company declares a dividend out of those retained earnings, a maximum amount of up to 100% of the paid surtax is credited against the 20% withholding tax imposed on a dividend to the Non-ROC Holders so that the actual withholding tax imposed on the non-ROC Holders may be less than 20%. However, starting from January 1, 2015, only up to 50% of the paid surtax can be credited against the 20% withholding tax. Distributions of capital reserves by the Company are not subject to withholding tax, except under limited circumstances.

Sale

Capital Gains

Starting from January 1, 2016, Non-ROC Entity Holders remain exempt from income tax on capital gains from the sale or disposal of the Shares.

Securities Transaction Tax

Securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of the Shares.

Pre-emptive Rights

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Law are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Entity Holders remain exempt, after January 1, 2016, from income tax on capital gains from such sale.

Estate Tax and Gift Tax

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property located within the ROC of a deceased Non-ROC Individual, and ROC gift tax is payable on any property located within the ROC donated by a Non-ROC Individual. Estate tax and gift tax are currently imposed at the rate of 10%. Under ROC estate and gift tax law, bonds and shares issued by ROC companies are deemed located within the ROC regardless of the location of the owner.

Tax Treaties

At present, the ROC has income tax treaties with Australia, Gambia, Indonesia, Malaysia, Macedonia, the United Kingdom, the Netherlands, New Zealand, Singapore, South Africa, Swaziland, Vietnam, Senegal, Belgium, Sweden, Denmark, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy and Japan which limit the rate of withholding tax on dividends or interest paid by ROC companies to residents of these countries. Holders of the Bonds or the Shares should consult their own tax advisers concerning their eligibility for benefits under an income tax treaty with respect to the Bonds or the Shares.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated October 18, 2016 (the "**Purchase Agreement**"), the Initial Purchaser, for whom Daiwa Capital Markets Hong Kong Limited is acting as representative, has agreed to purchase from us, the following respective principal amount of the Bonds set forth opposite the name of the Initial Purchaser:

Initial Purchaser	**Principal amount of Bonds**
Daiwa Capital Markets Hong Kong Limited	US$120,000,000
Total	US$120,000,000

The Purchase Agreement provides that the obligations of the Initial Purchaser to purchase the Bonds included in this offering are subject to certain conditions precedent, including receipt of certain legal opinions. The Initial Purchaser is obligated to purchase all the Bonds if they purchase any of the Bonds. The purchase agreement also provides that if the Initial Purchaser defaults, the purchase commitments of non-defaulting purchasers may be increased or the offering may be terminated. Daiwa Capital Markets Hong Kong Limited and ING Bank N.V., Hong Kong Branch are acting as Joint Global Coordinators in this offering.

The Initial Purchaser has agreed to purchase the Bonds at the offering price set forth on the cover page of this Offering Circular. We have been advised that Initial Purchaser propose to resell the Bonds at the offering price set forth on the cover page of this Offering Circular outside the United States in reliance on Regulation S.

The Bonds and the underlying Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, the Initial Purchaser has agreed that, except as permitted by the Purchase Agreement and as set forth in the "Transfer Restrictions", it will not offer or sell the Bonds within the United States, and it will have sent to each dealer to which it sells the Bonds a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States.

For a period of 90 days after the date hereof (the "**Lock-Up Period**"), we will not, without the prior written consent of the representative on behalf of the Initial Purchaser and subject to certain exceptions as set forth below, directly or indirectly, take any of the following actions with respect to any (1) Bonds, (2) Shares or other capital stock of our company, (3) any securities convertible into or exchangeable or exercisable for any Shares or other capital stock of our company, (4) securities of the same class as the Bonds, the Shares or other capital stock of our company or (5) other instruments representing interests in securities of the same class as the Bonds, the Shares or other capital stock of our company (collectively, the "**Lock-Up Securities**"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of any Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of any Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any Lock-Up Securities within the meaning of Section 16 of the United States Exchange Act of 1934, as amended (the "**Exchange Act**"), or (v) file with the United States Securities and Exchange Commission (the "**SEC**") a registration statement under the U.S. Securities Act, relating to any Lock-Up Securities or depositary shares representing the right to receive any such securities or publicly disclose the intention to take any such action described in clauses (i) through (v) above, whether any such action or transaction is to be settled by delivery of the Bonds, the Shares or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the sale of the Bonds, (B) issuances of Lock-Up Securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof, (C) grants of employee stock options and employee restricted Shares pursuant to the terms of an employee stock option plan in effect on the date hereof of, (D) issuances of Lock-Up Securities pursuant to the exercise of such employee stock options referred to in clause (C), or (E) the preparation work for the purpose of effecting the potential Rights Issuance in the ROC, including attending filing with relevant regulatory bodies in the ROC and the disclosure by way of public announcement(s) relating to such potential Rights Issuance as required by such relevant regulatory bodies or under relevant laws of the ROC, provided that the ex-rights date in respect of such potential Rights Issuance shall fall only after expiry of the Lock-Up Period. We will not at any time directly or indirectly, take any action referred to in clauses (i) through (v) above with respect to any securities under circumstances where such offer, sale, pledge, contract or disposition would require the registration of the Bonds under the U.S. Securities Act.

Certain of our officers, directors and shareholders have agreed that they will not, during the Lock-Up Period, without the prior written consent of the representative on behalf of the Initial Purchaser and subject to certain exceptions, (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of any Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of any Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any Lock-Up Securities within the meaning of Section 16 of the Exchange Act, or (v) file with the SEC a registration statement under the U.S. Securities Act, relating to any Lock-Up Securities or depositary shares representing the right to receive any such securities or publicly disclose the intention to take any such action described in clauses (i) through (v) above, whether any such action or transaction is to be settled by delivery of the Bonds, the Shares or such other securities, in cash or otherwise.

In the ordinary course of their respective businesses, the representative has engaged and may in the future engage in commercial banking and/or investment banking transaction with our company and our affiliates.

The Bonds are new issue of securities for which there currently is no trading market. We have received approval-in-principle for the listing and quotation of the Bonds on the SGX-ST. Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Bonds or the Shares. There are also no market outside of Taiwan for the Shares. The Shares will not be listed on the SGX-ST. We have undertaken to list the Shares on the TWSE upon the conversion of the Bonds. The Initial Purchaser have advised us that they intend to make a market in the Bonds as permitted by applicable laws. They are not obligated, however, to make a market in the Bonds and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

We have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the Initial Purchaser may be required to make because of any of those liabilities.

The Initial Purchaser and their affiliates may from time to time engage in transactions with, and perform services for, us and our affiliates in the ordinary course of business, and have also engaged, or may in the future engage, in commercial banking and investment banking transactions with us or our affiliates, for which they have received, and may in the future receive, customary compensation.

Affiliates of the Initial Purchaser may purchase Bonds for their own account or enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our other securities, and (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions.

United Kingdom

Each of the Initial Purchaser: (i) (A) is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (B) has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of its businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act of 2000 (the "**FSMA**") by the Company; (ii) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (iii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Initial Purchaser has not (i) offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (A) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (B) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each of the Initial Purchaser acknowledges that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser represents and agrees that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Bonds may not be circulated or distributed, nor may Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

The ROC

Each of the Initial Purchaser for the Bonds offering has agreed that, as part of the distribution of the Bonds, it has not offered or sold, and will not offer or sell, any Bond directly or indirectly in the ROC; each of the Initial Purchaser also understands and has acknowledged that the Bonds may not be sold to any related person of us (as defined in the ROC SFAS No. 6) or any person listed in Article 36 of the Chinese Securities Association Regulations Governing Underwriting and Resale of Securities by Securities Firms.

Japan

Each of the Initial Purchaser agrees that the Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"), and it has not offered or sold and will not offer or sell, directly or indirectly, the Bonds in Japan or to or for the account of any resident of Japan, except (A) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (B) in compliance with any other applicable requirements of Japanese law.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), the Initial Purchaser have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Goldman Sachs International for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The PRC

This Offering Circular does not constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

United States

The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act for offer or sale as part of their distribution and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the U.S. Securities Act. The Bonds are being offered and sold by the Initial Purchaser only outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN TAIWAN IFRSS AND IFRSS

Our consolidated financial statements are prepared and presented in accordance with Taiwan IFRSs. Taiwan IFRSs and IFRSs differ in certain significant respects. A brief description of certain significant differences between Taiwan IFRSs and IFRSs is set forth below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan IFRSs and IFRSs, including those specifically related to Neo Solar Power Corporation or to the industries in which we operate. No attempt has been made to identify (a) future differences between Taiwan IFRSs and IFRSs as a result of prescribed changes in accounting standards, or (b) disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements of Neo Solar Power Corporation or the notes thereto. Further, had we undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences which are not in the following summary may have come to our attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on our financial statements. Management has not quantified the effects of the differences between Taiwan IFRSs and IFRSs on any of the financial results of Neo Solar Power Corporation.

Subject	Taiwan IFRSs	IFRSs
Tax on undistributed earnings . .	Under Taiwan IFRSs, companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders' decision on distribution is made.	Under IFRSs, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.
Definition of related party (substantive related party) . . .	Unless the entity can be established that no control or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the notes to the financial reports in accordance with IAS 24: (1) An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act, and any of its directors, supervisors, and managerial officers. (2) A company or institution governed by the same general management office as the issuer, and any of its directors, supervisors, and managerial officers. (3) A person holding the position of manager or higher in the general management office. (4) A company or institution shown as an affiliated enterprise in the issuer's publications or public announcements. The balance sheets, statements of comprehensive, changes in equity and cash flows for interim financial reports shall be in a complete form; condensed form is not acceptable.	No such specific guidance.

Subject	Taiwan IFRSs	IFRSs
Form of the condensed financial statements and the periods to be included	The balance sheets, statements of comprehensive, changes in equity and cash flows for interim financial reports shall be in a complete form; condensed form is not acceptable. Entities have to present balance sheets as of the end of the current interim period, as of the end of the immediately preceding financial year, and as of the end of the comparable interim periods of the immediately preceding financial year.	The statements of financial position, statements of comprehensive, changes in equity and cash flows for interim financial reports could be in a condensed form. The periods presented in the statements of financial position should include the end of the current interim period and the end of the immediately preceding financial year.

LEGAL MATTERS

Certain legal matters in connection with this offering as to ROC law will be passed upon for us by Jones Day, Taipei, Taiwan. Certain legal matters in connection with this offering will be passed upon for the initial purchaser as to New York State and United States federal law by Simpson Thacher & Bartlett.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2013, 2014 and 2015 and for the years ended December 31, 2013, 2014 and 2015 included in this Offering Circular have been audited by Deloitte & Touche, independent auditors, as indicated in their reports with respect thereto, included herein. Such reports express an unqualified opinion on the financial statements and include explanatory paragraphs relating to

1. the financial statements of certain subsidiaries and equity-method investees as of and for the years ended December 31, 2014 and 2015 which were audited by other auditors; and

2. convenience translation of New Taiwan dollar amounts into U.S. dollar amounts.

Deloitte & Touche is located at 6th Floor, Allied Association Industries, 2 Prosperity Road 1, Hsinchu Science-Based Industrial Park, Hsinchu, Taiwan, Republic of China. They are a member of the Taiwan CPA Association.

With respect to our unaudited consolidated interim financial statements as of and for the six-months period ended June 30, 2015 and 2016 including in this Offering Circular, Deloitte & Touche, independent accountants, have reported that they have applied limited procedures in accordance with professional standards for a review of such financial statements in accordance with ROC Statement of Auditing Standards No. 36, "Review of Financial Statements." However, the separate review report included in this Offering Circular states that they did not audit and do not express an opinion on such interim financial statements. In addition, such review report is qualified because of the omission of procedures related to accounts supporting our subsidiaries and equity method investments. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied. Such review report also included an explanatory paragraph relating to convenience translation of New Taiwan dollar amounts into U.S. dollar amounts.

GENERAL INFORMATION

1. We are a company limited by shares and incorporated under the laws of the ROC on August 26, 2005. As of the date of this Offering Circular, our authorized share capital registered with the Ministry of Economic Affairs was 800,000,000 Common Shares, NT$10 par value, with a paid-up share capital of NT$10,177,797,300. Our registered and principal executive office is located at 7, Li-Hsin 3rd Rd, Hsinchu Science Park, Hsinchu, Taiwan 30078, Republic of China, and our telephone number at the above address is (886-3) 578-0011. Chinatrust Commercial Bank Co., Ltd. currently acts as our share registrar and maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of our Shares in such register upon presentation of, among other documents, certificates in respect of the transferred Common Shares. The registered office of our share registrar is at 6F, No. 83, Section 1, Chong-Qing South Road, Taipei, Taiwan. The uniform number assigned to us is 27763753.

2. We have received approval-in-principle for the listing and quotation of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 (or its equivalent in foreign currencies) on the SGX-ST for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a Paying Agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bond is exchanged for Certificated Bonds. In addition, in the event that the Global Bond is exchanged for Certificated Bonds, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Bonds, including details of the Paying Agent in Singapore.

3. The Bonds have been accepted for clearance through Euroclear and Clearstream. The ISIN for the Bonds is XS1506614715 and the common code for the Bonds is 150661471.

4. The offering of the Bonds was authorized by resolutions of our directors dated August 4, 2016. We have obtained all necessary consents, approvals and authorizations as may be required in connection with the offer and sale of the Bonds.

5. Save as disclosed in this Offering Circular, neither we nor our subsidiaries are involved in any material litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Offering Circular, a material adverse effect on our financial position or the financial position of our company and our subsidiaries, taken as a whole, nor, so far as we or our subsidiaries are aware, are there any such proceedings pending or threatened.

6. For so long as any of the Bonds are outstanding, copies of the following documents may be inspected during normal business hours at the specified offices of the Trustee:

   (a) the Indenture;

   (b) the Agency Agreement; and

   (c) the Letter of Credit.

7. For so long as any of the Bonds are outstanding, copies of the following documents (together with English translations thereof, if applicable) may be obtained during normal business hours at the specified offices of the Paying Agents:

   (a) the Company's audited consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 and the Company's unaudited consolidated financial statements as of and for the six months ended June 30, 2015 and 2016; and

8. There has been no material adverse change in our financial position since June 30, 2016, the date of our last unaudited consolidated financial statements, and there has been no significant change in our financial condition, capitalization or prospects since June 30, 2016.

9. Our consolidated financial statements have been prepared and are presented, as of and for the years ended December 31, 2013, 2014 and 2015, in accordance with Taiwan IFRSs.

10. Our consolidated financial statements have been prepared and are presented, as of and for the six months ended June 30, 2015 and 2016, in accordance with Taiwan IFRSs.

11. There is no public takeover or exchange offers by third parties in respect of the Common Shares and there is no public exchange offers made by us in respect of other companies' shares.

12. The Trustee may rely without liability to the Bondholders on any certificate prepared by our directors, whether or not addressed to the Trustee and shall be obliged to do so where the certificate is delivered pursuant to our obligation to procure such delivery under the Description of the Bonds. Any such certificate shall be conclusive and binding on us, the Trustee and the Bondholders.

13. The Bonds provide the Trustee to take action on behalf of the Bondholders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Bonds and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for the Bondholders to take such actions directly.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Neo Solar Power Corp.

We have audited the accompanying consolidated balance sheets of Neo Solar Power Corp. (NSP) and its subsidiaries (collectively referred to as the "Corporation") as of December 31, 2013, 2014 and 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013, 2014 and 2015. These consolidated financial statements are the responsibility of NSP's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As disclosed in Note 15 to the consolidated financial statements, the financial statements of certain subsidiaries as of and for the years ended December 31, 2014 and 2015 were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of such subsidiaries, is based solely on the reports of other auditors. As of December 31, 2014 and 2015, combined total assets of these subsidiaries were NT$4,557,536 thousand and NT$6,794,911 thousand, respectively, representing 12.21% and 17.38%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$2,581,275 thousand and NT$4,405,430 thousand, respectively, representing 16.55% and 23.50%, respectively, of the consolidated total liabilities; for the years ended December 31, 2014 and 2015, combined comprehensive income (loss) of these subsidiaries NT$122,808 thousand and NT$(208,540) thousand, respectively, representing 33.57% and 14.40%, respectively, of the consolidated total comprehensive income (loss). Also, as disclosed in Note 16 to the consolidated financial statements, the financial statements of certain equity-method investees as of and for the years ended December 31, 2014 and 2015, which were included in the consolidated financial statements were audited by other auditors. The financial statements audited by other auditors have been furnished to us, and our opinion, insofar as it relates to the amounts of investments accounted for using the equity method and share of profit and other comprehensive income of the equity-method investees, is based solely on the report of other auditors. As of December 31, 2014 and 2015, such investments accounted for using the equity method were NT$71,360 thousand and NT$65,824 thousand, respectively, representing 0.19% and 0.17%, respectively, of the consolidated total assets; for the years ended December 31, 2014 and 2015, the share of loss and the share of total comprehensive loss of equity-method investees were NT$42,694 thousand and NT$8,064 thousand, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neo Solar Power Corp. and its subsidiaries as of December 31, 2013, 2014 and 2015, and their consolidated financial performance and cash flows for the years ended December 31, 2013, 2014 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Our audits also comprehended the translation of New Taiwan dollar amounts for 2015 into U.S. dollar amounts, and, in our opinion, such translation has been made in conformity with the basis stated in Note 4 v. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 24, 2016 (except for Note 4 v. – translation into U.S. dollars, as to which the date is June 30, 2016)

Notice to Readers

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

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, 2014 AND 2015
(In Thousands)

	2013	2014	2015	
ASSETS	**NT$**	**NT$**	**NT$**	**US$ (Note 4)**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 32, 33 and 37)	$ 6,372,612	$ 8,721,777	$ 8,498,752	$ 263,773
Financial assets at fair value through profit or loss – current (Notes 4, 7 and 37)	22	1,514	29	1
Notes and accounts receivable, net (Notes 4, 5, 11 and 37)	4,078,295	4,982,697	4,605,189	142,930
Installment accounts receivable (Notes 4, 5, 11 and 37)	–	–	18,717	581
Accounts receivable – related parties (Notes 4, 5, 11, 37 and 38)	264,427	193,495	340,460	10,567
Finance lease receivables (Notes 4, 5, 12, 17, 37 and 39)	56,335	59,368	90,727	2,816
Other receivables (Notes 4, 11 and 37)	61,957	76,766	67,345	2,090
Other receivables – related parties (Notes 4, 11, 37 and 38)	–	652,560	476,099	14,776
Current tax assets (Notes 4, 5 and 29)	24,420	17,108	9,532	296
Inventories (Notes 4, 5, 13 and 38)	1,520,630	2,043,721	4,253,107	132,002
Prepayments (Notes 4, 5, 19, 20 and 40)	264,611	719,244	635,751	19,732
Noncurrent assets held for sale (Notes 4, 14 and 17)	–	34,189	2,876	89
Other current assets (Notes 20, 37 and 39)	1,593,722	1,461,213	303,406	9,416
Total current assets	14,237,031	18,963,652	19,301,990	599,069
NONCURRENT ASSETS				
Available-for-sale financial assets – noncurrent (Notes 4, 5, 8 and 37)	222,750	159,578	109,873	3,410
Financial assets carried at cost – noncurrent (Notes 4, 5, 9 and 37)	24,448	66,983	54,611	1,695
Debt investment with no active market – noncurrent (Notes 4, 10 and 38)	–	–	310,103	9,625
Investment accounted for using the equity method (Notes 4 and 16)	–	71,360	65,824	2,043
Property, plant and equipment (Notes 4, 5, 14, 17, 38 and 39)	15,606,909	14,193,490	12,924,354	401,128
Intangible assets (Notes 4, 5, 18 and 32)	557,739	534,271	620,471	19,257
Deferred tax assets (Notes 4, 5 and 29)	49,936	38,816	18,377	570
Long-term installment accounts receivable (Notes 4, 5, 11 and 37)	–	–	338,686	10,512
Finance lease receivables – noncurrent (Notes 4, 5, 12, 17, 37 and 39)	1,652,582	1,113,661	1,915,008	59,435
Prepayments – noncurrent (Notes 17, 20 and 40)	1,804,767	1,175,748	1,516,406	47,064
Refundable deposits (Notes 4, 35, 37, 38, 39 and 40)	63,365	247,167	342,150	10,619
Prepayments for lease (Notes 4 and 19)	31,027	24,736	23,587	732
Other noncurrent assets (Notes 4, 20 and 39)	61,447	735,093	1,560,059	48,419
Total noncurrent assets	20,074,970	18,360,903	19,799,509	614,509
TOTAL	$34,312,001	$37,324,555	$39,101,499	$1,213,578

LIABILITIES AND EQUITY	2013 NT$	2014 NT$	2015 NT$	2015 US$ (Note 4)
CURRENT LIABILITIES				
Short-term bank loans (Notes 21, 37 and 39)	$ 2,732,789	$ 3,039,296	$ 6,448,680	$ 200,145
Short-term bills payable (Notes 21 and 37)	–	–	49,912	1,549
Financial liabilities at fair value through profit or loss – current (Notes 4, 7 and 37)	700	16,812	6,102	189
Notes and accounts payable (Note 37)	2,366,092	1,548,785	2,005,779	62,253
Accounts payable – related parties (Notes 37 and 38)	8,785	84,920	557	17
Bonuses payable to employees and directors (Note 28)	79,095	39,716	2,649	82
Payables to contractors and equipment suppliers (Notes 37 and 38)	988,011	667,156	680,695	21,126
Accrued expenses (Notes 4, 23, 37 and 38)	1,524,785	1,427,360	1,441,569	44,741
Current tax liabilities (Notes 4, 5 and 29)	10,201	888	640	20
Receipts in advance (Note 38)	61,916	255,678	134,319	4,169
Current portion of long-term bank loans and bonds payable (Notes 4, 21, 22, 37 and 39)	1,757,933	1,868,726	1,796,303	55,751
Other current liabilities (Notes 4 and 23)	11,991	32,598	56,622	1,757
Total current liabilities	9,542,298	8,981,935	12,623,827	391,799
NONCURRENT LIABILITIES				
Bonds payable (Notes 4, 22, 37 and 39)	549,004	3,596,810	3,461,799	107,443
Long-term bank loans (Notes 21, 37 and 39)	4,708,754	1,943,953	1,588,351	49,297
Provisions – noncurrent (Notes 4 and 24)	159,098	225,308	291,688	9,053
Deferred tax liabilities (Notes 4, 5 and 29)	140,988	100,778	64,103	1,990
Preference share liabilities – noncurrent (Notes 21 and 37)	–	470,000	470,000	14,587
Guarantee deposits	1,118	1,360	339	11
Credit balance of investment accounted for using the equity method (Notes 4 and 16)	–	15,324	–	–
Other noncurrent liabilities (Notes 4 and 23)	–	265,316	245,542	7,621
Total noncurrent liabilities	5,558,962	6,618,849	6,121,822	190,002
Total liabilities	15,101,260	15,600,784	18,745,649	581,801
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT (Notes 4, 26, 31 and 34)				
Common shares	7,770,292	8,562,770	8,581,617	266,344
Capital surplus	10,697,569	12,197,491	12,211,474	379,003
Retained earnings				
Legal reserve	–	47,566	69,422	2,155
Special reserve	–	18,928	–	–
Unappropriated earnings (accumulated deficit)	475,664	391,744	(1,238,096)	(38,426)
Other equity	(86,508)	37,934	131,877	4,093
Total equity attributable to the shareholders of the parent	18,857,017	21,256,433	19,756,294	613,169
NONCONTROLLING INTERESTS (Notes 4 and 34)	353,724	467,338	599,556	18,608
Total equity	19,210,741	21,723,771	20,355,850	631,777
TOTAL	$34,312,001	$37,324,555	$39,101,499	$1,213,578

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

(With Deloitte & Touche auditors' report dated March 24, 2016 except for Note 4 v. – translation into U.S. dollars, as to which the date is June 30, 2016)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In Thousands, Except Earnings (Loss) Per Share)

	2013	2014	2015	
	NT$	NT$	NT$	US$ (Note 4)
NET SALES (Notes 4, 27, 32, 38 and 40)	$20,084,253	$27,580,249	$22,214,496	$689,463
COST OF SALES (Notes 4, 5, 13, 28, 38 and 40)	18,374,388	26,000,535	21,631,655	671,374
GROSS PROFIT	1,709,865	1,579,714	582,841	18,089
REALIZED GAIN FROM SALES (Notes 4 and 33)	–	207,582	42,335	1,314
REALIZED GROSS PROFIT	1,709,865	1,787,296	625,176	19,403
OPERATING EXPENSES (Notes 28 and 38)				
Selling	342,464	519,499	893,323	27,726
General and administrative	506,014	605,993	665,111	20,643
Research and development	407,519	451,574	346,334	10,749
Total operating expenses	1,255,997	1,577,066	1,904,768	59,118
OTHER INCOME AND EXPENSES (Notes 5, 7, 14, 17 and 28)	(139,511)	37,294	(20,477)	(636)
INCOME (LOSS) FROM OPERATIONS	314,357	247,524	(1,300,069)	(40,351)
NONOPERATING INCOME AND EXPENSES				
Foreign exchange gain, net (Notes 4, 28 and 41)	37,869	151,656	39,831	1,236
Gain (loss) on financial instruments at fair value through profit or loss (Notes 4 and 7)	8,354	(28,360)	38,652	1,200
Interest income (Notes 4 and 28)	19,229	21,052	25,595	794
Others (Notes 4, 28 and 38)	41,912	154,143	18,046	560
Dividend income (Notes 4 and 38)	7,200	–	3,680	114
Gain from bargain purchase (Notes 4 and 32)	–	–	1,082	34
Gain (loss) on disposal of investments (Notes 4, 32 and 33)	266,584	(14,072)	(955)	(30)
Share of loss of associates (Notes 4 and 16)	(1,582)	(42,694)	(8,064)	(250)
Other gains and losses (Notes 4 and 16)	(5,330)	(22,022)	(9,485)	(294)
Loss on financial assets (Notes 4, 5, 8 and 9)	–	–	(98,826)	(3,067)
Finance costs (Note 28)	(189,174)	(245,238)	(262,442)	(8,145)
Total nonoperating income and expenses	185,062	(25,535)	(252,886)	(7,848)
INCOME (LOSS) BEFORE INCOME TAX	499,419	221,989	(1,552,955)	(48,199)
INCOME TAX BENEFIT (Notes 4, 5 and 29)	16,026	22,400	14,553	452
NET INCOME (LOSS) FOR THE YEAR	515,445	244,389	(1,538,402)	(47,747)

	2013	2014	2015	
	NT$	NT$	NT$	US$ (Note 4)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 28)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	42,451	161,903	60,217	1,869
Unrealized gain (loss) on available-for-sale financial assets	(36,727)	(40,457)	30,347	942
Total other comprehensive income (loss)	5,724	121,446	90,564	2,811
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$521,169	$365,835	$(1,447,838)	$(44,936)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	$502,480	$218,562	$(1,455,641)	$(45,178)
Noncontrolling interests	12,965	25,827	(82,761)	(2,569)
	$515,445	$244,389	$(1,538,402)	$(47,747)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	$508,204	$332,094	$(1,381,710)	$(42,884)
Noncontrolling interests	12,965	33,741	(66,128)	(2,052)
	$521,169	$365,835	$(1,447,838)	$(44,936)
EARNINGS (LOSS) PER SHARE (Note 30)				
Basic earnings (loss) per share	$ 0.86	$ 0.28	$ (1.71)	$ (0.05)
Diluted earnings (loss) per share	$ 0.85	$ 0.27	$ (1.71)	$ (0.05)

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

(With Deloitte & Touche auditors' report dated March 24, 2016 except for Note 4 v. – translation into U.S. dollars, as to which the date is June 30, 2016)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In Thousands)

	Equity Attributable to the Shareholders of the Parent																
	Common Shares		Capital Surplus						Retained Earnings			Other Equity					
	Shares (Thousand)	Common Shares	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Carrying Amounts Adjusted for Changes in Percentage of Ownership in Subsidiaries	Employee Share Options	Restricted Shares of Employees	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Foreign Currency Translation Reserve	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unearned Employees Benefits	Total	Noncontrolling Interests	Total Equity
BALANCE AT JANUARY 1, 2013	460,677	$4,606,774	$ 8,814,277	$ 1,663,320	$ –	$ 40,360	$ –	$ 17,856	$–	$–	$(4,199,553)	$ (415)	$(24,237)	$(36,152)	$10,882,230	$173,348	$11,055,578
Issuance of shares upon exercise of employee share options	460	4,600	3,146	–	–	–	–	–	–	–	–	–	–	–	7,746	–	7,746
Issuance of common shares for business combination	168,508	1,685,075	2,138,922	–	–	–	2,438	28,332	–	–	–	–	–	(32,150)	3,822,617	–	3,822,617
Issuance of common shares for cash	130,000	1,300,000	1,807,000	–	–	–	–	–	–	–	–	–	–	–	3,107,000	–	3,107,000
Reclassification of additional paid-in capital from conversion of bonds	–	–	1,663,320	(1,663,320)	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity component of convertible bonds issued	–	–	–	–	41,427	–	–	–	–	–	–	–	–	–	41,427	–	41,427
Offset of deficit against capital surplus	–	–	(4,173,633)	–	–	–	–	–	–	–	4,173,633	–	–	–	–	–	–
Cancellation of restricted shares for employees	(1,282)	(12,819)	–	–	–	–	–	(16,458)	–	–	–	–	–	29,277	–	–	–
Issuance of restricted shares for employees	3,531	35,305	–	–	–	–	–	45,720	–	–	–	–	–	(81,025)	–	–	–
Conversion of convertible bonds	15,135	151,357	–	278,146	(17,925)	–	–	–	–	–	–	–	–	–	411,578	–	411,578
Compensation cost of restricted shares for employees	–	–	–	–	–	–	–	–	–	–	–	–	–	52,470	52,470	–	52,470
Compensation cost of employee share options	–	–	64,417	–	–	–	584	–	–	–	–	–	–	–	65,001	–	65,001
Additional acquisition of partially owned subsidiaries at a percentage different from earlier ownership percentage	–	–	–	–	–	(40,360)	–	–	–	–	(896)	–	–	–	(41,256)	167,411	126,155
Net income for the year ended December 31, 2013	–	–	–	–	–	–	–	–	–	–	502,480	–	–	–	502,480	12,965	515,445
Other comprehensive income or loss for the year ended December 31, 2013, net of income tax	–	–	–	–	–	–	–	–	–	–	–	42,451	(36,727)	–	5,724	–	5,724
Total comprehensive income or loss for the year ended December 31, 2013	–	–	–	–	–	–	–	–	–	–	502,480	42,451	(36,727)	–	508,204	12,965	521,169

	Equity Attributable to the Shareholders of the Parent																
	Common Shares		Capital Surplus						Retained Earnings			Other Equity					
	Shares (Thousand)	Common Shares	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Carrying Amounts Adjusted for Changes in Percentage of Ownership in Subsidiaries	Employee Share Options	Restricted Shares of Employees	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Foreign Currency Translation Reserve	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unearned Employees Benefits	Total	Noncontrolling Interests	Total Equity
BALANCE DECEMBER 31, 2013	777,029	7,770,292	10,317,449	278,146	23,502	–	3,022	75,450	–	–	475,664	42,036	(60,964)	(67,580)	18,857,017	353,724	19,210,741
Appropriation of 2013 earnings																	
Legal reserve	–	–	–	–	–	–	–	–	47,566	–	(47,566)	–	–	–	–	–	–
Special reserve	–	–	–	–	–	–	–	–	–	18,928	(18,928)	–	–	–	–	–	–
Cash dividends distributed by the Corporation	–	–	–	–	–	–	–	–	–	–	(236,003)	–	–	–	(236,003)	–	(236,003)
Issuance of common shares for cash	65,000	650,000	1,072,500	–	–	–	–	–	–	–	–	–	–	–	1,722,500	–	1,722,500
Equity component of convertible bonds issued	–	–	–	–	147,536	–	–	–	–	–	–	–	–	–	147,536	–	147,536
Cancellation of restricted shares for employees	(191)	(1,912)	–	–	–	–	–	(2,857)	–	–	–	–	–	4,769	–	–	–
Issuance of restricted shares for employees	2,000	20,000	–	–	–	–	–	39,400	–	–	–	–	–	(59,400)	–	–	–
Conversion of convertible bonds	12,439	124,390	–	229,700	(14,611)	–	–	–	–	–	–	–	–	–	339,479	–	339,479
Compensation cost of restricted shares for employees	–	–	–	–	–	–	–	–	–	–	15	–	–	65,541	65,556	–	65,556
Additional acquisition of partially owned subsidiaries at a percentage different from earlier ownership percentage	–	–	–	–	–	13,416	–	–	–	–	–	–	–	–	13,416	92,208	105,624
Noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,335)	(12,335)
Compensation cost of employee share options	–	–	14,838	–	–	–	–	–	–	–	–	–	–	–	14,838	–	14,838
Net income for the year ended December 31, 2014	–	–	–	–	–	–	–	–	–	–	218,562	–	–	–	218,562	25,827	244,389
Other comprehensive income or loss for the year ended December 31, 2014, net of income tax	–	–	–	–	–	–	–	–	–	–	–	153,989	(40,457)	–	113,532	7,914	121,446
Total comprehensive income or loss for the year ended December 31, 2014	–	–	–	–	–	–	–	–	–	–	218,562	153,989	(40,457)	–	332,094	33,741	365,835

	Common Shares		Capital Surplus						Retained Earnings			Other Equity					
	Equity Attributable to the Shareholders of the Parent																
	Shares (Thousand)	Common Shares	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Carrying Amounts Adjusted for Changes in Percentage of Ownership in Subsidiaries	Employee Share Options	Restricted Shares of Employees	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Foreign Currency Translation Reserve	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unearned Employees Benefits	Total	Noncontrolling Interests	Total Equity
BALANCE AT DECEMBER 31, 2014	856,277	8,562,770	11,404,787	507,846	156,427	13,416	3,022	111,993	47,566	18,928	391,744	196,025	(101,421)	(56,670)	21,256,433	467,338	21,723,771
Issuance of shares upon exercise of employee share options	275	2,750	–	–	–	–	–	–	–	–	–	–	–	–	2,750	–	2,750
Appropriation of 2014 earnings																	
Legal reserve	–	–	–	–	–	–	–	–	21,856	–	(21,856)	–	–	–	–	–	–
Reversal of special reserve	–	–	–	–	–	–	–	–	–	(18,928)	18,928	–	–	–	–	–	–
Cash dividends distributed by the Corporation	–	–	–	–	–	–	–	–	–	–	(171,271)	–	–	–	(171,271)	–	(171,271)
Cash dividends distributed by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,221)	(9,221)
Cancellation of restricted shares for employees	(391)	(3,903)	–	–	–	–	–	(6,532)	–	–	–	–	–	10,435	–	–	–
Issuance of restricted shares for employees	2,000	20,000	–	–	–	–	–	20,200	–	–	–	–	–	(40,200)	–	–	–
Compensation cost of restricted shares for employees	–	–	–	–	–	–	–	–	–	–	–	–	–	49,777	49,777	–	49,777
Additional acquisition of partially owned subsidiaries at a percentage different from earlier ownership percentage	–	–	–	–	–	315	–	–	–	–	–	–	–	–	315	191,054	191,369
Noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,513	16,513
Net loss for the year ended December 31, 2015	–	–	–	–	–	–	–	–	–	–	(1,455,641)	–	–	–	(1,455,641)	(82,761)	(1,538,402)
Other comprehensive income or loss for the year ended December 31, 2015, net of income tax	–	–	–	–	–	–	–	–	–	–	–	43,584	30,347	–	73,931	16,633	90,564
Total comprehensive income or loss for the year ended December 31, 2015	–	–	–	–	–	–	–	–	–	–	(1,455,641)	43,584	30,347	–	(1,381,710)	(66,128)	(1,447,838)
BALANCE AT DECEMBER 31, 2015	858,161	$8,581,617	$11,404,787	$507,846	$156,427	$13,731	$3,022	$125,661	$69,422	$ –	$(1,238,096)	$239,609	$ (71,074)	$(36,658)	$19,756,294	$599,556	$20,355,850
BALANCE AT DECEMBER 31, 2015 (In U. S. Dollars, Note 4)	858,161	$ 266,344	$ 353,966	$ 15,762	$ 4,855	$ 426	$ 94	$ 3,900	$ 2,155	$ –	$ (38,426)	$ 7,437	$ (2,206)	$ (1,138)	$ 613,169	$ 18,608	$ 631,777

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

(With Deloitte & Touche auditors' report dated March 24, 2016 except for Note 4 v. – translation into U.S. dollars, as to which the date is June 30, 2016).

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In Thousands)

	2013	2014	2015	
	NT$	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	$ 499,419	$ 221,989	$(1,552,955)	$(48,199)
Adjustments for:				
Depreciation	1,732,639	2,010,938	2,064,426	64,073
Amortization	62,891	47,688	3,953	123
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	539	14,620	(9,225)	(286)
(Gain) loss on disposal of investment	(266,584)	14,072	955	30
(Reversal of allowance) allowance for doubtful accounts	(11,388)	(52)	311,901	9,680
(Reversal of provision) provision for loss on inventories	(189,805)	40,698	(35,544)	(1,103)
Share of loss of associates	1,582	42,694	8,064	250
Impairment loss on investment accounted for using the equity method	2,044	–	–	–
Loss on financial assets	88,950	–	98,826	3,067
Realized gain from associates	–	(207,582)	(42,335)	(1,314)
Reclassified from property, plant and equipment to expense	–	22,470	29	1
Loss (gain) on disposal of property, plant and equipment	31	–	(15)	–
Impairment loss on property, plant and equipment	50,530	69,338	13,544	420
Gain on reversal of impairment loss on property, plant and equipment	–	(32,699)	–	–
Gain on disposal of noncurrent assets held for sale	–	(73,933)	(801)	(25)
Impairment loss on noncurrent assets held for sale	–	–	7,749	241
Impairment loss on prepayments	191,982	–	40,496	1,257
Compensation cost of restricted shares for employees	52,470	65,556	49,777	1,545
Compensation cost of employee share options	65,001	14,838	–	–
Interest income	(60,034)	(115,444)	(100,230)	(3,110)
Dividend income	(7,200)	–	(3,680)	(114)
Finance costs	189,174	245,238	262,442	8,145
Gain from bargain purchase	–	–	(1,082)	(34)
Net loss (gain) on foreign exchange	29,550	(10,099)	20,023	622
Changes in operating assets and liabilities:				
Held for trading financial assets	238	–	–	–
Notes and accounts receivable	(1,345,318)	(685,135)	212,001	6,580
Accounts receivable – related parties	230,863	130,346	(134,994)	(4,190)
Other receivables	20,324	(274,915)	7,630	237
Other receivables – related parties	–	(679,975)	173,897	5,397
Inventories	(261,438)	(564,812)	(1,818,299)	(56,433)
Prepayments (including noncurrent)	429,191	115,492	(114,068)	(3,540)
Other current assets	(207,393)	(31,291)	1,147,156	35,605
Notes and accounts payable	496,682	(888,913)	397,157	12,326
Accounts payable – related parties	(27,191)	308,519	(84,370)	(2,619)
Bonuses payable to employees and directors	76,168	(39,379)	(37,067)	(1,150)
Accrued expenses	(626,318)	(40,688)	(55,077)	(1,709)
Deferred revenue	–	285,704	(34,239)	(1,063)
Receipts in advance	35,413	193,821	(121,359)	(3,767)
Other current liabilities	(8,716)	219	24,024	746
Provisions	21,291	62,402	66,398	2,061
Income taxes (paid) refunded	(3,361)	(8,696)	6,161	191
Net cash generated from operating activities	1,262,226	253,029	771,269	23,941

	2013	2014	2015	
	NT$	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets designated as at fair value through profit or loss upon initial recognition	$ (88,950)	$ –	$ –	$ –
Proceeds from sale of available-for-sale financial assets	–	12,695	2,956	92
Purchase of debt investment with no active market	–	–	(310,103)	(9,625)
Acquisition of financial assets carried at cost	(1,858)	(42,500)	(8,850)	(275)
Acquisition of investment accounted for using the equity method	–	(104,024)	–	–
Increase in prepayments for investments	–	–	(70,022)	(2,173)
Net cash inflow on disposal of subsidiaries	–	451,742	–	–
Proceeds from sale of noncurrent asset held for sale	–	410,000	20,870	648
Acquisition of property, plant and equipment	(2,751,230)	(2,123,341)	(2,078,842)	(64,520)
Proceeds from disposal of property, plant and equipment	–	–	15	–
Acquisition of intangible assets	–	(77)	(519)	(16)
Net cash inflow (outflow) on acquisition of subsidiaries	1,301,754	(11,995)	(308,505)	(9,575)
Increase in restricted assets	(368,359)	(291,186)	(636,861)	(19,766)
Increase in pledged time deposits	(2,008)	(194,298)	(8,083)	(251)
Increase in pledged bank acceptances	–	–	(50,744)	(1,575)
Decrease in finance lease receivables	7,318	75,046	71,761	2,227
Interest received	60,023	115,446	100,593	3,122
Dividends received	7,200	–	3,680	114
Increase in refundable deposits	(42,131)	(229,182)	(260,840)	(8,096)
Decrease in refundable deposits	10,969	13,649	143,345	4,449
Increase in other noncurrent assets	(47,260)	(10,841)	(96,313)	(2,989)
Decrease in other noncurrent assets	57,627	41,280	24,916	773
Net cash used in investing activities	(1,856,905)	(1,887,586)	(3,461,546)	(107,436)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in short-term bank loans	18,081,051	15,688,300	18,596,916	577,185
Decrease in short-term bank loans	(20,022,106)	(15,492,318)	(15,387,775)	(477,585)
Increase in short-term bill payable	–	–	49,912	1,549
Proceeds from issuance of bonds	998,830	3,496,103	–	–
Proceeds from long-term bank loans	607,639	560,605	1,323,056	41,063
Repayments of long-term bank loans	(1,554,684)	(2,142,579)	(2,002,149)	(62,140)
Issuance of preference share liabilities	–	470,000	–	–
Increase in guarantee deposits	8	49	–	–
Decrease in guarantee deposits	–	–	(1,015)	(32)
Dividends paid to owners of the parent	–	(236,003)	(171,271)	(5,316)
Dividends paid to noncontrolling interest	–	–	(9,221)	(286)
Proceeds from issuance of common shares	3,107,000	1,722,500	–	–
Proceeds from the exercise of employee share options	7,746	–	2,750	85
Interest paid	(175,519)	(204,992)	(174,580)	(5,418)
Increase in noncontrolling interests	126,155	105,624	191,369	5,939
Net cash generated from financing activities	1,176,120	3,967,289	2,417,992	75,044

	2013	2014	2015	
	NT$	NT$	NT$	US$ (Note 4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(28,352)	16,433	49,260	1,529
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	553,089	2,349,165	(223,025)	(6,922)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	5,819,523	6,372,612	8,721,777	270,695
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$6,372,612	$8,721,777	$8,498,752	$263,773

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

(With Deloitte & Touche auditors' report dated March 24, 2016 except for Note 4 v. – translation into U.S. dollars, as to which the date is June 30, 2016)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In Thousands, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATION

Neo Solar Power Corp. (NSP) was incorporated in the Republic of China (ROC) on August 26, 2005. NSP specializes in manufacturing high-quality solar cells, solar cell modules and wafers. NSP's main business activities include researching, developing, designing, manufacturing and selling solar cells and doing other solar-related businesses. Its common shares have been listed on the Taiwan Stock Exchange (TSE) since January 2009. NSP also issued global depositary shares (GDS), which are listed on the Luxembourg Stock Exchange and have been traded on the Euro MTF Market of the Luxembourg Stock Exchange since July 2011 and have been completely converted into common shares in March 2014. On May 31, 2013, NSP entered into a merger with DelSolar Co., Ltd., with NSP as the survivor entity. For the main business activities of NSP and its subsidiaries (collectively referred to as "the Corporation"), refer to Notes 15 and 43.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements as of and for the years ended December 31, 2013 and 2014 and as of and for the years ended December 31, 2014 and 2015 were approved by the board of directors of NSP on March 17, 2015 and March 15, 2016, respectively.

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 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC).

Rule No. 1030029342 and Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC) of the ROC on April 3, 2014, stipulated that the Corporation should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting on January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version of IFRSs endorsed by the FSC did not have any material impact on the Corporation's accounting policies:

1) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the previous standards. Please refer to Note 15 and Note 16 for related disclosures.

2) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required by the previous standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required only for financial instruments are extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Please refer to Note 37 for related disclosures.

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

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017, such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Corporation should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010–2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

The recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

2) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement," the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets," introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit (CGU). The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. If the asset's or CGU's recoverable amount (based on fair value less costs of disposal) is determined using a present value technique, the discount rate used in determining impairment or impairment reversal should be disclosed.

3) Annual Improvements to IFRSs: 2010–2012 Cycle

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

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions of "performance condition" and "service condition." The amendment clarifies that a performance target can be based on the operations of the Corporation or another entity in the same group (i.e., a non-market condition) or the market price of the equity instruments of the Corporation or another entity in the same group (i.e., a market condition); that a performance target might relate either to the performance of all or a part of the Corporation (e.g., a division); and that the period for achieving a performance target must not go beyond the end of the service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Corporation but also those of entities other than the Corporation.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

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

IFRS 13 was amended to clarify that short-term receivables and payables with no stated interest rate can still be measured at their invoice amounts without discounting if the effect of not discounting is immaterial.

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

4) Annual Improvements to IFRSs: 2011–2013 Cycle

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

IFRS 3 was amended to exclude from the scope of IFRS 3 the accounting for the formation of joint arrangements in the financial statements of the joint arrangement itself.

IFRS 13 was amended to clarify that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9 "Financial Instruments" whether or not these contracts meet the definitions of financial assets or financial liabilities as stated in IAS 32 "Financial Instruments: Presentation."

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 "Revenue from Contracts with Customers"

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

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

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contract; and

e) Recognize revenue when the entity satisfies a performance obligation.

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

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

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

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

8) Annual Improvements to IFRSs: 2012–2014 Cycle

Several standards including IFRS 5 "Noncurrent assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

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

9) IFRS 16 "Leases"

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

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

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

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

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

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

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

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and noncurrent 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 noncurrent.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of NSP and its subsidiaries.

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

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

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

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

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

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

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

e. Business combinations

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

Goodwill is measured as the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree in excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

f. Foreign currencies

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

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

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 nonmonetary items are included in profit or loss for the period. When a gain or loss on a nonmonetary 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.

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

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

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

g. 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.

h. Investments in associates and joint ventures

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

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

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

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

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

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

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate and joint venture had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Corporation continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant, and equipment

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

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

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. 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 estimate 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 or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit 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 attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit 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 cash-generating unit 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 on goodwill is not be reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit 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 estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

Recoverable amount is the higher of fair value less costs to sell or value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit 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 on the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

m. Noncurrent assets held for sale

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into 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 assets are held for trading.

Financial assets at fair value through profit or loss 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 dividend or interest earned on the financial asset.

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

ii. Available-for-sale financial assets

Available-for-sale (AFS) financial assets are nonderivatives 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 gain (loss) 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 gain (loss) 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 whose fair value 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 carrying amount and fair value is recognized in other comprehensive income. Any impairment losses are recognized in profit or loss.

iii. Loans and receivables

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

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

b) *Impairment of financial assets*

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

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

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an 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 available-for-sale 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 available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the unrealized gains or losses.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, 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 uncollectible trade receivables and other receivables that are written off against the allowance account.

c) *Derecognition of financial assets*

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

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

On derecognition of a financial asset other than in its entirety, the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) *Subsequent measurement*

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

i. Financial liabilities at fair value through profit or loss

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

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

b) *Derecognition of financial liabilities*

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

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

o. Provisions

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

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

p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and similar allowances.

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 materials ownership.

2) Revenue from the sale of power facility construction

Revenue from the sale of power facility construction is recognized in accordance with revenue recognition from the sale of goods in IAS 18 "Revenue".

3) Rendering of services

Service income is recognized when services are provided.

4) Construction contracts

Contract revenue is recognized when its receipt is considered probable and the amount can be measured reliably, including variations in contract work, claims and incentive payments. When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Costs related to the contracts are recognized as assets to the extent of recoverable contract costs incurred.

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

6) Dividend and interest income

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

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

q. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Corporation's entered into several electricity purchase agreements are covered by IFRIC4 "Determining Whether and Arrangement contains a Lease", thus, they are accounted for as finance lease.

1) The Corporation as lessor

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

Rental income from operating lease 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. Contingent rents are recognized as an expense in the period in which they are incurred.

r. Government grants

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

s. 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.

t. 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 benefit. The whole amount of benefit is recognized as an expense at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity – unearned employee benefits are recognized on 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 remuneration cost for post-combination service.

u. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

v. U.S. dollar amounts

The translation of the New Taiwan dollar (NT$) amounts into U.S. dollars in the consolidated financial statements for 2015 is included solely for the convenience of the readers, and has been made at the exchange rate of NT$32.22 to US$1.00 on June 30, 2016 as set forth in the statistical release of the U.S. Federal Reserve Board of the United States. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Income taxes

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

c. **Estimated impairment of notes and accounts receivable**

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

d. **Estimated impairment of assets other than goodwill**

In assessing assets for impairment, the Corporation should estimate their future cash flows, useful lives, estimated income on and expenses for the assets, and how the assets are being used as well as economic and industry developments, the way the assets being used and the feature of the industry. Any change of economic condition or of the estimation due to the Corporation's strategy may lead to a material impairment loss in the future.

For 2013, 2014 and 2015, the Corporation's impairment loss on property, plant and equipment amounted to NT$50,530 thousand, NT$69,338 thousand and NT$13,544 thousand, respectively; impairment loss on noncurrent assets held for sale amounted to nil, nil and NT$7,749 thousand, respectively; impairment loss on prepayments amounted to NT$191,982 thousand, nil and NT$40,496 thousand, respectively; and loss on financial assets amounted to NT$88,950 thousand, nil and NT$98,826 thousand, respectively.

e. **Useful lives of property, plant and equipment**

As described in Note 4 i. above, the Corporation reviews the estimated useful lives of property, plant and equipment at the end of the reporting period. Based on the evaluation report of China Property Appraising Co., Ltd. using the industry meta-analysis, functional analysis and economic analysis, the actual useful lives of NSP's equipment could exceed their original estimated 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 from April 1, 2013.

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

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

f. **Valuation of inventory**

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 net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

g. **Finance lease receivables**

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

6. CASH AND CASH EQUIVALENTS

	December 31,		
	2013	**2014**	**2015**
Demand deposits	$5,270,233	$6,838,774	$7,085,212
Checking accounts	29,021	71,776	61,723
Cash on hand	641	783	4,254
Cash equivalents			
Bank acceptances	39,119	433,294	284,763
Time deposits	1,033,598	1,377,150	1,062,800
	$6,372,612	$8,721,777	$8,498,752

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

	December 31,		
	2013	**2014**	**2015**
Bank balance	0%–2.88%	0%–3.00%	0%–3.33%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2014	December 31, 2015
Financial assets at FVTPL			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts (a)	$ –	$ 1,514	$ 29
Interest swap contracts (b)	22	–	–
	$ 22	$ 1,514	$ 29
Financial liabilities at FVTPL			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts (a)	$ –	$16,773	$5,968
Interest swap contracts (b)	700	39	134
	$700	$16,812	$6,102

a. At the end of the reporting period, outstanding foreign exchange forward contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell	Sell US$/Buy NT$	January 9, 2015	US$2,000/NT$60,921
Sell	Sell US$/Buy NT$	January 12, 2015	US$2,000/NT$60,906
Sell	Sell US$/Buy NT$	February 2, 2015	US$4,000/NT$124,104
Sell	Sell US$/Buy NT$	February 4, 2015	US$2,000/NT$62,050
Sell	Sell US$/Buy NT$	February 11, 2015	US$1,000/NT$31,734
Sell	Sell US$/Buy NT$	February 13, 2015	US$2,000/NT$63,208
Sell	Sell US$/Buy NT$	February 24, 2015	US$3,000/NT$93,033
Sell	Sell US$/Buy NT$	February 26, 2015	US$3,000/NT$93,030
Sell	Sell US$/Buy NT$	March 2, 2015	US$2,000/NT$62,014
Sell	Sell US$/Buy NT$	March 4, 2015	US$2,000/NT$62,012
Sell	Sell US$/Buy NT$	March 6, 2015	US$2,000/NT$62,010
Sell	Sell US$/Buy NT$	March 12, 2015	US$2,000/NT$63,438
Sell	Sell US$/Buy NT$	March 16, 2015	US$2,000/NT$63,438
Sell	Sell US$/Buy NT$	March 20, 2015	US$2,000/NT$63,426
Sell	Sell US$/Buy NT$	March 27, 2015	US$2,000/NT$63,424
Sell	Sell US$/Buy NT$	March 31, 2015	US$1,000/NT$31,583
Buy	Sell JPY/Buy US$	January 15, 2015	JPY330,000/US$2,793
December 31, 2015			
Sell	Sell EUR/Buy US$	February 8, 2016	EUR2,000/US$2,180
Sell	Sell EUR/Buy US$	February 9, 2016	EUR2,000/US$2,171
Sell	Sell EUR/Buy US$	March 10, 2016	EUR2,000/US$2,191
Buy	Sell RMB/Buy US$	January 21, 2016	RMB9,832/US$1,500
Buy	Sell JPY/Buy US$	February 26, 2016	JPY300,000/US$2,451
Buy	Sell JPY/Buy US$	March 1, 2016	JPY300,000/US$2,455
Buy	Sell JPY/Buy US$	March 1, 2016	JPY300,000/US$2,455
Buy	Sell JPY/Buy US$	March 11, 2016	JPY200,000/US$1,632

The Corporation entered into derivative transactions during 2013, 2014 and 2015 to manage exposures of assets and liabilities denominated in foreign currency to exchange rate changes.

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

Contract Amount	Maturity Period	Interest Rates – Payments	Interest Rates – Receipts
(In Thousands)			
December 31, 2013			
NT$117,200	January 30, 2013–January 30, 2018	1.170%	0.896% (floating)
67,100	August 2, 2013–August 2, 2018	1.440%	0.896% (floating)
50,100	December 27, 2012–December 27, 2017	1.085%	0.897% (floating)
35,670	September 24, 2013–September 24, 2018	1.350%	0.897% (floating)
25,700	May 28, 2013–May 28, 2018	1.150%	0.899% (floating)
December 31, 2014			
NT$25,700	May 28, 2013–May 28, 2018	1.150%	0.891% (floating)
December 31, 2015			
NT$25,700	May 28, 2013–May 28, 2018	1.150%	0.808% (floating)

The Corporation entered into derivative transactions in 2013, 2014 and 2015 to manage exposures of assets and liabilities to interest rate changes.

c. In May 2013, NSP subscribed the convertible bonds of Conergy AG, with 7% interest rate and face value of EUR2,288 thousand. The bonds are convertible from May 15, 2013 to June 30, 2015. Interest of 7% per annum will be paid by Conergy AG quarterly until the conversion of bonds. Each bond entitles the holder to subscribe for one ordinary share of Conergy AG at a price of EUR1.05 before the settlement date. On July 5, 2013, Conergy AG filed for insolvency due to financial difficulties; the Corporation thus recognized a loss of NT$88,950 thousand in 2013.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31,		
	2013	2014	2015
Noncurrent			
Domestic quoted shares			
ThinTech Materials Technology Co., Ltd. (TTMC)	$222,750	$159,578	$109,873

As of December 31, 2013, 2014 and 2015, the carrying amounts of the Corporation's investment in TTMC's private-placement shares were NT$193,550 thousand, NT$149,450 thousand and NT$103,950 thousand, respectively; under Article 43–8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

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

Except as stated above, the available-for-sale financial assets were not used as guarantee or collateral for loan and do not have other operating restrictions.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31,		
	2013	2014	2015
Noncurrent			
Domestic unlisted common shares			
EXOJET Technology Corporation ("EXOJET")	$ –	$42,500	$30,100
Overseas unlisted common shares			
SUN APPENNINO CORPORATION	22,590	22,590	22,590
FICUS CAPITAL CORPORATION	1,259	1,259	1,259
TG ENERGY SOLUTIONS LCC	599	634	662
	$24,448	$66,983	$54,611
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$24,448	$66,983	$54,611

Management believed that the above domestic and foreign unlisted equity investments held by the Corporation have fair value that cannot be reliably measured because the range of reasonable fair value estimates was significant; thus, they were measured at cost less impairment at the end of reporting period.

The Corporation assessed the recoverable amount of the investment in EXOJET and recognized an impairment loss under nonoperating income and expenses-impairment loss on financial assets in the amount of NT$21,250 thousand for the year ended December 31, 2015; in December 2015, the Corporation subscribed for additional 885 thousand shares of EXOJET at the price of NT$8,850 thousand and held 16.91% interest in EXOJET as of December 31, 2015.

The financial assets carried at cost were not used as guarantee or collateral for loan and do not have other operating restrictions.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2015
Noncurrent	
Puttable preferred stock (C-Share II) – Phanes Holding Inc.	$146,453
Puttable preferred stock (C-Shares III) – Phanes Holding Inc.	163,650
	$310,103

Phanes Holding Inc. ("Phanes Holding"), a project developer, is an overseas unlisted company. General Energy Solutions (GES), a subsidiary of NSP, has successfully built several power facilities in the United Kingdom and Dominican Republic through the cooperative relationship with Phanes Holding. In order to build a long-term cooperative strategic relationship with Phanes Holding, GES subscribed for the following preferred stocks issued by Phanes Holding at par on December 18, 2015:

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

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

The above preferred stocks carried no voting rights and dividend rights but preferential rights on dividends specified at 7% of the par value. The preferred stocks can be redeemed prior to or later than the maturity date under the agreement between GES and Phanes Holding.

The debt investments with no active market had not been pledged as security as of December 31, 2015.

At the end of the reporting period, the registration of the puttable preferred stock was still in process.

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

	December 31,		
	2013	2014	2015
Notes and accounts receivable			
Notes and accounts receivable	$4,085,623	$4,990,160	$4,926,841
Accounts receivable – related parties	264,427	193,495	340,460
Less: Allowance for impairment loss	(7,328)	(7,463)	(321,652)
	$4,342,722	$5,176,192	$4,945,649
Other receivables			
Other receivables – related parties	$ –	$ 652,560	$ 476,099
Sales tax refund receivable	59,764	39,526	57,511
Others	2,193	37,240	9,834
	$ 61,957	$ 729,326	$ 543,444

a. Notes and accounts receivable

The credit periods for the sale of goods were (a) 30 to 120 days after the end of the month; (b) 14 to 365 days from the invoice date; and (c) 30 to 90 days for letters of credit and the average credit periods for power facility construction were 180 to 360 days. No interest was charged on accounts receivable. For overdue accounts receivable, interest was charged on the basis of management's judgment. 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 irrecoverable amounts estimated through aging analysis, reference to past default of the counterparties and an assessment of their current financial position.

For the accounts receivable that were past due but not impaired 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, 2013, 2014 and 2015, the amounts of collaterals or other credit enhancements for these receivables were NT$193,224 thousand, NT$85,019 thousand and NT$89,565 thousand, respectively. The Corporation had no legal right to offset the receivables against any amounts owed by the Corporation to the counterparties.

The aging of receivables was as follows:

	December 31,		
	2013	2014	2015
Up to 60 days	$4,189,921	$4,237,483	$4,735,550
61–90 days	23,919	703,077	12,413
91–120 days	1,014	44,434	55,600
More than 120 days	135,196	198,661	463,738
Total	$4,350,050	$5,183,655	$5,267,301

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,		
	2013	2014	2015
Up to 60 days	$261,319	$ 471,624	$486,868
61–90 days	23,826	703,077	12,413
91–120 days	–	44,434	55,600
More than 120 days	133,075	124,647	142,085
	$418,220	$1,343,782	$696,966

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 Impairment	Collectively Assessed Impairment	Total
Balance at January 1, 2013	$ 60,603	$–	$ 60,603
Reversal of impairment loss recognized on receivables	(11,388)	–	(11,388)
Uncollectible amounts written off	(62,292)	–	(62,292)
Acquisitions through business combinations	20,380	–	20,380
Translation adjustments	25	–	25
Balance at December 31, 2013	$ 7,328	$–	$ 7,328
Balance at January 1, 2014	$ 7,328	$–	$ 7,328
Reversal of impairment loss recognized on receivables	(52)	–	(52)
Translation adjustments	187	–	187
Balance at December 31, 2014	$ 7,463	$–	$ 7,463

	Individually Assessed Impairment	Collectively Assessed Impairment	Total
Balance at January 1, 2015	$ 7,463	$–	$ 7,463
Impairment loss recognized on receivables	311,901	–	311,901
Translation adjustments	2,288	–	2,288
Balance at December 31, 2015	$321,652	$–	$321,652

Allowance for impairment loss included individually impaired accounts receivable amounting to NT$7,328 thousand, NT$7,463 thousand and NT$321,652 thousand as of December 31, 2013, 2014 and 2015, respectively. These amounts were recognized according to the Corporation's risk control process involving customers with tight cash flows. The recognized impairment represents the difference between the carrying amount of these accounts receivable and the present value of the expected proceeds to be received from liquidation. The Corporation did not hold any collateral on these impaired receivables.

b. Installment accounts receivable and other receivables

	December 31,		
	2013	2014	2015
Gross amount of installment accounts receivable	$ –	$ –	$399,408
Unrealized interests revenue	–	–	(42,005)
	$ –	$ –	$357,403
Other receivables	$61,957	$729,326	$543,444
Allowance for impairment loss	–	–	–
	$61,957	$729,326	$543,444

At the end of the reporting period, installment accounts receivable from sales of machinery and equipment with the expected amount to be collected during 2016 to 2026 are as follows:

Year	Amount
2016	$ 18,717
2017	32,663
2018	33,405
2019	34,164
2020	34,940
2021	35,733
2022	36,544
2023	37,374
2024	38,223
2025	39,091
2026	16,549
	$357,403

None of the Corporation's installment accounts receivable was past due or impaired.

The credit period of other receivables is basically 60 days after the end of the month. Allowance for impairment loss is assessed on the basis of estimated irrecoverable amounts determined by 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, in which other receivables had not been impaired.

	December 31,		
	2013	2014	2015
Neither past due nor impaired	$61,957	$404,294	$265,039
Past due but not impaired – more than 120 days	–	325,032	278,405
	$61,957	$729,326	$543,444

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

12. FINANCE LEASE RECEIVABLES

	December 31,		
	2013	2014	2015
Gross investment in leases			
Not later than one year	$ 185,568	$ 122,622	$ 201,477
Over one year and less than five years	731,184	484,217	795,686
Later than five years	2,233,614	1,150,454	2,136,843
	3,150,366	1,757,293	3,134,006
Less: Unearned finance income	1,441,449	584,264	1,128,271
Present value of minimum lease payments	$1,708,917	$1,173,029	$2,005,735

The Corporation entered into several electricity purchase agreements (refer to Note 40 a. 2)) for the Corporation to sell all electricity to Taiwan Power Company, Tokyo Electric Power Company, Inc., Good Energy Limited and Indianapolis Power & Light Company, etc. after the electric generating facilities become operational with distribution system. The average term of finance leases entered into was 15 to 20 years. Since these agreements were covered by IFRIC 4 "Determining Whether an Arrangement contains a Lease" and IAS 17 "Leases," they were accounted for as finance leases.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The effective interest rate contracted is 3.02%–6.918% per annum.

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

The finance lease receivables as of December 31, 2013, 2014 and 2015 were neither past due nor impaired.

13. INVENTORIES

	December 31,		
	2013	2014	2015
Finished goods	$ 533,787	$ 791,525	$1,010,463
Work in progress	454,228	301,913	302,321
Raw materials	532,615	742,204	1,043,390
Power facility construction in progress	–	208,079	1,896,933
	$1,520,630	$2,043,721	$4,253,107

Power facility construction in progress is the cost of Power facility construction which will be sold in the near future.

Allowances for inventory losses were NT$294,834 thousand and NT$337,412 thousand and NT$301,657 thousand as of December 31, 2013, 2014 and 2015, respectively.

In 2013, the cost of sales related to inventories was NT$18,374,388 thousand, which included (1) unallocated fixed manufacturing overheads of NT$216,542 thousand; (2) income of NT$36,584 thousand from the sale of scraps; (3) loss of NT$32,302 thousand from the disposal of obsolete inventories and (4) a reversal of allowance for losses on inventories in the amount of NT$189,805 thousand. The allowance for losses on inventory was reversed as a result of the subsequent sale of obsolete inventories and the decrease of the unit cost of products.

In 2014, the cost of sales related to inventories was NT$26,000,535 thousand, which included (1) unallocated fixed manufacturing overheads of NT$284,059 thousand; (2) income of NT$48,601 thousand from the sale of scraps and (3) allowance for losses on inventories in the amounting of NT$40,698 thousand.

In 2015, the cost of sales related to inventories was NT$21,631,655 thousand, which included (1) unallocated fixed manufacturing overheads of NT$393,941 thousand; (2) income of NT$26,785 thousand from the sale of scraps and (3) a reversal of allowance for losses on inventories in the amount of NT$35,544 thousand. The allowance for losses on inventory was reversed as a result of the subsequent sale of obsolete inventories and the decrease of the unit cost of products.

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

14. NONCURRENT ASSETS HELD FOR SALE

	December 31,		
	2013	2014	2015
Machinery and equipment	$–	$23,859	$2,876
Advance payments	–	10,330	–
	$–	$34,189	$2,876

On June 11, 2014, NSP's board of directors approved the disposal of the Corporation's construction in progress, located in Hsin-chu Science Park, to MediaTek Inc. The disposal was completed on September 24, 2014, the date the control of the construction in progress in the Hsin-chu Science Park transferred to the buyer. No impairment loss was recognized on the reclassification of such asset as held for sale and no additional impairment loss for the year ended December 31, 2014.

In 2014, the Corporation intended to proceed an exchange of assets with some machinery and equipment and advance payments. Such transaction was expected to be completed in 2015. On the reclassification of such assets as held for sale, the Corporation assessed their recoverable amount as less than their carrying amount; thus, impairment loss of NT$40,319 thousand was recognized for the year ended December 31, 2014; furthermore, after further assessment, an additional impairment loss of NT$7,749 thousand was recognized for the year ended December 31, 2015.

In the second quarter of 2015, NSP intended to dispose a parcel of machinery and equipment and miscellaneous equipment and therefore reclassified such assets to noncurrent assets classified as held for sale. On November 10, 2015, NSP's board of directors approved the disposal of the above assets to TS Solartech Sdn Bhd. by installment payment. The disposal was completed on November 27, 2015. When such assets were reclassified as held for sale, NSP did not recognize any impairment loss.

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			% of Ownership			
			December 31,			
Investor	Investee	Main Business	2013	2014	2015	Remark
NSP	General Energy Solutions Inc. ("General Energy Solutions")	Electronic component manufacturing and selling	72.61	76.54	75.89	–
	Prime Energy Corp. ("Prime Energy")	Electronic component manufacturing and selling	100.00	100.00	100.00	–
	V5 Technology Ltd. ("V5 Technology")	Electronic component manufacturing and selling	–	60.00	61.33	Note 1
	New Ray Investment Corp. ("New Ray Investment")	Investment company	100.00	100.00	100.00	–
	DelSolar Holding Singapore Pte. Ltd. ("DelSolar Singapore")	Investment company	100.00	100.00	100.00	Note 2
	DelSolar Holding (Cayman) Ltd. ("DelSolar Cayman")	Investment company	100.00	100.00	100.00	Note 2
	NSP Systems (BVI) Ltd. ("NSP BVI")	Investment company	–	–	100.00	Note 3
	NSP UK Holding Limited ("NSP UK")	Investment company	–	–	100.00	Note 3
	Best Power Service Corp. ("BPS")	Solar-related business	–	–	60.00	–
	NSP System Development Corp. ("NSP System")	Investment company	–	–	100.00	–
	New Castle Investment Corp. ("New Castle")	Investment company	–	–	55.00	–

Investor	Investee	Main Business	% of Ownership December 31, 2013	2014	2015	Remark
General Energy Solutions	Yong Tang Ltd. ("Yong Tang")	Solar-related business	100.00	–	–	Note 4
	Yong Liang Ltd. ("Yong Liang")	Solar-related business	100.00	100.00	100.00	–
	Yong Han Ltd. ("Yong Han")	Solar-related business	100.00	100.00	100.00	–
	Yong Zhou Ltd. ("Yong Zhou")	Solar-related business	100.00	100.00	100.00	–
	Yun Yeh Energy Inc. ("Yun Yeh")	Solar-related business	–	–	100.00	–
	General Energy Solutions International Co., Ltd. ("GES Samoa")	Investment company	100.00	100.00	–	Note 5
	GES JAPAN CORPORATION ("GES JAPAN")	Investment company	100.00	100.00	–	Note 5
	Hashimoto Solar Power Station Co., Ltd. ("Hashimoto")	Solar-related business	100.00	–	–	Note 4
	GES Global Co. Limited ("GES BVI")	Investment company	–	–	–	Notes 6 and 7
	General Energy Solutions UK Limited ("GES UK")	Investment company	–	–	100.00	Note 5
	Canoga Limited ("Canoga")	Investment company	–	–	–	Note 8
	Abacus Renewable One Japan Ltd. ("Abacus")	Solar-related business	–	–	100.00	Notes 3 and 8
GES Samoa	General Energy Solutions UK Limited ("GES UK")	Investment company	100.00	100.00	–	Note 5
GES UK	General Energy Solutions USA. Inc. ("GES USA")	Investment company	100.00	100.00	100.00	Note 5
	GENERAL ENERGY SOLUTIONS PHILIPPINES, INC. ("GES PH")	Solar-related business	–	100.00	100.00	–
	GES JAPAN	Investment company	–	–	100.00	Note 5
	NCH Solar 1 Limited ("NCH Solar 1")	Solar-related business	–	40.00	100.00	Note 9
	GES Solar 2 Limited ("GES Solar 2")	Solar-related business	–	–	100.00	Note 3
	GES Solar 3 Limited ("GES Solar 3")	Solar-related business	–	–	100.00	Note 3
	GES Solar 4 Limited ("GES Solar 4")	Solar-related business	–	–	–	Note 6
	GES Solar 5 Limited ("GES Solar 5")	Solar-related business	–	–	–	Note 6
	GES Solar 6 Limited ("GES Solar 6")	Solar-related business	–	–	–	Note 6
	GES Solar 7 Limited ("GES Solar 7")	Solar-related business	–	–	–	Note 6
	GES Solar 8 Limited ("GES Solar 8")	Solar-related business	–	–	–	Note 6
	General Energy Solutions CANADA Inc. ("GES CANADA")	Investment company	–	–	100.00	Note 3

Investor	Investee	Main Business	% of Ownership December 31, 2013	2014	2015	Remark
GES USA	ET ENERGY SOLUTIONS LLC ("ET ENERGY")	Solar-related business	100.00	100.00	100.00	–
	TIPPING POINT ENERGY COC PPA SPE-1, LLC ("TIPPING POINT")	Solar-related business	100.00	100.00	100.00	–
	GES MEGAONE, LLC ("MEGAONE")	Solar-related business	–	100.00	–	Note 10
	MEGATWO, LLC ("MEGATWO")	Solar-related business	–	–	–	Note 6
	GES MEGATHREE, LLC ("MEGATHREE")	Solar-related business	–	–	–	Note 4
	GES MEGAFOUR, LLC ("MEGAFOUR")	Solar-related business	–	–	–	Note 10
	GES MEGAFIVE, LLC ("MEGAFIVE")	Solar-related business	–	–	–	Note 6
	GES MEGASIX, LLC ("MEGASIX")	Solar-related business	–	–	–	Note 6
	GES MEGASEVEN, LLC ("MEGASEVEN")	Solar-related business	–	–	–	Note 6
	GES ASSET ONE, LLC. ("ASSET ONE")	Solar-related business	–	–	–	Note 6
	GES ASSET TWO, LLC. ("ASSET TWO")	Solar-related business	–	–	–	Note 6
	CENERGY PORTFOLIO LLC ("CENERGY")	Solar-related business	–	–	–	Note 6
	SH4 SOLAR LLC ("SH4")	Solar-related business	–	–	–	Note 6
	SEC Newco., LLC ("SEC Newco")	Solar-related business	–	–	–	Note 10
	Bulldog Energy Airport LLC ("Bulldog")	Solar-related business	–	–	–	Note 10
GES JAPAN	GES KYUSHU CORPORATION ("GES KYUSHU")	Solar-related business	100.00	–	–	Note 4
	GES FUKUSHIMA CORPORATION ("GES FUKUSHIMA")	Solar-related business	100.00	100.00	100.00	Note 5
GES CANADA	ELECTRONIC J.R.C., S.R.L ("JRC")	Solar-related business	–	–	100.00	–
GES BVI	GES ASSET, INC. ("GES ASSET")	Solar-related business	–	–	–	Note 11
DelSolar Cayman	DelSolar (HK) Ltd. ("DelSolar HK")	Investment company	100.00	100.00	100.00	Note 2
	DelSolar US Holdings (Delaware) Corporation ("DelSolar US")	Investment company	100.00	100.00	100.00	Note 2
	NSP SYSTEM NEVADA HOLDING CORP. ("NSP NEVADA")	Solar-related business	–	–	–	Notes 6 and 7
DelSolar Singapore	DelSolar India EPC Company Private Ltd. ("DelSolar India")	Solar-related business	100.00	100.00	100.00	Note 2

Investor	Investee	Main Business	% of Ownership December 31, 2013	2014	2015	Remark
NSP UK Holding Limited (NSP UK)	NSP Germany GmbH ("NSP Germany")	Solar-related business	–	–	90.00	–
	UNA249, Equity Management GmbH ("UNA249")	Solar-related business	–	–	100.00	–
NSP System Development Corp.	Hsin Jin Optoelectronics ("Hsin Jin Optoelectronics")	Solar-related business	–	–	80.00	–
	Si One Corp. ("Si One")	Solar-related business	–	–	100.00	–
NSP System Development Corp.	Hsin Jin Solar Energy Co., Ltd. ("Hsin Jin Solar Energy")	Solar-related business	–	–	60.00	–
DelSolar HK	DelSolar (Wu Jiang) Ltd. ("DelSolar Wu Jiang")	Solar-related business	100.00	100.00	100.00	Note 2
	NSP Japan Inc. ("NSP Japan")	Solar-related business	–	–	100.00	Note 3
	Neo Solar Power (Nanchang) Ltd. ("NSP Nanchang")	Solar-related business	–	–	100.00	–
DelSolar US	DelSolar Development (Delaware) LLC ("DelSolar Development")	Solar-related business	100.00	100.00	100.00	Note 2
	Clean Focus Renewables Inc. ("CFR")	Solar-related business	–	–	100.00	Note 3
	USD1 Owner LLC ("USD1")	Solar-related business	–	–	100.00	Note 3
	CF Vegas Holdings LLC ("CF Vegas")	Solar-related business	–	–	100.00	Note 3
DelSolar Wu Jiang	XYH (Suzhou) Energy Ltd. ("XYH Suzhou")	Solar-related business	–	–	100.00	Note 3
DelSolar	DSS-USF PHX LLC	Solar-related business	100.00	100.00	100.00	Note 2
Development	DSS-RAL LLC	Solar-related business	100.00	100.00	100.00	Note 2

Note 1: The subsidiaries that were non-significant and whose financial statements have not been audited. The management believes that an audit of the financial statements of these subsidiaries would not result in significant impact on the Corporation's consolidated financial statements.

Note 2: DelSolar Singapore, DelSolar Cayman, DelSolar India, DelSolar US, DelSolar HK, DelSolar Wu Jiang, DelSolar Development, DSS-USF PHX LLC and DSS-RAL LLC had been acquired through the business combination on May 31, 2013.

Note 3: NSP BVI, NSP UK, Abacus, GES Solar 2, GES Solar 3, GES CANADA, NSP JAPAN, CFR, USD1, CF Vegas and XYH Suzhou were once deemed as special purpose entities of the Corporation and became 100%-owned subsidiaries in 2015.

Note 4: In the second quarter of 2014, General Energy Solutions lost its control over Hashimoto and then lost its control over GES KYUSHU and Yong Tang in the third quarter and also lost its control over MEGATHREE as of December 31, 2014; the percentage of ownership decreased from 100% to 45%, 45%, 0% and 40%, respectively, during 2014, thus Hashimoto, GES KYUSHU, Yong Tang and MEGATHREE were not deemed as subsidiaries of General Energy Solutions as of the date control was lost, but treated as equity method investments ever since.

Note 5: The Corporation has started simplifying the organization structure since 2013. In the end of 2013, General Energy Solutions (GES) sold its entire shares of GES UK to GES's 100% owned subsidiary, GES Samoa; and sold GES Samoa's entire shares of GES USA to GES Samoa's 100% owned second-tier subsidiary, GES UK; and sold GES's and GES UK's entire shares of GES FUKUSHIMA to GES's 100% owned subsidiary, GES JAPAN; and GES Samoa had been liquidated in the second half of 2014 and returned its entire share of GES UK to GES as return of capital shares, and the liquidation was completed in November 2015; and GES sold its entire shares of GES JAPAN to GES's 100% owned subsidiary, GES UK in the first quarter of 2015. The organizational restructuring did not result in any gain or loss.

Note 6: GES BVI, MEGATWO, MEGAFIVE, MEGASIX, MEGASEVEN, ASSET ONE, ASSET TWO, GES Solar 4, GES Solar 5, GES Solar 6, GES Solar 7, GES Solar 8, CENERGY, SH4 and NSP NEVADA were deemed as subsidiaries of the Corporation in accordance with SIC 12 "Consolidation – Special Purpose Entities."

Note 7: The capital has not been invested as of December 31, 2015.

Note 8: Abacus, a company located in Japan indirectly became 100%-owned subsidiary after the Corporation acquired HongKong-based Canoga Limited (Canoga) in March 2015. In order to simplify the organization structure, Canoga sold its entire shares of Abacus at the carrying value to the Corporation in September 2015. The liquidation of Canoga had been completed in January 2016.

Note 9: GES UK's 40% equity investment in NCH Solar 1 in October 2014 and the subscription for the remaining 60% equity in May 2015 turned NCH Solar 1 into 100% owned subsidiary instead of investment accounted for using the equity method.

Note 10: SEC Newco, Bulldog and MEGAFOUR were once deemed as special purpose entities of the Corporation and were disposed in March 2015, August 2015 and October 2015, respectively. MEGAONE was invested in January 2014 and was disposed in June 2015.

Note 11: GES ASSET was once deemed as a special purpose entity of the Corporation and was in the process of liquidation as of November 1, 2014; the deregistration formalities had been completed as of December 1, 2014.

b. Details of subsidiaries that have material noncontrolling interests

		% of Ownership and Voting Rights Held by Noncontrolling Interests		
		December 31,		
Name of Subsidiary	Principal Place of Business	2013	2014	2015
General Energy Solutions (GES)	Hsin-Chu	27.39	23.46	24.11

	Gain (Loss) Allocated to Noncontrolling Interests			Accumulated Noncontrolling Interests		
	For the Year Ended December 31,			December 31,		
Name of Subsidiary	2013	2014	2015	2013	2014	2015
GES	$12,965	$28,325	$(66,864)	$353,724	$449,808	$564,133
Others	–	(2,498)	(15,897)	–	17,530	35,423
Total	$12,965	$25,827	$(82,761)	$353,724	$467,338	$599,556

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

	December 31,		
	2013	2014	2015
GES and GES's subsidiaries			
Current assets	$1,224,099	$2,946,652	$3,712,563
Noncurrent assets	2,186,351	1,610,884	3,082,348
Current liabilities	1,223,037	1,281,052	3,060,872
Noncurrent liabilities	913,960	1,300,223	1,344,558
Equity	$1,273,453	$1,976,261	$2,389,481
Equity attributable to:			
Owners of GES	$ 919,729	$1,526,453	$1,825,348
Noncontrolling interests of GES	353,724	449,808	564,133
	$1,273,453	$1,976,261	$2,389,481

	For the Year Ended December 31,		
	2013	2014	2015
Revenue	$ 955,259	$1,505,461	$ 1,046,182
Profit (loss) for the year	$ 45,543	$ 89,076	$ (277,529)
Other comprehensive income (loss) for the year	(1,586)	33,732	68,989
Total comprehensive income (loss) for the year	$ 43,957	$ 122,808	$ (208,540)
Profit (loss) attributable to:			
Owners of GES	$ 32,578	$ 60,751	$ (210,665)
Noncontrolling interests of GES	12,965	28,325	(66,864)
	$ 45,543	$ 89,076	$ (277,529)
Total comprehensive income (loss) attributable to:			
Owners of GES	$ 30,992	$ 86,569	$ (158,310)
Noncontrolling interests of GES	12,965	36,239	(50,230)
	$ 43,957	$ 122,808	$ (208,540)
Net cash inflow (outflow) from:			
Operating activities	$ (107,518)	$ (392,758)	$ (727,839)
Investment activities	(1,880,861)	(667,941)	(1,446,392)
Finance activities	2,269,769	1,587,165	2,115,899
Effect of exchange rate changes	(1,587)	33,732	11,133
Net cash inflow (outflow)	$ 279,803	$ 560,198	$ (47,199)
Dividends paid to noncontrolling interests of GES	$ –	$ –	$ 9,221

16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31,		
	2013	2014	2015
Investment in associate			
Overseas unlisted companies			
MEGATHREE (Note 33)	$–	$ 36,284	$38,675
GES KYUSHU (Note 33)	–	25,252	20,477
Hashimoto (Note 33)	–	9,824	6,672
Renewable Energies Co., Ltd. (“Renewable”)	–	–	–
NCH Solar 1 Limited (“NCH Solar 1”) (Note 32)	–	(15,324)	–
	–	56,036	65,824
Credit balance of investment accounted for using the equity method	–	15,324	–
	$–	$ 71,360	$65,824

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

	December 31,		
	2013	2014	2015
MEGATHREE	–	40%	40%
GES KYUSHU	–	45%	45%
Hashimoto	–	45%	45%
Renewable	50%	50%	50%
NCH Solar 1	–	40%	–

In December 2012, GES Samoa, through GES UK, jointly established with a third party a company, Renewable, which specializes in solar-related business. As of December 31, 2013, 2014 and 2015, GES UK had a 50% equity interest in Renewable and two of five seats of Renewable’s board but did not have the power to govern the financial and operating policies of Renewable; thus, Renewable was accounted for by using the equity method.

In 2013, on the basis of the estimated recoverable amount of Renewable, the Corporation recognized an impairment loss of NT$2,044 thousand, which was recorded under nonoperating income and expenses – other gains and losses.

GES UK’s 40% equity investment in NCH Solar 1 in October 2014 and the subscription for the remaining 60% equity in May 2015 turned NCH Solar 1 into 100% owned subsidiary instead of investment accounted for using the equity method.

The information of main business, principal place of operation and registered country of the above associates is shown on Table 7.

Aggregate information of associates that are not individually material:

	For the Year Ended December 31,		
	2013	2014	2015
The Corporation’s share of:			
Net loss for the year	$(1,582)	$(42,694)	$(8,064)
Other comprehensive income for the year	–	–	–
Total comprehensive loss for the year	$(1,582)	$(42,694)	$(8,064)

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, 2014 and 2015 was based on the associates’ financial statements audited by auditors for the same years. The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of these investments for the year ended December 31, 2013 were calculated on the basis of financial statements that have not been audited. Management believes there would have been no material impact on the calculation of the share of profit or loss and other comprehensive income had the equity-method investee’s financial statements been audited.

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

17. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2014	December 31, 2015
Carrying amounts			
Land	$ 440,596	$ 440,596	$ 533,870
Buildings	3,812,516	3,576,823	3,345,503
Machinery and equipment	9,290,238	8,847,280	7,626,300
Research and development equipment	10,277	39,840	28,212
Office equipment	55,006	37,682	21,885
Rental assets	147,494	135,717	120,113
Leasehold improvements	286,716	276,053	242,617
Miscellaneous equipment	209,522	166,516	129,781
Advance payments and construction in progress	1,354,544	672,983	876,073
	$15,606,909	$14,193,490	$12,924,354

Year Ended December 31, 2013

	Balance, Beginning of Year	Acquisitions Through Business Combinations	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Year
Cost							
Land	$ 440,596	$ –	$ –	$ –	$ –	$ –	$ 440,596
Buildings	2,740,925	1,571,025	–	–	15,016	–	4,326,966
Machinery and equipment	10,431,530	3,903,893	452,010	–	327,951	21,928	15,137,312
Research and development equipment	11,803	4,608	–	–	1,549	–	17,960
Office equipment	14,231	61,268	1,051	(95)	(3,393)	45	73,107
Rental assets	–	164,634	–	–	–	168	164,802
Leasehold improvements	2,632	300,049	1,543	–	–	3,960	308,184
Miscellaneous equipment	173,254	159,105	7,514	(12)	9,204	700	349,765
Advance payments and construction in progress	624,963	153,373	2,924,322	(1,699,563)	(350,327)	(12,797)	1,387,243
	14,439,934	$6,317,955	$3,386,440	$(1,699,670)	$ –	$ 14,004	22,205,935
Accumulated depreciation							
Buildings	$ 324,283	$ –	$ 190,167	$ –	$ –	$ –	$ 514,450
Machinery and equipment	4,296,896	–	1,437,001	–	–	15,663	5,749,560
Research and development equipment	4,426	–	3,257	–	–	–	7,683
Office equipment	7,573	–	12,676	(68)	(2,181)	101	18,101
Rental assets	–	–	17,127	–	–	181	17,308
Leasehold improvements	606	–	18,453	–	–	2,409	21,468
Miscellaneous equipment	83,660	–	53,958	(8)	2,181	452	14,024
	4,717,444	$ –	$1,732,639	$ (76)	$ –	$(18,806)	6,468,813
Accumulated impairment							
Machinery and equipment	46,984	$ –	$ 50,530	$ –	$ –	$ –	97,514
Advance payments and construction in progress	32,699	–	–	–	–	–	32,699
	79,683	$ –	$ 50,530	$ –	$ –	$ –	130,213
	$ 9,642,807						$15,606,909

	Year Ended December 31, 2014					
	Balance, Beginning of Year	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Year
Cost						
Land	$ 440,596	$ –	$ –	$ –	$ –	$ 440,596
Buildings	4,326,966	14	–	(2,800)	–	4,324,180
Machinery and equipment	15,137,312	728,290	(1,918)	360,167	125,377	16,349,228
Research and development equipment	17,960	6,679	–	31,834	–	56,473
Office equipment	73,107	2,003	–	243	804	76,157
Rental assets	164,802	–	–	–	11,860	176,662
Leasehold improvements	308,184	7,528	–	6,101	19,986	341,799
Miscellaneous equipment	349,765	18,469	–	2,534	2,731	373,499
Advance payments and construction in progress	1,387,243	1,340,544	(1,188,124)	(881,134)	14,454	672,983
	22,205,935	$2,103,527	$(1,190,042)	$(483,055)	$175,212	22,811,577
Accumulated depreciation						
Buildings	$ 514,450	$ 232,907	$ –	$ –	$ –	$ 747,357
Machinery and equipment	5,749,560	1,631,661	–	(74,160)	68,354	7,375,415
Research and development equipment	7,683	8,950	–	–	–	16,633
Office equipment	18,101	19,649	–	–	725	38,475
Rental assets	17,308	19,588	–	–	4,049	40,945
Leasehold improvements	21,468	33,219	–	–	11,059	65,746
Miscellaneous equipment	140,243	64,964	–	–	1,776	206,983
	6,468,813	$2,010,938	$ –	$ (74,160)	$ 85,963	8,491,554
Accumulated impairment						
Machinery and equipment	97,514	$ 56,418	$ –	$ (27,258)	$ (141)	126,533
Advance payments and construction in progress	32,699	12,920	(32,699)	(12,920)	–	–
	130,213	$ 69,338	$ (32,699)	$ (40,178)	$ (141)	126,533
	$15,606,909					$14,193,490

	Year Ended December 31, 2015						
	Balance, Beginning of Year	Acquired from Business Combination	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Year
Cost							
Land	$ 440,596	$ –	$ 89,578	$ –	$ –	$ 3,696	$ 533,870
Buildings	4,324,180	–	1,061	–	420	–	4,325,661
Machinery and equipment	16,349,228	–	397,670	(12,552)	36,179	(15,029)	16,755,496
Research and development equipment	56,473	–	1,272	–	–	–	57,745
Office equipment	76,157	–	1,307	(190)	–	(59)	77,215
Rental assets	176,662	–	–	–	–	9,019	185,681
Leasehold improvements	341,799	–	1,060	–	1,704	(2,473)	342,090
Miscellaneous equipment	373,499	–	16,916	(5,242)	616	(312)	385,477
Advance payments and construction in progress	672,983	231,813	1,236,114	(842,123)	(432,504)	9,790	876,073
	22,811,577	$231,813	$1,744,978	$(860,107)	$(393,585)	$ 4,632	23,539,308
Accumulated depreciation							
Buildings	$ 747,357	$ –	$ 232,801	$ –	$ –	$ –	$ 980,158
Machinery and equipment	7,375,415	–	1,694,375	(1,991)	(72,972)	(5,770)	8,989,057
Research and development equipment	16,633	–	12,900	–	–	–	29,533
Office equipment	38,475	–	17,021	(91)	–	(75)	55,330
Rental assets	40,945	–	20,477	–	–	4,146	65,568
Leasehold improvements	65,746	–	34,780	–	–	(1,053)	99,473
Miscellaneous equipment	206,983	–	52,072	(1,785)	(1,431)	(143)	255,696
	8,491,554	$ –	$2,064,426	$ (3,867)	$ (74,403)	$ (2,895)	10,474,815
Accumulated impairment							
Machinery and equipment	126,533	$ –	$ 13,544	$ –	$ –	$ 62	140,139
	$14,193,490						$12,924,354

On June 11, 2014, NSP's board of directors approved the disposal of construction in progress located in Hsin-chu Science Park. The related proceeds were NT$410,000 thousand. NSP transferred construction in progress of NT$336,067 thousand to noncurrent assets classified as held for sale and recognized gain on reversal of impairment loss of NT$32,699 thousand under other income and expenses.

In the third quarter of 2014, the Corporation intends to proceeds with the exchange of assets with a parcel of machinery and equipment and advance payments. The related proceeds are expected to be NT$33,892 thousand. The Corporation transferred machinery and equipment and advance payments of NT$33,892 thousand to noncurrent assets classified as held for sale and recognized impairment losses of NT$40,319 thousand under other income and expenses.

As of December 31, 2014, NSP resolved to acquire production line of solar module from subsidiary to effectively integrate the Corporation's overall resources. The related proceeds were NT$40,000 thousand. The Corporation recognized NT$29,019 thousand under other income and expenses. The production line is reported under other segment according to the accounting policies on reportable segments and the transaction was completed on February 1, 2015.

In the second quarter of 2015, NSP intended to dispose of a parcel of machinery and equipment and miscellaneous equipment. On August 11, 2015, NSP's board of directors approved the transfer of such machinery and equipment and miscellaneous equipment in the amount of NT$330,575 thousand to noncurrent assets classified as held for sale. On November 10, 2015, NSP's board of directors approved the disposal of the above assets to TS Solartech Sdn Bhd. by installment payment. The related proceeds were US$12,079 thousand.

The Corporation assessed that there were indications of impairment on machinery and equipment because the recoverable amount of machinery and equipment was estimated to be less than its carrying amount thus, the Corporation recognized impairment loss on machinery and equipment of NT$50,530 thousand and NT$13,544 thousand for the year ended December 31, 2013 and December 31, 2015, respectively.

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 (Note)
Research and development equipment	4–6 years
Office equipment	3–4 years
Rental assets	10 years
Leasehold improvements	4–11 years
Miscellaneous equipment	3–16 years

Note: NSP extended the useful lives of certain items of machinery and equipment from 6 years to 8 or 11 years from April 1, 2013. Please refer to Note 5 e.

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

For the year ended December 31, 2013, the deduction included NT$1,708,917 thousand transferred to finance lease receivables; for the year ended December 31, 2014, the deduction included NT$724,723 thousand transferred to finance lease receivables and NT$465,319 thousand on disposal of subsidiaries; and for the year ended December 31, 2015, the deduction included NT$842,123 thousand transferred to finance lease receivables and NT$14,117 thousand on disposal of property, plant and equipment.

For the year ended December 31, 2014, there were reclassifications from prepayments for equipment of NT$24,633 thousand to advance payments and construction in progress; from advance payments and construction in progress of NT$624 thousand to other noncurrent assets; from advance payments and construction in progress of NT$22,470 thousand to other expenses; and from machinery and equipment of NT$23,859 thousand, advance payments and construction in progress of NT$10,330 thousand and construction in progress of NT$336,067 thousand to noncurrent assets classified as held for sale.

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

18. INTANGIBLE ASSETS

	December 31,		
	2013	**2014**	**2015**
Carrying amounts of each class			
Goodwill (Note 32)	$512,440	$513,332	$513,332
Contracts with customers (Note 32)	–	–	89,634
Brands (Note 32)	45,299	20,862	17,010
Patents	–	77	495
	$557,739	$534,271	$620,471

	Years Ended December 31,		
	2013	**2014**	**2015**
Brands			
Cost			
Balance at January 1	$ –	$ 109,102	$ 133,709
Acquired from business combination	108,800	23,108	–
Translation adjustments	302	1,499	–
Balance at December 31	109,102	133,709	133,709
Accumulated amortization			
Balance at January 1	$ –	$ (63,803)	$(112,847)
Amortization	(62,891)	(47,688)	(3,852)
Translation adjustments	(912)	(1,356)	–
Balance at December 31	(63,803)	(112,847)	(116,699)
	$ 45,299	$ 20,862	$ 17,010

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

The above items of other intangible assets are amortized on a straight-line basis over 1 to 6 years.

The Corporation's goodwill was tested for impairment at the end of the annual reporting period and the recoverable amount was based on value in use. The value in use was calculated on the basis of the cash flow forecast from the financial budgets covering the future five-year period, and the Corporation used the annual discount rate of 6.30%, 6.47% and 6.39% in its test of impairment as of December 31, 2013, 2014 and 2015, respectively, to reflect the specific risk in the relevant cash-generating unit.

For 2013, 2014 and 2015 the Corporation did not recognize any impairment loss on goodwill.

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

19. PREPAYMENTS FOR LEASE

	December 31,		
	2013	2014	2015
Current asset	$ 3,415	$ 1,051	$ 582
Noncurrent asset	31,027	24,736	23,587
	$34,442	$25,787	$24,169

Prepayments for lease, which mainly included land use rights paid for power facility construction in the U.S., are amortized on a straight-line basis over 30 years. As of December 31, 2013, 2014 and 2015, such land use rights amounted to NT$31,027 thousand, NT$24,736 thousand and NT$23,587 thousand, respectively. The Corporation had obtained the certificates of land use rights.

20. PREPAYMENTS AND OTHER ASSETS

	December 31,		
	2013	2014	2015
Prepayments			
Payments in advance	$1,953,751	$1,751,260	$1,745,672
Prepayments for equipment	69,000	45,005	157,427
Prepayments for investments	–	–	70,022
Others	46,627	98,727	179,036
	$2,069,378	$1,894,992	$2,152,157
Other assets			
Restricted assets	$ 368,359	$ 633,727	$1,272,709
Pledged time deposits	10,625	204,923	213,006
Prepaid sales tax	1,166,070	1,260,880	164,758
Temporary prepayments	16,660	40,186	80,717
Pledged bank acceptances	–	–	50,744
Others	93,455	56,590	81,531
	$1,655,169	$2,196,306	$1,863,465
Prepayments			
Current	$ 264,611	$ 719,244	$ 635,751
Noncurrent	1,804,767	1,175,748	1,516,406
	$2,069,378	$1,894,992	$2,152,157
Other assets			
Current	$1,593,722	$1,461,213	$ 303,406
Noncurrent	61,447	735,093	1,560,059
	$1,655,169	$2,196,306	$1,863,465

The Corporation recognized impairment loss on prepayments after assessment; please refer to Note 5 d and Note 40 a.

21. LOANS

a. Short-term bank loans

	December 31, 2013	2014	2015
Working capital loans – interest at 0.9670%–2.9459% in 2013; 0.7000%–6.5600% in 2014; 0.7200%–6.5600% in 2015	$2,732,789	$3,039,296	$6,448,680

b. Short-term bills payable

	December 31, 2015
Commercial paper	$50,000
Less: Unamortized discount on bills payable	(88)
	$49,912

Outstanding short-term bills payable were as follows:

December 31, 2015

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate
Commercial paper				
International Bills Finance Corporation	$50,000	$88	$49,912	1.91%

1) The payables on the commercial paper have not been discounted because the effect was not material.

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

c. Long-term bank loans

	December 31, 2013	2014	2015
Syndicated loans: Lead bank – CTBC Bank			
Repayable in August 2016; annual floating interest rates at 2.6800% in 2013, 2.6589%–2.6811% in 2014 and 2.5721%–2.6903% in 2015	$1,000,000	$1,000,000	$1,000,000
Repayable semiannually from February 2012 to August 2016, repayment of 50% before February 2013, repayment of 10% between fourth and sixth repayment, and repayment of 40% for remaining periods before August 2016; annual floating interest rates at 2.5232% in 2013, 2.4821%–2.5221% in 2014 and 2.5118%–2.6361% in 2015	1,094,667	924,000	412,000
Syndicated loans: Lead bank – Taiwan Cooperative Bank			
Repayable semiannually from the date of first repayment, one year after the date of the initial drawdown, November 5, 2015 to November 5, 2018; if a two-year extension is agreed, the principal of the last period will be equally amortized within two years and repayable every 4.8 months; annual floating interest rate at 2.6418%	–	–	910,000

	December 31,		
	2013	2014	2015
Repayable semiannually from November 2012 to November 2015; annual floating interest rates at 1.5442% in 2013, 1.5337%–1.5453% in 2014 and 1.5414%–1.5453% in 2015	$ 1,413,112	$ 703,453	$ –
Repayable semiannually from November 2012 to November 2015, repayment of 10% for the first six periods and 40% on the last payment; annual floating interest rates at 1.5926%–1.8288% in 2013, 1.5789%–1.6088% in 2014 and 1.3913%–1.6088% in 2015	1,755,308	556,052	–
Secured loan from Cathay Bank			
Repayable monthly from August 2015 to July 2027; annual floating interest rate at 3.5845%–4% in 2015	–	–	519,168
Repayable monthly from December 2015 to November 2022 with monthly interest repayments and annual floating interest rate at 5% in 2015	–	–	33,066
Unsecured loan from King's Town Bank			
Repayable on the 30th of every even month from the date of the initial drawdown, October 16, 2015, with principal repayments of NT$5,000 thousand; annual floating interest rate at 1.76%–1.83% in 2015	–	–	195,000
Secured loan from King's Town Bank			
Repayable every two months from December 2015 to November 2028; annual floating interest rate at 3.26% in 2015	–	–	81,300
Secured loan from EnTie Bank			
Repayable monthly from May 2013 to April 2020; annual floating interest rates at 3.782% in 2013, 3.761%–3.772% in 2014 and 3.7400%–3.772% in 2015	23,901	20,817	17,643
Repayable monthly from December 2012 to November 2019; annual floating interest rate at 3.793% in 2013	239,060	–	–
Secured loan from Cathay United Bank			
Repayable quarterly from November 2013 to October 2026; repayment of at least US$6,500 on the first installment; annual floating interest rates at 3.5376% in 2013, 3.5336%–3.5376% in 2014 and 3.5356%–3.5609% in 2015	733,775	545,113	–
Secured loan from First Bank			
Repayable quarterly from September 2011 to June 2015; annual floating interest rate at 2.08% in 2013 and 2014	39,661	25,239	–
Repayable monthly from November 2013 to October 2020; annual floating interest rate at 3.42% in 2013	29,206	–	–
Secured loan from Mega Bank			
Repayable monthly from May 2013 to April 2020; annual floating interest rate at 3.5% in 2013	29,870	–	–
Other borrowings			
Repayable monthly from January 2014 to December 2015	–	26,780	–
Repayable monthly from July 2013 to June 2015	37,307	11,225	–
Repayable monthly from August 2013 to July 2023	49,338	–	–
Repayable monthly from June 2013 to December 2015	21,482	–	–
	6,466,687	3,812,679	3,168,177
Current portion	(1,757,933)	(1,868,726)	(1,579,826)
	$ 4,708,754	$ 1,943,953	$ 1,588,351

Other borrowings were loans from a finance company with annual effective interest rates from 6.32% to 6.97% and were paid off in advance in August 2015.

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

CTBC Bank-led syndicated loan:

1) Current ratio (Current assets ÷ Current liabilities): At least 100%;

2) Debt to equity ratio (Total liabilities ÷ Total shareholders' equity): No more than 100%;

3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3.

4) Tangible net worth: At least NT$4,000,000 thousand.

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

The loan agreements on the Taiwan Cooperative Bank syndicated loan require the maintenance of certain financial ratios based on NSP's annual and semiannual financial reports. The related restrictions are as follows:

Taiwan Cooperative Bank syndicated loan:

1) Current ratio (Current assets ÷ Current liabilities): At least 100%;

2) Debt to equity ratio (Total liabilities and guarantee balances ÷ Tangible net worth): No more than 125%;

3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3.

4) Tangible net worth: At least NT$10,000,000 thousand.

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

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

The loan agreement between ET ENERGY and Cathay Bank requires the maintenance of certain financial ratios based on ET ENERGY's quarterly financial reports. The related restriction is as follows:

Secured loan from Cathay Bank:

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

ET ENERGY was not able to meet the required debt service coverage ratio as of December 31, 2015; nevertheless, according to the agreements, not meeting the requirement was not considered a breach.

General Energy Solutions obtained a secured loan from EnTie Bank. The loan agreement requires the maintenance of certain financial ratios based on General Energy Solutions's consolidated annual and semiannual financial reports. The related restrictions are as follows:

Secured loan from EnTie Bank:

1) Debt to equity ratio (Total liabilities and contingent liabilities ÷ Tangible net worth): No more than 300%;

2) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ principal and interest paid in current year]: At least 1.

As of December 31, 2015, General Energy Solutions was in compliance with the above ratio requirements, except for the debt service coverage ratio. Nevertheless, breaking the requirement was not considered a breach.

d. Preference share liabilities

	December 31,		
	2013	**2014**	**2015**
First Preference Shares, Series A	$ –	$470,000	$470,000

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

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

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

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

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

The FP Shares do not have voting rights.

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

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

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

22. BONDS PAYABLE

	December 31,		
	2013	2014	2015
Secured overseas convertible bonds (a)	$ –	$3,383,393	$3,461,799
Secured domestic convertible bonds (b)	549,004	213,417	216,477
	549,004	3,596,810	3,678,276
Less: Current portion	–	–	(216,477)
	$549,004	$3,596,810	$3,461,799

a. Secured overseas convertible bonds

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

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

Proceeds from issue (less transaction costs NT$90,697 thousand)	$3,496,103
Equity component (less transaction costs allocated to the equity component of NT$3,827 thousand)	(147,536)
Liability component at the date of issue	3,348,567
Interest charged at an effective interest rate	34,826
Liability component at December 31, 2014	3,383,393
Interest charged at effective interest rate	78,406
Liability component at December 31, 2015	$3,461,799

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

ING Bank:

1) Current ratio (Current assets ÷ Current liabilities): At least 100%;

2) Debt to equity ratio (Total liabilities ÷ Tangible net worth): No more than 125%, total liabilities including contingent liabilities;

3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3.

4) Tangible net worth: At least NT$10,000,000 thousand.

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

The assets pledged as collaterals of the loan from ING Bank are shown in Note 39.

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

b. Secured domestic convertible bonds

On October 1, 2013, NSP issued its first and second 3-year domestic secured convertible bonds, each with the total par value of NT$500,000 thousand, aggregate principal of NT$1,000,000 thousand and par rate of 0%. The bonds are convertible from November 2, 2013 to September 21, 2016 at applicable conversion price. The conversion price was initially set at NT$29.35 per share upon issuance, and was adjusted to NT$28.16 per share pursuant to the provisions of the trust deed of the bonds. The bonds will be redeemed at 100% of their principal amount on October 1, 2016.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus – conversion option of bonds. The effective interest rates for the liability components of the first and second issues were 1.3964% and 1.5075%, respectively, per annum on initial recognition in 2013.

As of December 31, 2015, the outstanding convertible bonds of the first and second issues amounted to NT$162,293 thousand and NT$54,184 thousand, respectively.

Proceeds from issue (less transaction costs of NT$4,170 thousand)	$ 998,830
Equity component (less transaction costs allocated to the equity component of NT$173 thousand allocated to the equity component)	(41,427)
Liability component at the date of issue	957,403
Interest charged at an effective interest rate	3,179
Convertible bonds converted into common shares	(411,578)
Liability component at December 31, 2013	549,004
Interest charged at an effective interest rate	3,892
Convertible bonds converted into common shares	(339,479)
Liability component at December 31, 2014	231,417
Interest charged at an effective interest rate	3,060
Liability component at December 31, 2015	$ 216,477

23. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,		
	2013	**2014**	**2015**
Accrued expenses			
Loss on contracts	$ 499,845	$ 318,157	$ 318,157
Bonus	201,950	262,316	216,153
Salaries	158,318	187,719	194,629
Service charge	83,911	87,609	77,176
Others	580,761	571,559	635,454
	$1,524,785	$1,427,360	$1,441,569
Other liabilities			
Deferred revenue	$ –	$ 285,704	$ 265,757
Advanced receipts from customers	2,483	2,673	24,901
Receipts under custody	9,021	9,332	11,052
Others	487	205	454
	$ 11,991	$ 297,914	$ 302,164
Current	$ 11,991	$ 32,598	$ 56,622
Noncurrent	–	265,316	245,542
	$ 11,991	$ 297,914	$ 302,164

24. PROVISIONS

	December 31,		
	2013	2014	2015
Noncurrent			
Warranties	$159,098	$225,308	$291,688

	Years Ended December 31,		
	2013	2014	2015
Balance at January 1	$ 65,368	$159,098	$225,308
Acquired from business combination	72,439	–	–
Additions	21,737	67,196	70,014
Usage	(446)	(986)	(3,617)
Effect of exchange rate changes	–	–	(17)
Balance at December 31	$159,098	$225,308	$291,688

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

25. RETIREMENT BENEFIT PLANS

NSP and the Corporation's subsidiaries in Republic of China make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages in accordance with the Labor Pension Act, and these contributions are recognized as pension costs.

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

26. EQUITY

a. Common shares

1) Common shares

	December 31,		
	2013	2014	2015
Number of shares authorized (in thousands)	800,000	1,200,000	1,200,000
Amount of shares authorized	$ 8,000,000	$12,000,000	$12,000,000
Number of shares issued and fully paid (in thousands)	777,029	856,277	858,161
Shares issued	$ 7,770,292	$ 8,562,770	$ 8,581,617
Share premiums	10,317,449	11,404,787	11,404,787
	$18,087,741	$19,967,557	$19,986,404

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

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

In their special meeting on February 6, 2013, the shareholders proposed the issuance of new shares to execute for a merger with DelSolar where shares will be exchanged at a ratio of 0.735 common share of the Corporation to one common shares for each common share of DelSolar. For this merger, NSP proposed an increase in its capital by NT$1,686,758 thousand by issuing 168,676 thousand new common shares at a par value of NT$10. The merger date was May 31, 2013.

On April 19, 2013, NSP's board of directors approved a decrease in the common shares to be issued for the merger with DelSolar from 168,676 thousand shares to 168,508 thousand shares, because of the cancellation of restricted shares of DelSolar's employees.

In their meeting on May 31, 2013, the shareholders approved the private placement of 150,000 thousand common shares at a par value of NT$10 per share and increase NSP's capital by issuing up to 150,000 thousand common shares. On March 18, 2014, NSP's board of directors approved the cancellation of this private placement plan.

On August 7, 2013, NSP's board of directors approved to increase its capital by NT$3,107,000 thousand through a public offering of 130,000 thousand new common shares at a par value of NT$10. The board set October 25, 2013 as the subscription date, and NSP completed the issuance of new shares on this date. The board also approved the public issuance of the first and second secured domestic convertible bonds each with total par values of NT$500,000 thousand and an aggregate par value of NT$1,000,000 thousand, respectively. The issuances of the aforementioned bonds were approved by the FSC on September 12, 2013 and actual issuances were on October 1, 2013. The board of directors also approved the issuance to employees of 3,531 thousand restricted shares amounting to NT$35,305 thousand and the actual issuance was on August 28, 2013. More information on the bonds and restricted shares for employees is shown in Notes 22 and 31.

On March 18, 2014, NSP's board of directors approved to increase its capital (a) by NT$2,015,000 thousand through a public offering of 65,000 thousand new common shares at a par value of NT$10 (b) by issue of second secured overseas convertible bonds with an aggregate par value of US$150,000 thousand; and (c) by issuance of up to 180,000 thousand common shares of capital shares or global depositary shares.

The issuance of the second secured overseas convertible bonds was approved by the FSC on April 21, 2014 and listed on the Singapore Exchange Securities Trading Limited on July 18, 2014 with an aggregate par value of US$120,000 thousand; on July 24, 2014, the Corporation's board approved the cancellation of the aforementioned capital increase by public offering of 65,000 thousand new common shares.

On July 24, 2014, NSP's board of directors approved an increase in its capital by a public offering of 65,000 thousand new common shares at a par value of NT$10. The issuance was approved by the FSC on September 2, 2014, and the grant date was on November 28, 2014.

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

On December 9, 2015, NSP's board of directors approved to increase its capital through a public offering of 160,000 thousand new common shares at a par value of NT$10. The issuance was approved by the FSC on January 18, 2016, and the offering date is on March 9, 2016.

On March 15, 2016, NSP's board of directors approved to increase its capital by issuance of up to 180,000 thousand shares of common shares or global depositary shares subject to the resolution of the shareholders in their meeting to be held on June 16, 2016.

2) Global depositary shares

On July 14, 2011, NSP offered 100,000 thousand common shares for issue of 20,000 thousand global depositary shares (GDS). Each GDS represented five common shares. The GDS issue price was US$6.62 per share, and a total of US$132,400 thousand was raised. The GDS was listed on the Luxembourg Stock Exchange on July 20, 2011 and completed the conversion in March 2014.

b. Capital surplus

	December 31,		
	2013	**2014**	**2015**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Share premiums	$10,317,449	$11,404,787	$11,404,787
Premiums from the conversion of convertible bonds	278,146	507,846	507,846
May only be used to offset a deficit (2)			
Recognized from changes in percentage of ownership interest in subsidiaries	–	13,416	13,731
May not be used for any purpose			
Recognized from conversion option of bonds	23,502	156,427	156,427
Recognized from employee share options	3,022	3,022	3,022
Recognized from employee restricted shares	75,450	111,993	125,661
	$10,697,569	$12,197,491	$12,211,474

1) Such capital surplus may be used to offset a deficit; in addition, when NSP 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 was recognized from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

Under NSP's Articles of Incorporation, upon closing of accounts, if there is profit, NSP should first pay the corporate income tax in accordance with the law, offset a deficit in previous years and then set aside a legal reserve of 10% of the profits left over, and retain special reserve(s) pursuant to applicable laws. Then, NSP will appropriate the remaining earnings as employees' bonus (no less than 3%) and remuneration to directors (no more than 2%). On any remaining balance plus unappropriated earnings of prior years, NSP's board of directors will propose an appropriation for shareholders' bonus to be presented in the shareholders' meeting for approval. NSP may issue profit sharing to employees of an affiliated company who meet the conditions set by the board of directors. The board chairman is authorized to decide the actual amount to be appropriated as employees' bonus. The Articles of Incorporation of NSP also stipulate a dividend policy that the issuance of stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends should be not less than 10% of total dividends distributed.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to NSP's Articles of Incorporation had been proposed by NSP's board of directors on March 15, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 16, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to Employee benefits expense in Note 28e.

NSP appropriates or reverses to a special reserve in accordance with Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs."

Legal reserve should be appropriated from earnings until the legal reserve equals NSP's paid-in capital. Legal reserve may be used to offset deficit. If NSP has no deficit and the legal reserve has exceeded 25% of NSP's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The offset of the 2012 accumulated deficit has been approved in the shareholders' meeting on May 31, 2013, and the appropriations of earnings for 2013 and 2014 have been approved in the shareholders' meetings on June 11, 2014 and June 17, 2015, respectively. The appropriations and dividends per share were as follows:

	Offset of Accumulated Deficit	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31,	For the Year Ended December 31,		For the Year Ended December 31,	
	2012	2013	2014	2013	2014
Net loss for the year	$(4,173,633)	$ –	$ –		
Legal reserve	–	47,566	21,856		
Special reserve (reversal)	–	18,928	(18,928)		
Cash dividends	–	236,003	171,271	$0.3	$0.2
Share premium	4,173,633	–	–		
	$ –	$302,497	$174,199		

The offset of accumulated deficit for 2015 had been proposed by NSP's board of directors on March 15, 2016. The information was as follows:

	Offset of Accumulated Deficit
Unappropriated earnings	$ 217,545
Net loss for the year	(1,455,641)
Legal reserve	69,422
Capital surplus – share premium	1,168,674
	$ –

The offset of accumulated deficit in 2015 is subject to the resolution in the shareholders' meeting expected to be held on June 16, 2016.

d. Unrealized loss on available-for-sale financial instruments

	Years Ended December 31,		
	2013	2014	2015
Balance at January 1	$ (24,237)	$ (60,964)	$(101,421)
Unrealized loss on revaluation of available-for-sale financial assets	229,857	(49,042)	(48,184)
Reclassification of impairment on available-for-sale financial assets	–	–	77,576
Cumulative (loss) gain on sale of available-for-sale financial assets reclassified to profit or loss	(266,584)	8,585	955
Balance at December 31	$ (60,964)	$(101,421)	$ (71,074)

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

27. REVENUE

The analysis of the Corporation's net sales was as follows:

	Years Ended December 31,		
	2013	2014	2015
Revenue from the sale of goods	$19,094,737	$26,014,128	$19,874,143
Processing fee revenue	682,469	558,531	1,140,843
Revenue from the sale of power facility construction	–	800,489	889,650
Revenue from other activities	307,047	207,101	309,860
	$20,084,253	$27,580,249	$22,214,496

28. COMPREHENSIVE INCOME (LOSS)

a. Other income and expenses

	Years Ended December 31,		
	2013	2014	2015
Impairment loss on noncurrent assets held for sale	$ –	$ –	$ (7,749)
Impairment loss on property, plant and equipment	(50,530)	(69,338)	(13,544)
Loss on financial assets	(88,950)	–	–
Gains on reversal of impairment loss on property, plant and equipment	–	32,699	–
Gain on disposal of noncurrent assets held for sale	–	73,933	801
(Loss) gain on disposal of property, plant and equipment	(31)	–	15
	$(139,511)	$ 37,294	$(20,477)

b. Interest income and other income

	Years Ended December 31,		
	2013	2014	2015
Interest income			
Bank deposits	$18,114	$ 21,030	$23,932
Security deposits	31	22	20
Convertible bonds	785	–	–
Tax refund receivable	299	–	–
Others	–	–	1,638
	$19,229	$ 21,052	$25,590
Other income			
Government grants	$ 3,330	$ 18,156	$ 8,967
Compensation income	22,967	132,144	6,263
Others	15,615	3,843	2,816
	$41,912	$154,143	$18,046

c. Finance costs

	Years Ended December 31,		
	2013	2014	2015
Interest on bank loans	$183,846	$199,441	$157,157
Interest on convertible bonds	3,179	38,718	81,466
Preferred dividends	–	4,442	23,500
Other interest expense	2,149	2,637	319
	$189,174	$245,238	$262,442

d. Depreciation and amortization

	Years Ended December 31,		
	2013	2014	2015
Property, plant and equipment	$1,732,639	$2,010,938	$2,064,426
Intangible assets	62,891	47,688	3,953
	$1,795,530	$2,058,626	$2,068,379
An analysis of depreciation by function			
Operating costs	$1,635,699	$1,889,943	$1,964,554
Operating expenses	96,940	120,995	99,872
	$1,732,639	$2,010,938	$2,064,426
An analysis of amortization by function			
Operating expenses	$ 62,891	$ 47,688	$ 3,953

e. Employee benefits expense

	Years Ended December 31,		
	2013	2014	2015
Post-employment benefits (Note 25)			
Defined contribution plans	$ 65,393	$ 94,557	$ 97,453
Share-based payments			
Equity-settled share-based payments	117,471	80,423	49,787
Other employee benefits	1,855,200	2,559,022	2,381,387
Total employee benefits expense	$2,038,064	$2,734,002	$2,528,627
An analysis of employee benefits expense by function			
Operating costs	$1,479,662	$2,059,791	$1,858,690
Operating expenses	558,402	674,211	669,937
	$2,038,064	$2,734,002	$2,528,627

The existing (2014) Articles of Incorporation of NSP stipulate to distribute bonus to employees and remuneration to directors at the rates no less than 3% and no higher than 2%, respectively, of net income. For the year ended December 31, 2013, NSP's estimated bonuses payable to employees and directors were NT$69,821 thousand and NT$7,000 thousand, respectively. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors were NT$32,343 thousand and NT$4,312 thousand, respectively, representing 15% and 2%, respectively, of the base net income.

In compliance with the Company Act as amended in May 2015, the amended Articles of Incorporation of NSP, proposed by NSP's board of directors on March 15, 2016, stipulate to distribute employees' compensation and remuneration to directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. NSP incurred a deficit for the year ended December 31, 2015; thus, neither bonus to employees nor remuneration to directors was estimated.

Material differences, if any, between the estimates and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the compensation/bonus and remuneration are recognized. If there is a change in the proposed amounts after the date the annual consolidated financial statements had been authorized for issue, the differences are accounted for as a change in accounting estimate in the following year.

The appropriations of bonus to employees and remuneration to directors for 2013 and 2014 have been approved in the shareholders' meetings on June 11, 2014 and June 17, 2015, respectively and were as follows:

	For the Year Ended December 31,			
	2013		2014	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$69,821	$–	$32,343	$–
Remuneration to directors	7,000	–	4,312	–

In 2012, NSP had a deficit; thus, there was no appropriation for bonus to employees and directors.

There was no difference between the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meetings on June 11, 2014 and June 17, 2015 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2013 and 2014, respectively.

Information on the bonus to employees and directors, approved in the shareholders' meetings in 2014 and 2015 and proposed by NSP's board of directors in 2016 is available on the Market Observation Post System website of the TSE.

f. Net gain (loss) on foreign currency exchange

	Years Ended December 31,		
	2013	2014	2015
Foreign exchange gains	$ 348,592	$ 659,698	$ 770,930
Foreign exchange losses	(310,723)	(508,042)	(731,099)
Net profit	$ 37,869	$ 151,656	$ 39,831

g. Components of other comprehensive income

	Years Ended December 31,		
	2013	2014	2015
Exchange difference on translating foreign operations:			
Recognized during the year	$ 42,451	$161,903	$ 60,217
Unrealized gain (loss) on available-for-sale financial assets:			
Recognized during the year	$ 229,857	$ (49,042)	$(48,184)
Reclassification adjustments – upon impairment	–	–	77,576
Reclassification adjustments – upon disposal	(266,584)	8,585	955
	$ (36,727)	$ (40,457)	$ 30,347

29. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	Years Ended December 31,		
	2013	2014	2015
Current tax			
Current year	$ (340)	$ (8,485)	$ (327)
Prior periods	16,366	(394)	83
	16,026	(8,879)	(244)
Deferred tax			
Current period	–	31,279	–
Reversal of temporary difference	–	–	14,797
Income tax benefit recognized in profit or loss	$16,026	$22,400	$14,553

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

	Years Ended December 31,		
	2013	2014	2015
Profit (loss) before tax	$499,419	$221,989	$(1,552,955)
Income tax (expense) benefit at the 17% statutory rate	$ (84,901)	$ (37,738)	$ 264,002
Additional income tax under the Alternative Minimum Tax Act	(51)	–	–
Nondeductible expenses in determining taxable income	(3,906)	(8,600)	(98,532)
Tax-exempt income	51,863	2,149	–
Effect of different tax rate of group entities operating in other jurisdictions	(23,983)	2,871	(327)
Unrecognized loss carryforwards	60,638	64,112	(115,019)
Unrecognized deductible temporary differences	–	–	(50,451)
Reversal of temporary difference	–	–	14,797
Adjustments to prior years' tax benefit	16,366	(394)	83
Income tax benefit recognized in profit or loss	$ 16,026	$ 22,400	$ 14,553

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

b. Current tax assets and liabilities

	December 31,		
	2013	2014	2015
Current tax assets			
Tax refund receivable	$15,645	$ 9,820	$9,185
Prepaid income tax	5,990	7,288	347
Acquisitions through business combinations	2,785	–	–
	$24,420	$17,108	$9,532
Current tax liabilities			
Income tax payable	$10,201	$ 888	$ 640

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, 2013

	Balance, Beginning of Year	Movements	Balance, End of Year
Deferred tax assets			
Temporary differences			
Difference on depreciation of property, plant and equipment	$14,662	$ 12,660	$ 27,322
Loss on inventories	11,245	(868)	10,377
Others	2,847	9,390	12,237
	$28,754	$ 21,182	$ 49,936
Deferred tax liabilities			
Temporary differences			
Deferred revenue	$17,086	$ (2,893)	$ 14,193
Unrealized foreign exchange gain	11,233	(9,716)	1,517
Unrealized investment gain	–	31,882	31,882
Revaluation gain on property, plant and equipment	–	93,296	93,296
Others	435	(335)	100
	$28,754	$112,234	$140,988

For the year ended December 31, 2014

	Balance, Beginning of Year	Movements	Balance, End of Year
Deferred tax assets			
Temporary differences			
Difference on depreciation of property, plant and equipment	$ 27,322	$(18,290)	$ 9,032
Loss on inventories	10,377	(6,756)	3,621
Others	12,237	13,926	26,163
	$ 49,936	$(11,120)	$ 38,816
Deferred tax liabilities			
Temporary differences			
Deferred revenue	$ 14,193	$(14,193)	$ –
Unrealized foreign exchange gain	1,517	6,492	8,009
Unrealized investment gain	31,882	(21,634)	10,248
Revaluation gain on property, plant and equipment	93,296	(14,655)	78,641
Others	100	3,780	3,880
	$140,988	$(40,210)	$100,778

For the year ended December 31, 2015

	Balance, Beginning of Year	Movements	Balance, End of Year
Deferred tax assets			
Temporary differences			
Difference on depreciation of property, plant and equipment	$ 9,032	$ (6,771)	$ 2,261
Loss on inventories	3,621	(2,917)	704
Others	26,163	(10,751)	15,412
	$ 38,816	$(20,439)	$18,377
Deferred tax liabilities			
Temporary differences			
Unrealized foreign exchange gain	$ 8,009	$ (2,295)	$ 5,714
Unrealized investment gain	10,248	(10,248)	–
Revaluation gain on property, plant and equipment	78,641	(20,252)	58,389
Others	3,880	(3,880)	–
	$100,778	$(36,675)	$64,103

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

	December 31,		
	2013	2014	2015
Loss carryforwards			
Expiry in 2016	$1,945,006	$1,590,704	$1,138,306
Expiry in 2017	3,294,724	3,340,280	3,340,280
Expiry in 2018	249,959	152,401	152,401
Expiry in 2019	–	–	137,955
Expiry in 2020	–	–	255,401
Expiry in 2023	–	150,090	–
Expiry in 2024	–	26,650	26,650
Expiry in 2025	–	–	715,335
Expiry in 2032	4,656	–	–
Expiry in 2033	132,194	–	–
Expiry in 2035	–	–	149,437
	$5,626,539	$5,260,125	$5,915,765
Investment credits			
Purchase of machinery and equipment	$ 136,017	$ 6,516	$ 5,985
Deductible temporary differences	$1,628,084	$1,535,103	$2,255,180

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

e. **Information on tax-exemption**

As of December 31, 2015, profits attributable to the following expansion projects are exempted from income tax for five years under the Statute for Upgrading Industries:

Statute for Upgrading Industries	Period
Expansion of the manufacturing plant acquired through business combination	January 1, 2014 – December 31, 2018
Third expansion of the manufacturing plant	January 1, 2015 – December 31, 2019
Fourth expansion of the manufacturing plant	January 1, 2016 – December 31, 2020
Fifth expansion of the manufacturing plant	January 1, 2017 – December 31, 2021

f. **Integrated income tax**

	December 31,		
	2013	2014	2015
NSP's (accumulated deficit) unappropriated earnings			
(Accumulated deficit) unappropriated earnings generated on and after January 1, 1998	$475,664	$391,744	$(1,238,096)
NSP's imputation credits account	$251,559	$187,013	$ 141,609

The creditable ration for distribution of earnings for 2013, 2014 and 2015 was 20.48%, 26.13% and zero, respectively; there was no distributable earnings for 2015 that led to zero creditable ratio for distribution of earnings.

g. **Income tax assessments**

NSP's income tax returns through 2013 have been assessed by the tax authorities.

30. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	Years Ended December 31,		
	2013	2014	2015
Basic earnings (loss) per share	$0.86	$0.28	$(1.71)
Diluted earnings (loss) per share	$0.85	$0.27	$(1.71)

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

Net income (loss) for the year

	Years Ended December 31,		
	2013	2014	2015
Income (loss) for the year attributable to owners of the parent	$502,480	$218,562	$(1,455,641)
Effect of dilutive potential common share:			
Interest on convertible bonds (after tax)	2,639	–	–
Income (loss) used in the computation of diluted income (loss) per share	$505,119	$218,562	$(1,455,641)

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

	Years Ended December 31,		
	2013	2014	2015
Weighted average number of common shares used in the computation of basic earnings (loss) per share	581,468	789,121	853,555
Effect of dilutive potential common shares:			
Convertible bonds	4,315	–	–
Restricted share options of employee	3,419	4,169	–
Employee bonus or remuneration	1,585	1,922	–
Employee share options	328	193	–
Weighted average number of common shares used in the computation of diluted earnings (loss) per share	591,115	795,405	853,555

Since NSP is allowed to settle bonus or remuneration paid to employees by cash or shares, whenever applicable, NSP assumes that the entire amount of the bonus or 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.

If the outstanding convertible bonds issued by NSP were converted to ordinary shares, they were anti-dilutive and excluded from the computation of diluted earnings (loss) per share.

31. SHARE-BASED PAYMENT ARRANGEMENTS

Issuance of shares reserved for employees to subscribe

On August 7, 2013 and July 24, 2014, NSP's board of directors resolved to increase its capital by public offering of 130,000 thousand and 65,000 thousand new common shares, respectively. The issuance was approved by the FSC on September 12, 2013 and September 2, 2014, respectively; and the subscription base dates were on October 25, 2013 and November 28, 2014, respectively.

Part of the new shares issued for cash is reserved for subscription by NSP's employees. The grant date of 2013 issuance was on September 27, 2013 and the grant date of 2014 issuance was on November 14, 2014.

On December 9, 2015, NSP's board of directors approved to increase its capital by a public offering of 160,000 thousand new common shares at a par value of NT$10. The issuance was approved by the FSC on January 18, 2016 and the issue date was March 9, 2016.

Part of the new shares issued for cash is reserved for subscription by NSP's employees. The grant date of the 2016 issue was February 25, 2016.

NSP used the Black-Scholes model to determine the fair value of the options related to the aforementioned new shares issued in 2013, 2014 and 2016. The valuation assumptions were as follows:

	2013	2014	2016
Grant-date share price (NT$ Per Share)	$ 28.80	$ 28.65	$ 23.65
Exercise price (NT$ Per Share)	$ 23.90	$ 26.50	$ 21.00
Expected volatility	44.24%	42.16%	49.12%
Expected life (years)	0.06	0.03	0.07
Expected dividend yield	–	–	–
Risk-free interest rate	0.87%	0.87%	0.41%

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

The compensation cost of the shares for cash reserved for employees in 2013, 2014 and 2016 amounted to NT$64,423 thousand, NT$14,838 thousand and NT$34,453 thousand, respectively.

On March 2, 2015, V5 Technology Ltd. ("V5 Technology")'s board resolved to increase its capital by public offering of 3,007 thousand new common shares. A portion of the new shares issued for cash was reserved for subscription by V5 Technology employees, and the grant date of the share issuance to employees was March 4, 2015. The subscription base date was April 30, 2015.

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

	2015
	Plan 1
Grant-date share price (NT$ Per Share)	$ 12.06
Exercise price (NT$ Per Share)	$ 15.00
Expected volatility	34.31%
Expected life (years)	0.1370
Expected dividend yield	–
Risk-free interest rate	0.35%

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

V5 Technology's compensation cost of the shares for cash reserved for employees in 2015 was zero.

On February 5, 2013 and September 27, 2013, General Energy Solutions ("GES")'s board resolved to increase its capital by public offering of 30,000 thousand and 23,200 thousand new common shares, respectively. A portion of the new shares issued for cash was reserved for GES's employees to subscribe, and the grant date for the share issuance to employees was on February 5, 2013 and November 22, 2013, respectively. The subscription base date was on March 8, 2013 and December 6, 2013, respectively.

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

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

	2013	
	Plan 1	Plan 2
Grant-date share price (NT$ Per Share)	$ 10.57	$ 11.85
Exercise price (NT$ Per Share)	$ 15.00	$ 15.00
Expected volatility	50.54%	50.38%
Expected life (years)	0.05	0.04
Expected dividend yield	–	–
Risk-free interest rate	0.67%	0.47%

	2014	
	Plan 1	Plan 2
Grant-date share price (NT$ Per Share)	$ 10.80	$ 8.83
Exercise price (NT$ Per Share)	$ 15.00	$ 15.00
Expected volatility	31.84%	35.44%
Expected life (years)	0.11	0.29
Expected dividend yield	–	–
Risk-free interest rate	0.50%	0.46%

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

GES's compensation cost of the shares for cash reserved for employees for the years ended December 31, 2013 and 2014 was zero.

Employee share option plan

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

On December 30, 2005 and July 28, 2006, NSP's board of directors approved employee share option plans, hereinafter referred to as the "2005 Plan" and "2006 Plan," respectively. On November 22, 2007 the FSC approved another NSP employee share option plan, hereinafter referred to as the "2007 Plan". Reserved for the 2005 Plan, 2006 Plan and 2007 Plan were option units numbering 6,000 thousand, 3,000 thousand and 4,800 thousand, respectively, with each unit representing one share of NSP's common share. The 2005 Plan and the 2006 Plan are valid for 10 years and exercisable at certain percentages from 1 year after the grant date, while the 2007 plan granted is valid for 6 years and exercisable at certain percentages from 2 years after the date of grant. For any subsequent changes in NSP's common shares, the exercise price and the number of options are adjusted accordingly.

Other information on the share option plan is as follows:

	2005 Plan		2006 Plan		2007 Plan	
	Number of Options	Average Exercise Prices	Number of Options	Average Exercise Prices	Number of Options	Average Exercise Prices
	(In Thousands)	(NT$ Per Share)	(In Thousands)	(NT$ Per Share)	(In Thousands)	(NT$ Per Share)
For the year ended December 31, 2013						
Beginning balance	175	$10.00	100	$10.00	571	$16.84
Options exercised	–	–	–	–	(460)	16.84
Options canceled	–	–	–	–	(111)	16.84
Ending balance	175	10.00	100	10.00	–	–
Options exercisable, end of year	175	10.00	100	10.00	–	–
For the year ended December 31, 2014						
Beginning balance	175	$10.00	100	$10.00	–	$ –
Options exercised	–	–	–	–	–	–
Ending balance	175	10.00	100	10.00	–	–
Options exercisable, end of year	175	10.00	100	10.00	–	–
For the year ended December 31, 2015						
Beginning balance	175	$10.00	100	$10.00	–	$ –
Options exercised	(175)	10.00	(100)	10.00	–	–
Ending balance	–	–	–	–	–	–
Options exercisable, end of year	–	–	–	–	–	–

At the end of the reporting period, the information about the outstanding share options is as follows:

December 31,					
2013		2014		2015	
Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life
(NT$ Per Share)	(In Years)	(NT$ Per Share)	(In Years)	(NT$ Per Share)	(In Years)
$10.00	2.00	$10.00	1.00	$–	–
10.00	2.58	10.00	1.58	–	–

b. NSP replaced DelSolar's employee share options (the "replaced ESOs") because of a business combination with DelSolar on May 31, 2013. Qualified employees of DelSolar were granted options in 2007 to 2010 under option plan 2 to 7 (see table below); the options granted were exercisable at certain percentages after the second anniversary year from the grant date. The options of Plan 2 granted in 2007 are valid for six years and the options of Plan 3 granted in 2007 to Plan 7 granted in 2010 are valid for seven years. For any subsequent changes in NSP's common shares, the exercise price and the number of options are adjusted accordingly.

Other information on the replaced ESOs is as follows:

	Number of Issued Share Option Rights	Number of Outstanding Share Option Rights on the Acquisition Date	Number of Share Option Rights Adjusted for Conversion Percentage on the Acquisition Date
	(In Thousands)	(In Thousands)	(In Thousands)
Employee Share Option Plan			
Plan 2 in 2007	1,500	78	57
Plan 3 in 2007	4,000	832	611
Plan 4 in 2009	2,000	498	366
Plan 5 in 2009	1,470	296	218
Plan 6 in 2010	730	284	209
Plan 7 in 2010	2,100	1,080	794

Other information on the share options is as follows:

	Plan 2 in 2007		Plan 3 in 2007		Plan 4 in 2009	
	Number of Options	Exercise Prices	Number of Options	Exercise Prices	Number of Options	Exercise Prices
	(In Thousands)	(NT$ Per Share)	(In Thousands)	(NT$ Per Share)	(In Thousands)	(NT$ Per Share)
For the year ended December 31, 2013						
Beginning balance	57	$38.50	611	$108.44	366	$53.06
Options canceled	–	–	(16)	108.44	(6)	53.06
Options expired	(57)	38.50	–	–	–	–
Ending balance	–	–	595	108.44	360	53.06
Options exercisable, end of year	–	–	595	108.44	270	53.06
For the year ended December 31, 2014						
Beginning balance	–	$ –	595	$108.44	360	$53.06
Options canceled	–	–	(28)	108.44	(35)	46.50
Options expired	–	–	(567)	108.44	–	–
Ending balance	–	–	–	–	325	46.50
Options exercisable, end of year	–	–	–	–	325	46.50
For the year ended December 31, 2015						
Beginning balance	–	$ –	–	$ –	325	$46.50
Options canceled	–	–	–	–	(155)	46.50
Options expired	–	–	–	–	–	–
Ending balance	–	–	–	–	170	46.50
Options exercisable, end of year	–	–	–	–	170	46.50

	Plan 5 in 2009		Plan 6 in 2010		Plan 7 in 2010	
	Number of Options	Weighted Average Exercise Prices	Number of Options	Weighted Average Exercise Prices	Number of Options	Weighted Average Exercise Prices
	(In Thousands)	(NT$ Per Share)	(In Thousands)	(NT$ Per Share)	(In Thousands)	(NT$ Per Share)
For the year ended December 31, 2013						
Beginning balance	218	$57.55	209	$68.44	794	$83.95
Options canceled	(3)	57.55	(8)	68.44	(191)	83.95
Ending balance	215	57.55	201	68.44	603	83.95
Options exercisable, end of year	161	57.55	101	68.44	301	83.95
For the year ended December 31, 2014						
Beginning balance	215	$57.55	201	$68.44	603	$83.95
Options canceled	(27)	49.90	(81)	58.20	(77)	70.10
Ending balance	188	49.90	120	58.20	526	70.10
Options exercisable, end of year	188	49.90	90	58.20	394	70.10
For the year ended December 31, 2015						
Beginning balance	188	$49.90	120	$58.20	526	$70.10
Options canceled	(84)	49.90	(83)	58.20	(286)	70.10
Ending balance	104	49.90	37	58.20	240	70.10
Options exercisable, end of year	104	49.90	37	58.20	240	70.10

As of balance sheet date, the information about the replaced employee stock options due to business combination was as follows:

December 31,					
2013		2014		2015	
Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life
(NT$ Per Share)	(In Years)	(NT$ Per Share)	(In Years)	(NT$ Per Share)	(In Years)
$108.44	0.88	$ –	–	$ –	–
53.06	2.62	46.50	1.62	46.50	0.62
57.55	2.82	49.90	1.82	49.90	0.82
68.44	3.31	58.20	2.31	58.20	1.31
83.95	3.80	70.10	2.80	70.10	1.80

NSP adjusted the number of outstanding share option rights on the replaced ESOs on the basis of the share exchange ratio on the acquisition date. NSP recalculated the compensation cost, which was recognized at NT$578 thousand for 2013.

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

	Plan 2 in 2007	Plan 3 in 2007	Plan 4 in 2009
Acquisition date share price (NT$ Per Share)	$ 25.60	$ 25.60	$ 25.60
Exercise price (NT$ Per Share)	38.50	108.44	53.06
Expected volatility	39.7%	49.6%	48.4%
Option life	0.29 years	1.47 years	3.20 years
Dividend yield	–	–	–
Risk-free interest rate	0.6%	1.0%	0.9%

	Plan 5 in 2009	Plan 6 in 2010	Plan 7 in 2010
Acquisition date share price (NT$ Per Share)	$ 25.60	$ 25.60	$ 25.60
Exercise price (NT$ Per Share)	57.55	68.44	83.95
Expected volatility	48.9%	49.7%	49.7%
Option life	3.41 years	3.89 years	3.64 years
Dividend yield	–	–	–
Risk-free interest rate	0.9%	0.9%	0.8%

c. Employee share option plan of V5 Technology:

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

Information on employee share options was as follows:

	Employee Share Option Plan of 2014			
	For the Year Ended December 31,			
	2014		2015	
Employee Share Options	**Number of Options**	**Weighted-average Exercise Price**	**Number of Options**	**Weighted-average Exercise Price**
	(In Thousands)	**(NT$ Per Share)**	**(In Thousands)**	**(NT$ Per Share)**
Balance at January 1	–	$ –	80	$24.00
Options granted	80	24.00	–	–
Options canceled	–	–	(13)	11.50
Balance at December 31	80	24.00	67	11.50
Options exercisable, end of period	–	–	–	–

	Employee Share Option Plan of 2015	
	For the Year Ended December 31, 2015	
	Number of Options	Weighted-average Exercise Price
	(In Thousands)	(NT$ Per Share)
Balance at January 1	–	$ –
Options granted	173	11.50
Options canceled	(20)	11.50
Balance at December 31	153	11.50
Options exercisable, end of period	–	–

Information about outstanding options as of December 31, 2014 and 2015 was as follows:

December 31,			
2014		2015	
Range of Exercise Price	Weighted-average Remaining Contractual Life	Range of Exercise Price	Weighted-average Remaining Contractual Life
(NT$ Per Share)	(Years)	(NT$ Per Share)	(Years)
$24.00	3.73	$11.50	2.73
–	–	11.50	4.33

Options granted in 2014 and 2015 were priced using the Black-Scholes model and the valuation assumptions were as follows:

	2014	2015
	Plan 1	Plan 1
Grant-date share price (NT$ Per Share)	$ 22.63	$ 8.25
Exercise price (NT$ Per Share)	$ 24.00	$ 11.50
Expected volatility	35.79%	37.74%
Expected life (years)	3.25	3.25
Expected dividend yield	–	–
Risk-free interest rate	0.86%	0.781%

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

V5 Technology's compensation cost of the issuance of shares for cash reserved for years December 31, 2014 and 2015 were NT$29 thousand and NT$10 thousand, respectively.

Restricted share plan for employees

On August 7, 2013 NSP's board of directors approved the second restricted share plan amounting to NT$35,515 thousand, consisting of 3,552 thousand shares at a par value of NT$10 without consideration to be paid by the employee, which were granted on August 14, 2013 and issued on August 28, 2013. On the grant date, 3,531 thousand shares amounting to NT$35,305 thousand were issued, and fair value was NT$22.95 per share.

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

On June 11, 2014, the shareholders meeting proposed offering of restricted stock plan for employees with a total amount of 4,000 thousand shares in several times and the issuance was approved by the FSC on September 2, 2014; NSP's board of directors approved the first restricted share plan in 2014 offering up to 2,000 thousand of 4,000 thousand shares on July 24, 2014.

The first offering for NT$20,000 thousand consisted of 2,000 thousand shares with a par value of NT$10 per share and distributed out of earnings; the grant was on September 5, 2014 and the issued was on September 18, 2014. On the grant date, actual amount of issue of NT$20,000 thousand was issued, which consisted of 2,000 thousand shares with fair value of NT$29.70 per share.

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

Information on issued employee restricted shares was as follows:

	Shares (In Thousands)		
	For the Years Ended December 31,		
	2013	**2014**	**2015**
Beginning balance	2,880	5,181	3,613
Additions	5,347(Note)	2,000	2,000
Vested	(1,764)	(3,377)	(2,426)
Canceled	(1,282)	(191)	(391)
Ending balance	5,181	3,613	2,796

Note: The issuance of restricted share for employees was due to a business combination with DelSolar on May 31, 2013. The original number of restricted shares for issue to employees was increased to 1,816 thousand shares to reflect NSP's share issuance, which was calculated on the basis of share exchange ratio on the acquisition date. The grant-date share price was NT$25.6, with a total share amount of NT$46,494 thousand.

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

a. Still in service one year after the grant date and has a high rating in the current year's performance appraisal – vesting of 50% of restricted shares;

b. Still in service two years after the grant date and has a high rating in 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:

a. 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.

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

If an employee fails to satisfy the vesting conditions, the restricted shares will be bought back at the offering price and cancelled by NSP. However, share dividends and cash dividends declared during the vesting period will be given to such employee with no cost.

NSP recognized compensation costs of NT$52,470 thousand, NT$65,556 thousand and NT$49,777 thousand for the years ended December 31, 2013, 2014 and 2015, respectively.

32. BUSINESS COMBINATION

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Percentage of Voting Equity Interests Acquired (%)	Consideration Transferred
DelSolar	Solar-related business	May 31, 2013	100	$4,606,253
V5 Technology	Electronic component manufacturing and selling	June 1, 2014	60	$ 18,000
NCH Solar 1	Solar-related business	May 19, 2015	100	$ 12,121
JRC	Solar-related business	July 1, 2015	100	148,797
CFR	Solar-related business	September 18, 2015	100	94,911
Abacus	Solar-related business	October 1, 2015	100	97,826
Others				
USD1	Solar-related business	September 18, 2015	100	18,712
CF Vegas	Solar-related business	September 18, 2015	100	2,108
Hsin Jin Solar Energy	Solar-related business	December 25, 2015	60	13,981
UNA249	Solar-related business	October 16, 2015	100	977
Hsin Jin Optoelectronics	Solar-related business	October 20, 2015	80	10,646
				$ 400,079

DelSolar was acquired to effectively integrate the Corporation's overall resources, expand operating scale, and enhance operating performance and boost competitiveness. V5 Technology was acquired to diversify the Corporation's business and boost competitiveness. In December 2012 and May 2013, the Corporation acquired DelSolar in stages.

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

b. Considerations transferred

	DelSolar	V5 Technology	NCH Solar 1	JRC	CFR	Abacus	Others
Cash	$ –	$18,000	$12,121	$148,797	$94,911	$51,137	$46,424
Payable for investments purchased	–	–	–	–	–	46,689	–
Equity instruments issued							
Issuance of common share	3,805,835	–	–	–	–	–	–
Issuance of employee share options	2,438	–	–	–	–	–	–
Issuance of restricted share for employee	14,344	–	–	–	–	–	–
	$3,822,617	$18,000	$12,121	$148,797	$94,911	$97,826	$46,424

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

	DelSolar	V5 Technology	NCH Solar 1	JRC	CFR	Abacus	Others
Current assets	$ 4,481,589	$ 6,905	$ 43,643	$ 28	$ –	$ 150	$ 38,853
Inventories	–	–	–	84,970	94,911	–	20,819
Property, plant and equipment	6,317,955	–	120,718	75,307	–	8,061	27,727
Intangible assets	108,800	23,108	–	–	–	89,634	–
Other assets	307,543	–	–	–	–	–	–
Financial lease receivables	–	–	312,694	–	–	–	–
Other noncurrent assets	–	–	–	479	–	–	8,824
Current liabilities	(5,511,288)	(905)	(455,050)	(11,987)	–	(19)	(37,817)
Noncurrent liabilities	(1,426,667)	–	–	–	–	–	–
Other liabilities	(184,119)	–	–	–	–	–	–
	$ 4,093,813	$29,108	$ 22,005	$148,797	$94,911	$97,826	$ 58,406

The tax bases of the above subsidiaries' assets acquired were reset on the basis of market values of the assets. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had been finalized.

d. **Noncontrolling interests**

The noncontrolling interest (40% ownership interest in V5 Technology) recognized at the acquisition date was measured by reference to the fair value of the noncontrolling interest and amounted to NT$12,000 thousand. This fair value was estimated by applying market approach. Other noncontrolling interest recognized at the acquisition date was measured by reference to the fair value of the noncontrolling interest and amounted to NT$11,982 thousand. This fair value was estimated by applying market approach.

e. **Goodwill recognized on acquisition (gain from bargain purchase)**

	DelSolar	V5 Technology	NCH Solar 1	JRC	CFR	Abacus	Others
Consideration transferred	$ 3,822,617	$ 18,000	$ 12,121	$ 148,797	$ 94,911	$ 97,826	$ 46,424
Plus: Fair value of the acquirer's previously held equity interest	783,636	–	8,802	–	–	–	–
Plus: Noncontrolling interests	–	12,000	–	–	–	–	11,982
Less: Fair value of identifiable net assets acquired	(4,093,813)	(29,108)	(22,005)	(148,797)	(94,911)	(97,826)	(58,406)
Goodwill recognized on acquisition (gain from bargain purchase)	$ 512,440	$ 892	$ (1,082)	$ –	$ –	$ –	$ –

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

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

	DelSolar	V5 Technology	NCH Solar 1	JRC	CFR	Abacus	Others
Consideration paid in cash during the year	$ –	$18,000	$12,121	$148,797	$94,911	$51,137	$ 46,424
Less: Cash balances acquired	(1,301,754)	(6,005)	(2,807)	(28)	–	(150)	(37,371)
	$(1,301,754)	$11,995	$ 9,314	$148,769	$94,911	$50,987	$ 9,053

g. **Impact of acquisition on the results of the Corporation**

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

	DelSolar	V5 Technology	NCH Solar 1	JRC	CFR	Abacus	Others
Revenue	$5,589,705	$21,732	$17,253	$ –	$ –	$ –	$ –
Profit (loss)	$ 280,541	$ 4,375	$ 2,872	$(6,661)	$(30,592)	$(3,540)	$(6,871)

Had the business combination of DelSolar and its subsidiaries been in effect at the beginning of the annual reporting period, the Corporation's revenue would have been NT$22,478,904 thousand, and the loss would have been NT$143,241 thousand for the year ended December 31, 2013. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that would actually have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

Had the business combination of V5 Technology been in effect at the beginning of the annual reporting period, the Corporation's revenue would have been NT$27,580,249 thousand and the gain would have been NT$244,389 thousand for the year ended December 31, 2014. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that would actually have been achieved had the acquisition been completed on January 1, 2014, nor is it intended to be a projection of future results.

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

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

1) Calculated the depreciation of plant and equipment acquired on the basis of the fair values determined at the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and

2) Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Corporation after the business combination.

33. DISPOSAL OF SUBSIDIARIES

The Corporation lost control of the composition of the board of directors of Hashimoto and GES KYUSHU due to acquisition at a percentage different from its earlier ownership percentage; hence, the Corporation lost control of Hashimoto in the second quarter in 2014 and of GES KYUSHU in the third quarter of 2014. The Corporation's equity interests in MEGATHREE decreased from 100% to 40% due to US$1,919 thousand (NT$58,188 thousand) capital received from MEGATHREE's noncontrolling shareholder; hence, the Corporation lost control of MEGATHREE in 2014.

On September 30, 2014, the Corporation entered into a sale agreement to dispose of Yong Tang; the related proceeds of NT$445,000 thousand had been received before December 31, 2014. On the same day, the Corporation lost its control over Yong Tang.

There was no subsidiary disposed in 2015.

a. **Consideration received from the disposal**

	MEGATHREE	Yong Tang
Consideration received in cash and cash equivalents	$58,188	$445,000
Proceeds receivable from disposal of investments	–	–
Total consideration received	$58,188	$445,000

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

	MEGATHREE	Yong Tang	GES KYUSHU	Hashimoto
Current assets				
Cash	$ –	$ 11,204	$ 27,258	$ 12,984
Accounts receivable	1,517	20,260	64,169	–
Financial lease receivables	–	34,380	–	–
Other receivables	–	261,532	19,879	–
Others	9	40,878	209	27,360
Noncurrent assets				
Finance lease receivables – noncurrent	–	1,290,643	–	–
Property, plant and equipment	95,637	92,253	190,458	177,882
Others	–	30,141	4,404	4,383
Current liabilities				
Payables to contractors and equipment suppliers	–	(215,595)	–	–
Accrued expense	–	(3,302)	(22,377)	(206,945)
Accounts payable	–	–	(232,533)	–
Others	–	(64,882)	(59)	–
Noncurrent liabilities				
Borrowings	–	(1,038,329)	–	–
Net assets disposed of	$97,163	$ 459,183	$ 51,408	$ 15,664

c. **Loss on disposal of subsidiary**

	For the Year Ended December 31, 2014
Consideration received	$ 503,188
Fair value of equity held	90,408
Net assets disposed of	(623,418)
Noncontrolling interests	24,335
Loss on disposal	$ (5,487)

The unrealized gain on the transactions with Yong Tang, GES KYUSHU and Hashimoto, which was reclassified to realized gain from sales through disposal of subsidiaries, amounted to NT$209,620 thousand and was recorded under realized gross profit from sales.

d. **Net cash inflow on disposal of subsidiary**

	For the Year Ended December 31, 2014
Consideration received in cash and cash equivalents	$503,188
Less: Cash and cash equivalent balance disposed of	(51,446)
	$451,742

34. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On August 31, 2012, GES's board proposed to increase its capital by issuing common shares at a par value of NT$10 and issuance price of NT$15 per share at a premium. The issuance of between 25,000 thousand shares and 40,000 thousand shares was expected to raise NT$375,000 thousand to NT$600,000 thousand, and the issuance of between 80,334 thousand shares to 95,334 thousand shares was expected to raise NT$803,335 thousand to NT$953,335 thousand. On February 5, 2013, GES's board proposed the completion of the issuance of common share by the end of April 2013 in line with potential investors' investment preference and in light of GES's meeting of its fund-raising schedule. On March 8, 2013, GES issued 30,000 thousand shares for cash and registered on April 2, 2013 its capital share increase to NT$853,335 thousand. NSP acquired 22,743 thousand GES shares for NT$341,144 thousand. In December 2013, GES's board proposed a second increase in its capital by issuing 23,200 thousand common shares at a par value of NT$10 and issuance price of NT$15 per share at a premium; the subscription date was December 6, 2013. NSP acquired 21,898 thousand GES shares for NT$328,464 thousand. NSP's equity interests in GES were increased from 66.69% to 72.61% because NSP's subscription for GES's shares was at a percentage higher than its earlier percentage of ownership in GES and because of GES's buyback of shares from resigned employees. As of December 31, 2013, NSP's capital surplus and retained earnings decreased by a total of NT$40,360 thousand and NT$896 thousand, respectively, because of recorded changes in its equity in the investee's net assets.

On April 28, 2014, GES issued shares for cash and NSP acquired 23,050 thousand GES shares for NT$345,750 thousand. NSP's equity interests in GES decreased from 72.61% to 69.20%. Subsequently, NSP's equity interests in GES increased from 69.20% to 76.54% because NSP acquired shares from GES's resigned employees and noncontrolling shareholder. In February 2014, Hashimoto issued shares for cash but GES acquired none of Hashimoto's shares. Due to the non-acquisition of Hashimoto's new shares, GES's equity interests in Hashimoto decreased from 100% to 45%. As of December 31, 2014, NSP's capital surplus increased by a total of NT$13,416 thousand because of recorded changes in its equity in the investee's net assets.

On January 16, 2015, GES issued shares for cash and NSP acquired 32,254 thousand GES shares for NT$483,805 thousand. NSP's equity interests in GES decreased from 76.54% to 75.80%. Subsequently, NSP's equity interests in GES increased from75.80% to 75.89% because NSP acquired shares from GES's resigned employees and noncontrolling shareholder.

On April 30, 2015, V5 Technology issued shares for cash and NSP acquired 1,770 thousand V5 Technology shares for NT$26,546 thousand. NSP's equity interests in V5 Technology decreased from 60% to 59.43%. Subsequently NSP's equity interests in V5 Technology increased from 59.43% to 61.33% because NSP acquired shares from V5 Technology's resigned employees and noncontrolling shareholder. As of December 31, 2015, NSP's capital surplus increased by a total of NT$315 thousand because of recorded changes in its equity in the investee's net assets.

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

	General Energy Solutions and V5 Technology		
	For the Years Ended December 31,		
	2013	2014	2015
Cash consideration received	$ 126,155	$105,624	$ 191,369
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	(167,411)	(92,208)	(191,054)
Line items adjusted for equity transaction			
Capital surplus – difference between consideration and carrying amounts adjusted for changes in percentage of ownership in subsidiaries or retained earnings	$ (41,256)	$ 13,416	$ 315

35. OPERATING LEASE ARRANGEMENTS

The Corporation as lessee

NSP leases lands, module plants and offices from the Science-Based Industrial Park Administration and Mustek Systems, Inc. under renewable agreements expiring in December 2026, December 2028 and June 2016, respectively, with annual rentals of NT$9,277 thousand, NT$5,544 thousand and NT$4,439 thousand, respectively.

DelSolar (Wu Jiang) and GES leased plants and dormitories from Delta Electronics (Jiangsu) Ltd. and Hsin Lung Accessories Co., Ltd. under renewable agreements expiring in December 2016 and December 2019, with annual rentals of NT$45,611 thousand and NT$6,798 thousand, respectively.

Yong Liang and Yong Zhou had signed 20-year operating lease contracts with unrelated third parties on the use of property such as agricultural and livestock farms for the installation of power plants; these contracts are renewable and will expire in August 2035 and June 2035, respectively, with annual rentals of NT$2,110 thousand and NT$5,185 thousand, respectively.

GES FUKUSHIMA had signed 20-year operating lease contracts with unrelated third parties on the use of property for the installation of power plants; these contracts are renewable and will expire in October 2033, with annual rentals of NT$357 thousand.

ET ENERGY had signed 15-year operating lease contracts with Indianapolis International Airport on the use of property for the installation of power plants; these contracts are renewable and will expire in December 2027 with annual rentals of NT$8,134 thousand.

As of December 31, 2013, 2014 and 2015, refundable deposits paid under operating leases were NT$3,344 thousand, NT$3,498 thousand and NT$5,480 thousand, respectively.

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

	December 31,		
	2013	2014	2015
Up to 1 year	$ 39,226	$ 96,572	$ 89,490
Over 1 year and up to 5 years	165,549	168,797	144,103
Over 5 years	338,941	376,603	284,327
	$543,716	$641,972	$517,920

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31,		
	2013	2014	2015
Minimum lease payment	$73,885	$101,446	$110,062

36. CAPITAL MANAGEMENT

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

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

37. FINANCIAL INSTRUMENTS

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

1) Fair value of financial instruments not measured at fair value

Except as detailed in the following table, management believes that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements either approximate their fair values or their fair values cannot be reliably measured.

	December 31,					
	2013		2014		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Finance lease receivables (including current and noncurrent portion)	$1,708,917	$1,711,817	$1,173,029	$1,173,639	$2,005,735	$2,005,735
Financial liabilities						
Financial liabilities measured at amortized cost						
Bonds payable	549,004	549,373	3,596,810	3,587,163	3,678,276	3,688,177

2) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Finance lease receivables (including current and noncurrent portion)	$–	$–	$2,005,735	$2,005,735
Financial liabilities				
Financial liabilities measured at amortized cost				
Bonds payable	$–	$–	$3,688,177	$3,688,177

The fair value of finance lease receivables was estimated on the basis of interest rate of the sales with buyback agreements with similar terms.

The fair value of the liability component of convertible bonds was determined assuming redemptions on October 1, 2016 and July 18, 2017 and using interest rates based on loans with similar terms.

b. Fair value of financial instruments carried at fair value

1) Fair value of financial instruments measured at fair value

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	$29,200	$193,550	$–	$222,750
Financial assets at fair value through profit or loss				
Interest swap contracts	$ –	$ 22	$–	$ 22
Financial liabilities at fair value through profit or loss				
Interest swap contracts	$ –	$ 700	$–	$ 700

December 31, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	$10,128	$149,450	$–	$159,578
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts	$ –	$ 1,514	$–	$ 1,514
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ –	$ 16,773	$–	$ 16,773
Interest swap contracts	–	39	–	39
	$ –	$ 16,812	$–	$ 16,812

December 31, 2015

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

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

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

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

c. **Categories of financial instruments**

	December 31,		
	2013	2014	2015
Financial assets			
At fair value through profit or loss (FVTPL)			
Held for trading	$ 22	$ 1,514	$ 29
Loans and receivables (Note 1)	11,159,877	15,663,767	16,476,450
Available-for-sale financial assets (Note 2)	247,198	226,561	164,484
Financial liabilities			
At fair value through profit or loss (FVTPL)			
Held for trading	700	16,812	6,102
Measured at amortized cost (Note 3)	13,742,768	13,863,047	17,176,184

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

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

Note 3: The financial liabilities included short-term loans, accounts payable and notes payable, other payable, long-term loans, bonds payable, and preference share liabilities, etc. which are 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 nonderivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors continuously. 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 body 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 and cross-currency swap contracts, etc. to manage exposures due to exchange rate and interest rate fluctuations. These instruments help to 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 U.S. dollar 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. When foreign assets exceed foreign liabilities, a positive number below indicates an increase in profit before tax associated with the New Taiwan dollar's strengthening 5% against a foreign currency. When New Taiwan dollar weakened by 5% against a foreign currency, there would be an equal and opposite impact on profit before tax and other equity and the balances below would be negative.

	U.S. Dollar Impact			**JPY Impact**		
	For the Years Ended December 31,			**For the Years Ended December 31,**		
	2013	**2014**	**2015**	**2013**	**2014**	**2015**
Profit or loss	$57,080	$64,660	$30,474	$2,117	$7,852	$3,127

The Corporation's sensitivity to USD exchange rates decreased in the current period mainly because of the increase in liabilities recorded in U.S. dollars. The Corporation's sensitivity to JPY exchange rates decreased in the current period mainly because of the decrease 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.

	December 31,		
	2013	**2014**	**2015**
Fair value interest rate risk			
Financial assets	$ 1,383,107	$ 2,050,132	$ 1,672,662
Financial liabilities	(2,808,218)	(6,078,408)	(7,444,497)
Cash flow interest rate risk			
Financial assets	5,338,827	7,436,959	8,296,572
Financial liabilities	(6,940,262)	(4,840,377)	(6,370,548)

Sensitivity analysis

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

Had interest rates been 1% higher and all other variables been held constant, the Corporation's net profit for 2013, 2014 and 2015 would have decreased by NT$16,014 thousand and increased NT$25,966 thousand and NT$19,260 thousand, respectively, mainly because of the Corporation's exposure to interest rates on its variable-rate demand deposits and bank borrowings.

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

c) *Other price risk*

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

Sensitivity analysis

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

Had equity prices been 5% lower, the fair value of available-for-sale financial assets would have decreased and other comprehensive income for the years ended December 31, 2013, 2014 and 2015 would have decreased by NT$11,138 thousand, NT$7,979 thousand and NT$5,494 thousand, respectively.

The Corporation's sensitivity to price decreased in the current period mainly because of the decrease in available-for-sale financial assets.

2) *Credit risk*

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

a) The carrying amounts of the consolidated 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 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 account receivable at the end of the reporting period to ensure that adequate allowance is 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 pertained to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers 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 having similar characteristics.

The Corporation's concentrations of credit risk of 24%, 33% and 25% of total accounts receivable as of December 31, 2013, 2014 and 2015, respectively, were 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 rate risk tables (nonderivative financial liabilities)*

The following tables show the Corporation's remaining contractual maturity for its nonderivative financial liabilities with agreed-upon repayment periods. The tables had been 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 table below regardless of the probability of the banks choosing to exercise their rights to repayment. The maturity dates for other nonderivative 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, 2013

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Nonderivative financial liabilities				
Non-interest bearing	$ 2,041,307	$1,001,357	$ 862,310	$ 638,318
Variable interest rate liabilities	6,951,259	6,954,766	6,474,279	4,798,286
Fixed interest rate liabilities	2,261,797	787,614	–	–
	$11,254,363	$8,743,737	$7,336,589	$5,436,604

December 31, 2014

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Nonderivative financial liabilities				
Non-interest bearing	$1,283,800	$ 937,028	$ 689,134	$3,631,110
Variable interest rate liabilities	65,245	623,167	2,285,609	1,978,786
Fixed interest rate liabilities	226,185	908,657	915,033	493,500
	$1,575,230	$2,468,852	$3,889,776	$6,103,396

December 31, 2015

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

As of December 31, 2013, 2014 and 2015, the Corporation believes there was no bank loan on which immediate repayment will be demanded.

The amounts included above for variable interest rate instruments of nonderivative 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 rate risk tables for derivative financial liabilities*

The following tables show the Corporation's liquidity analysis of 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, 2013

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Net settled				
Interest rate swaps	$–	$–	$–	$700

December 31, 2014

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Net settled				
Interest rate swaps	$ –	$ –	$–	$39
Foreign exchange forward contracts	4,821	11,952	–	–
	$4,821	$11,952	$–	$39

December 31, 2015

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Net settled				
Interest rate swaps	$ –	$ –	$–	$134
Foreign exchange forward contracts	166	5,802	–	–
	$166	$5,802	$–	$134

c) *Financing facilities*

	December 31,		
	2013	2014	2015
Secured long-term bank loan facilities (installment credit):			
Amount used	$ 5,717,698	$ 9,308,492	$ 7,547,967
Amount unused	158,502	235,000	1,610,700
	$ 5,876,200	$ 9,543,492	$ 9,158,667
Unsecured long-term bank loan facilities (revolving credit):			
Amount used	$ 3,494,448	$ 3,494,448	$ 1,000,000
Amount unused	–	–	800,000
	$ 3,494,448	$ 3,494,448	$ 1,800,000
Unsecured long-term bank loan facilities (installment credit):			
Amount used	$ –	$ –	$ 195,000
Amount unused	–	–	–
	$ –	$ –	$ 195,000
Secured short-term bank loan facilities (which may be extended by mutual agreement):			
Amount used	$ 373,096	$ 294,402	$ 108,940
Amount unused	19,904	128,598	271,935
	$ 393,000	$ 423,000	$ 380,875
Secured short-term bank loan facilities (cannot be extended):			
Amount used	$ 1,000,000	$ 589,848	$ 589,848
Amount unused	–	–	–
	$ 1,000,000	$ 589,848	$ 589,848
Unsecured short-term bank loan facilities (revolving credit):			
Amount used	$ 3,886,925	$ 3,084,830	$ 5,607,619
Amount unused	7,504,753	8,677,584	6,868,372
	$11,391,678	$11,762,414	$12,475,991

	December 31,		
	2013	2014	2015
Unsecured short-term bank loan facilities (installment credit):			
Amount used	$101,670	$316,258	$1,613,606
Amount unused	18,130	–	–
	$119,800	$316,258	$1,613,606

38. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between NSP and its subsidiaries (NSP'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. Trading transactions

	Sale of Goods		
	For the Years Ended December 31,		
Related Party Category	2013	2014	2015
Other related parties (Note 1)	$2,028,654	$ 805,172	$432,059
Related parties in substance (Note 2)	940	736	2,078
Investors with significant influence on certain group entities	42	318	1,265
Associates (Note 3)	–	287,923	–
	$2,029,636	$1,094,149	$435,402

	Other Income		
	For the Years Ended December 31,		
Related Party Category	2013	2014	2015
Related parties in substance (Note 2)	$61	$20	$62
Investors with significant influence on certain group entities	17	5	2
	$78	$25	$64

	Dividends Income		
	For the Years Ended December 31,		
Related Party Category	2013	2014	2015
Related parties in substance (Note 2)	$–	$–	$2,000

	Interest Income		
	For the Years Ended December 31,		
Related Party Category	2013	2014	2015
Associates (Note 3)	$–	$–	$14,322

Related Party Category	Purchase of Goods For the Years Ended December 31, 2013	2014	2015
Investors with significant influence on certain group entities	$ –	$ 377	$ 891
Related parties in substance (Note 2)	87,968	3,516	479
Associates (Note 3)	–	26,555	–
	$87,968	$30,448	$1,370

Related Party Category	Other Expenses For the Years Ended December 31, 2013	2014	2015
Other related parties (Note 1)	$5,330	$5,145	$5,028
Investors with significant influence on certain group entities	802	4,568	3,118
Related parties in substance (Note 2)	3,596	–	–
	$9,728	$9,713	$8,146

Related Party Category	Rental Expense For the Years Ended December 31, 2013	2014	2015
Other related parties (Note 1)	$24,447	$44,674	$45,611

Related Party Category	Utilities For the Years Ended December 31, 2013	2014	2015
Other related parties (Note 1)	$71,219	$123,943	$115,327

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

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

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

b. The following accounts receivable from related parties were outstanding at the end of the reporting period:

Related Party Category	Accounts Receivable December 31, 2013	2014	2015
Other related parties (Note 1)	$ –	$ 32,830	$340,434
Investors with significant influence on certain group entities	–	54	26
Associates (Note 3)	264,427	160,611	–
	$264,427	$193,495	$340,460

Related Party Category	Other Receivables		
	December 31,		
	2013	2014	2015
Associates (Note 3)	$–	$652,560	$475,550
Other related parties (Note 1)	–	–	549
	$–	$652,560	$476,099

Related Party Category	Prepayments for Equipment Suppliers		
	December 31,		
	2013	2014	2015
Other related parties (Note 1)	$–	$–	$61,492

Related Party Category	Prepayments		
	December 31		
	2013	2014	2015
Other related parties (Note 1)	$–	$–	$3,473

Related Party Category	Refundable Deposits		
	December 31,		
	2013	2014	2015
Other related parties (Note 1)	$–	$–	$42,589

Other receivables were temporary payments of project fee that the Corporation paid for its associates, reclassified from overdue accounts receivable and interest receivable from financing provided.

Prepayments for equipment suppliers were in order to develop new projects of power facility globally, the Corporation entered into a consultancy agreement with other related parties.

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

c. The following trade payables to related parties were outstanding at the end of the reporting period:

Related Party Category	Accounts Payable		
	December 31,		
	2013	2014	2015
Investors with significant influence on certain group entities	$ –	$ 144	$324
Related parties in substance (Note 2)	8,723	226	169
Other related parties (Note 1)	62	65	64
Associates (Note 3)	–	84,485	–
	$8,785	$84,920	$557

Related Party Category	Receipts in Advance		
	December 31,		
	2013	2014	2015
Other related parties (Note 1)	$12	$12	$12

Related Party Category	Payables to Contractors and Equipment Suppliers December 31, 2013	2014	2015
Investors with significant influence on certain group entities	$52,681	$121,394	$70,235
Related parties in substance (Note 2)	–	–	4,168
	$52,681	$121,394	$74,403

Related Party Category	Other Accrued Expenses December 31, 2013	2014	2015
Investors with significant influence on certain group entities	$ 498	$16,468	$ 6,455
Related parties in substance (Note 2)	503	–	–
Other related parties (Note 1)	58,114	59,408	77,128
	$59,115	$75,876	$83,583

Related Party Category	Guarantee Deposits December 31, 2013	2014	2015
Related parties in substance (Note 2)	$2	$–	$–

No guarantees had been given for payables to related parties, and these payables would be settled in cash.

d. **Other transactions**

Related Party Category	Acquisition of Property, Plant and Equipment For the Year Ended December 31, 2013	2014	2015
Investors with significant influence on certain group entities	$50,486	$122,604	$70,806

Related Party Category	Proceeds For the Years Ended December 31, 2013	2014	2015	Loss on Disposal For the Years Ended December 31, 2013	2014	2015
Investors with significant influence on certain group entities	$–	$–	$9,510	$–	$–	$(2,387)

		For the Years Ended December 31, 2013			2014			2015		
Related Party Category	Line Items	Number of Shares	Underlying Assets	Price	Number of Shares	Underlying Assets	Price	Number of Shares	Underlying Assets	Price
Other related parties (Note 1)	Debt investments with no active market – noncurrent	–	–	$–	–	–	$–	28,500	Puttable preferred stock	$310,103

Note 1: Other related parties were 1) the indirect investees of the investor who has significant influence over the Corporation and 2) the entity whose parent issued puttable preferred stocks acquired by the Corporation on December 18, 2015. Phanes Holding has become the Corporation's related party since December 18, 2015; thus, the Corporation disclosed the related trading transactions from December 18, 2015 and the related amounts as of December 31, 2015.

Note 2: eBsuccess Solutions Inc. ceased to be a related party in substance of the Corporation on July 1, 2014; thus, the Corporation stopped disclosing the related trading transactions and related amounts in 2014.

Note 3: Hashimoto and GES KYUSHU were deemed associates since April 1, 2014 and August 1, 2014; thus, the Corporation disclosed the trading transactions from April 1, 2014 and August 1, 2014, and the balances as of December 31, 2014.

In order to develop new projects of power facility globally, the Corporation entered into a consultancy agreement with other related parties with a total contract price of NT$49,682 thousand. For the year ended December 31, 2015, the paid amount which was recorded under selling expense-service charge was about NT$22,081 thousand.

The Corporation's construction of power facility was built under the supervision of other related parties. As of December 31, 2015, the total contract price of NT$143,527 thousand was fully paid and was recorded under inventories – power facility construction in progress.

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

e. Compensation of key management personnel

The compensation of directors and other members of key management personnel for 2013, 2014 and 2015 was as follows:

	For the Years Ended December 31,		
	2013	**2014**	**2015**
Short-term benefits	$ 82,406	$78,309	$71,288
Share-based payments	19,767	20,124	14,270
Post-employment benefits	1,156	1,447	1,486
	$103,329	$99,880	$87,044

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

39. PLEDGED OR MORTGAGED ASSETS

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

	December 31,		
	2013	**2014**	**2015**
Property, plant and equipment	$5,534,373	$7,411,028	$ 7,926,059
Restricted assets (classified as other current and noncurrent assets)	368,359	633,727	1,272,709
Finance lease receivables (including current and noncurrent portions)	1,618,335	1,018,860	1,107,244
Refundable deposits	–	247,167	342,150
Pledged time deposits (classified as other current and noncurrent assets)	10,625	204,923	213,006
Pledged bank acceptances (classified as other current assets)	–	–	50,744
	$7,531,692	$9,515,705	$10,911,912

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

1) Long-term purchase contracts:

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

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

As of December 31, 2015, amounts of US$7,489 thousand (NT$239,626 thousand) and NT$31,914 thousand were recorded under prepayment. Earlier, in November 2009, NSP renegotiated the purchase price with company J. Both parties agreed to adjust the purchase quantity and price monthly from December 2009.

b) In August 2007 and January 2008, NSP entered into long-term materials supply agreements with company G. Under the agreements, NSP should make payments from January 1, 2009 to December 31, 2018. In return, company G should supply an agreed-upon quantity of raw materials. As of December 31, 2015, the amount of US$11,035 thousand (NT$364,460 thousand) was recorded under prepayment. In May 2009, NSP and company G revised the agreements. Under the new agreements, company G should supply an agreed-upon quantity of raw materials from 2009 to December 31, 2018. Within this period, deductions could be made from the prepayments, and the purchase price would be adjusted on the basis of market price. The last agreement revision by NSP and company G was in September 2013. The purchase price would be adjusted monthly in accordance with the pricing mechanism agreed upon by both parties. In November 2015, company G's parent company located in Shanghai announced that its domestic subsidiary would undergo a financial restructuring. Although company G indicated the financial restructuring would not affect its operation and will continuously supply raw materials to NSP, NSP accrued a potential loss in 2015 considering prepayment might not be collected.

c) In February 2008, DelSolar entered into a long-term materials supply agreement with company AH. Based on this supply agreement, company AH guaranteed to supply an agreed-upon quantity of raw materials to DelSolar during January 2009 to December 31, 2015, and in return DelSolar would make prepayments by installments during this period of time. In April 2013, company AH stopped supplying materials because of its financial difficulties, and both parties entered into the negotiation process. On May 31, 2013, NSP merged with DelSolar, with NSP as the survivor entity. Considering the prepayments to company AH might not be fully collected, NSP had accrued a potential loss in the second quarter of 2013. In March 2015, NSP received an arbitration notice regarding company AH. NSP believes there are unsolved issues on the long-term materials supply agreement which will need further clarification from both parties. Therefore NSP has engaged an attorney to assist in the process and will make necessary adjustments according to the result of arbitration.

d) In March 2008 and August 2008, NSP entered into long-term materials supply agreements with company BM. Under the agreements, NSP should make payments from January 1, 2008 to December 31, 2016. In return, company BM should supply an agreed-upon quantity of raw materials. As of December 31, 2015, the amount of US$1,326 thousand (NT$43,024 thousand) was recorded under prepayment. Earlier, in August 2010, NSP renegotiated the agreement with company BM. Both parties agreed to adjust the purchase price and refund amount of prepayment in accordance with market prices from August 2010.

e) In October 2008, NSP entered into a long-term materials supply agreement with company K. Under the agreement, NSP should make payments from January 2009 to December 31, 2016. In return, company K should supply an agreed-upon quantity of raw materials. In December 2010, NSP renegotiated the agreement with company K. Both parties agreed that company K would supply NSP with an agreed-upon quantity of raw materials at its purchase price plus a markup of a certain percentage from January 2011 to December 31, 2016. As of December 31, 2015, the amount of US$16,240 thousand (NT$487,678 thousand) was recorded under prepayment.

In the controversy of whether or not to continuously perform under the abovementioned agreement, company K has filed a lawsuit at Hsinchu District Court on January 13, 2016 to demand payment of NT$10,000 thousand as a partial claim. NSP retained lawyers to defend this lawsuit.

f) In August 2010 and December 2013, NSP entered into long-term materials supply agreements with company Y. Under the agreements, company Y should supply an agreed-upon quantity of raw materials from October 2010 to December 31, 2016. NSP should make payments during this period. Earlier, both parties agreed to adjust the purchase price monthly from October 2010 in accordance with a price adjustment mode agreed upon by both parties. Under the agreement, if NSP fails to complete the purchase of the required quantity or delays its payments, company Y is entitled to request compensation.

g) In November 2010, NSP entered into a long-term materials supply agreement with company X. Under the agreement, NSP should make payments from January 2011 to December 31, 2017. In return, company X should supply an agreed-upon quantity of raw materials. As of December 31, 2015, the amount of US$3,918 thousand (NT$113,374 thousand) was recorded under prepayment. Earlier, both parties agreed to adjust the purchase price monthly since 2012. However, in the three months ended March 31, 2012, both parties failed to reach an agreement on purchase price and quantity. Under the agreement, NSP was entitled to end the contract unconditionally, and company X should return the remaining balance of prepayment. Both parties agreed to use the remaining prepayment before March 31, 2013. Because company X announced it would undertake financial restructuring, NSP considered the remaining prepayments might not be collected due to company X's going concern uncertainty; thus, NSP accrued potential losses for 2012 and 2013. NSP resumed purchase after October 2014.

h) In March 2011, NSP entered into a long-term materials supply agreement with company AD. Under the agreement, company AD should supply an agreed-upon quantity of raw materials. Based on the agreement, the purchase price will be adjusted quarterly. In return, NSP should make payment from January 2012 to December 31, 2018. In April 2015, NSP renegotiated the agreement with company AD. Both parties agreed that company AD would supply NSP with an agreed-upon quantity of raw materials from April 2015 to December 31, 2022, and the purchase price would be negotiated quarterly. As of December 31, 2015, the amount of US$7,297 thousand (NT$212,405 thousand) was recorded under prepayment. Under the agreement, if NSP delays the payments, company AD is entitled to request for interest on the delayed payment at a rate already agreed on by both parties.

2) Material sell-buy agreements:

As of December 31, 2015, the Corporation entered into irrevocable sell-buy agreements with several companies.

The information was as follows:

Company Name	**Buyer**	**Duration**	**Note**
Yong Liang	Taiwan Power Company	20 years	Sale of electricity to third parties without prior permission is disallowed
Yong Han	Taiwan Power Company	20 years	Sale of electricity to third parties without prior permission is disallowed
Yong Zhou	Taiwan Power Company	20 years	Sale of electricity to third parties without prior permission is disallowed
GES FUKUSHIMA	Tokyo Electric Power Company	20 years	Sale of electricity to third parties without prior permission is disallowed
Hsin Jin Optoelectronics	Taiwan Power Company	20 years	Sale of electricity to third parties without prior permission is disallowed
Hsin Jin Solar Energy	Taiwan Power Company	20 years	Sale of electricity to third parties without prior permission is disallowed
TIPPING POINT	The government of the City of Columbus, Ohio, USA	20 years	Sale of electricity to third parties without prior permission is disallowed
ET ENERGY	Indianapolis Power & Light Company, USA	15 years	Sale of electricity to third parties without prior permission is disallowed
SH4	Larkspur-Corte Madera School District, USA	20 years	Sale of electricity to third parties without prior permission is disallowed
NCH Solar1	Good Energy Limited, UK	20 years	Sale of electricity to third parties without prior permission is disallowed

All transactions in the sale of 71 facilities of Yong Tang were completed on September 30, 2014. Because partial facilities have not obtained the registration certificate of power generation facilities and some flaws in the rental agreement need to be supplemented and corrected, the Corporation needed to submit guarantee deposits of NT$5,615 thousand of the construction in progress which was continuously supplemented and corrected as of December 31, 2015.

3) GES developed new projects of power facility globally under the supervision of the contractors. The Corporation entered into construction contracts with several contractors with a total contract price of NT$2,483,424 thousand and the unpaid amount was NT$1,178,760 thousand as of December 31, 2015.

4) GES entered into equity purchase or assets purchase agreements with several companies with a total contract price of NT$175,926 thousand and the unpaid amount was NT$96,796 thousand as of December 31, 2015.

5) GES entered into solar power projects development agreements with several companies (including related parties) with a total contract price of NT$142,763 thousand and the unpaid amount was NT$64,240 thousand as of December 31, 2015.

6) Unused letters of credit amounted to approximately EUR6,139 thousand and US$8,483 thousand as of December 31, 2015.

b. Contingencies

1) In December 2010, NSP and the M+W Group (M+W) entered into a construction agreement and materials purchase agreement, with a total amount of NT$510,000 thousand. On April 22, 2013, M+W claimed the construction had been completed and requested for a payment of NT$191,165 thousand (including NT$49,344 thousand for additional works). On September 4, 2013, M+W requested the help of the Hsinchu District Court, a common pleas court, to request NSP to return NT$200,723 thousand, which included NT$191,165 thousand and interest calculated at 5% per year. NSP already filed a plea and counterplea on this case. The first trial is currently pending in the court and the appraiser has delivered the appraisal report to the court on January 18, 2016, waiting for further instructions.

As of December 31, 2015, the amount of NT$368,179 thousand had been paid; except the NT$49,344 thousand for the additional works. NSP had accrued construction contract payables of NT$141,821 thousand accordingly.

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

On February 14, 2014, ITC issued its affirmative preliminary determination that the subject imports cause or threaten to cause injury to the United States industry. On July 25, 2014, DOC announced its preliminary determination of dumping margin, NSP received a dumping margin of 19.5%. Such cash deposit dumping margin will be finalized in subsequent annual review. The tariffs in general are to be covered by the importer itself; hence, there will be no significant impact on the Corporation. In addition, NSP has submitted a request to the Court of International Trade to review NSP's claim that it was not engaged in any form of dumping in hope of requesting for the best tariff rate.

In April 2015, SolarWorld AG filed an anti-circumvention investigation against Taiwanese and Malaysian solar module producers in European Commission. The case was officially filed in May 2015 and NSP has fully cooperated with the investigation by submitting related questionnaires. On December 22, 2015, European Commission declared the results of the investigation that NSP was exempt from anti-dumping duty.

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

The Corporation filed an appeal with Suzhou Intermediate People's Court on July 3, 2015 to request CEEG (Shanghai) and CEEG (Nanjing), both are CD group companies, to return RMB48,230 thousand and pleaded to the Shanghai International Economic and Trade Arbitration Commission (SHIAC) on July 2, 2015 to request CEEG (Nanjing) Renewable Energy Co. Ltd, a CD group company, to return RMB32,060 thousand. The Corporation has simultaneously applied for property preservation and recognized appropriate allowance for impairment loss and necessary adjustment will be made depending on the ruling. Suzhou Intermediate People's Court ruled in the Corporation's favor on September 23, 2015, but company CD appealed to the court of second instance on October 8, 2015.

During the appeal, the Corporation and company CD reached an agreement on December 30, 2015 after mediation. According to the agreement, CEEG (Shanghai) would propose a specific payment schedule with expected repayment of RMB48, 230 thousand and CEEG (Nanjing) assumed joint liability. The Corporation prevailed in the proceeding and was awarded RMB32,060 thousand in damages from CEEG (Nanjing) Renewable Energy Co., Ltd. on February 2, 2016. The Corporation has reached a payment schedule agreement with CEEG (Nanjing).

4) In the controversy of whether or not to continuously perform the long-term materials supply agreement, company K has filed a lawsuit at Hsinchu District Court on January 13, 2016 to demand payment of NT$10,000 thousand partial claim. NSP entrusted a lawyer to handle the case during the judicial procedure.

41. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was aggregated by foreign currencies other than the functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31,					
	2013		2014		2015	
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)
Financial assets						
Monetary assets						
USD	$175,511	29.9500	$186,862	31.7200	$179,781	33.0660
USD (Note 2)	15,872	6.0560	4,715	6.2245	11,101	6.4950
EUR	9,187	41.037	5,287	38.4450	17,457	35.8230
EUR (Note 2)	630	8.3327	–	–	119	7.0876
JPY	492,554	0.2837	858,228	0.2641	316,927	0.2737
JPY (Note 2)	25,405	0.0576	–	–	820	0.0539
RMB	7,207	4.9236	7,333	5.0960	6,676	5.0744
GBP	–	–	11,356	49.2195	1,755	48.9019
HKD	–	–	–	–	1	4.2521
Nonmonetary assets						
USD	–	–	1,144	31.7200	1,170	33.0660
USD	–	–	–	–	9,500	32.6424
JPY	–	–	132,813	0.2641	99,194	0.2737
USD	62	29.9700	62	30.5322	62	30.9264
EUR	600	37.6500	600	37.6500	600	37.6500
Financial liabilities						
Monetary liabilities						
USD	$140,877	29.9500	$135,279	31.7200	$157,529	33.0660
USD (Note 2)	10,860	6.0560	14,000	6.2245	13,391	6.4950
USD (Note 3)	1,529	61.8900	1,529	63.2200	1,529	66.2000
EUR	8,933	41.037	1,991	38.4450	8,246	35.8230
EUR (Note 2)	222	8.3327	210	7.5442	210	7.0876
JPY	315,931	0.2837	203,388	0.2641	85,580	0.2737
JPY (Note 2)	52,800	0.0576	60,211	0.0518	3,672	0.0539
GBP	–	–	4	49.2195	3,355	48.9019
RMB	–	–	–	–	44	5.0744
Nonmonetary assets						
USD	–	–	483	31.7200	–	–

Note 1: Exchange rates between foreign currencies and New Taiwan dollars, except as specified.

Note 2: Exchange rates between foreign currencies and RMB.

Note 3: Exchange rates between foreign currencies and INR.

For the years ended December 31, 2013, 2014 and 2015, realized and unrealized foreign exchange gains were NT$37,869 thousand, NT$151,656 thousand and NT$39,831 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

42. SEPARATELY DISCLOSED ITEMS

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

a. Financing provided: Table 1 (attached)

b. Endorsements/guarantees provided: Table 2 (attached)

c. Marketable securities held (which does not include invested subsidiaries, associates, and joint ventures): Table 3 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

e. Acquisition of individual real estate at a costs of at least NT$300 million or 20% of the paid-in capital: None.

f. Disposal of individual real estate at a prices of at least NT$300 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached)

i. Trading in derivative instruments: Please see Note 7.

j. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 7 (attached)

k. Investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 8 (attached)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 5 (attached)

l. Intercompany relationships and significant intercompany transaction: Table 9 (attached)

43. OPERATING SEGMENT INFORMATION

Financial information reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on revenue from each type of products. The accounting policies of the reportable segments are the same as the Corporation's accounting policies. The Corporation's main reportable segments are solar cell, module and power facility.

a. Segment revenue and results

	Segment Revenue					
	For the Years Ended December 31,					
	2013		2014		2015	
	From External Customer	Inter-segment Sales	From External Customer	Inter-segment Sales	From External Customer	Inter-segment Sales
Solar cell	$16,758,637	$1,867,522	$23,342,524	$2,081,985	$16,442,493	$1,559,859
Module	3,018,569	1,365,115	3,217,297	1,046,693	4,551,562	852,773
Power facility	163,387	–	939,412	–	1,050,681	–
Others	143,660	4,214	81,016	484,373	169,760	6,488
Total from continuing operations	$20,084,253	$3,236,851	$27,580,249	$3,613,051	$22,214,496	$2,419,120

	Segment Profit or Loss		
	For the Years Ended December 31,		
	2013	2014	2015
Solar cell	$ 1,408,820	$ 1,500,699	$ 464,662
Power facility	151,782	763,562	211,333
Others	(18,129)	(80,907)	(3,859)
Module	167,694	(394,130)	(47,147)
Reportable segments gross profit	1,710,167	1,789,224	624,989
Unrealized intercompany profit	(302)	(1,928)	187
	1,709,865	1,787,296	625,176
Unallocated amount			
Operating expenses	(1,255,997)	(1,577,066)	(1,904,768)
Other income and expenses	(139,511)	37,294	(20,477)
Nonoperating income and expenses	185,062	(25,535)	(252,886)
Income (loss) before income tax	$ 499,419	$ 221,989	$(1,552,955)

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

b. Segment assets

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

c. Revenue from major products and services

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

	For the Years Ended December 31,		
	2013	2014	2015
Solar cell	$16,758,637	$23,342,524	$16,442,493
Module	3,018,569	3,217,297	4,551,562
Power facility	163,387	939,412	1,050,681
Others	143,660	81,016	169,760
	$20,084,253	$27,580,249	$22,214,496

d. Geographical information

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

	Revenue from External Customers			Noncurrent Assets		
	For the Years Ended December 31,			December 31,		
	2013	2014	2015	2013	2014	2015
China	$ 5,689,762	$11,066,162	$11,792,180	$ 2,138,926	$ 2,013,012	$ 1,688,723
Taiwan	4,665,482	6,111,187	3,097,485	13,096,307	11,926,593	10,640,826
USA	1,264,341	3,721,611	1,800,083	189,317	217,520	156,042
Germany	1,350,962	2,107,253	1,457,307	–	–	–
UK	34,268	287,923	1,209,915	–	–	136,499
Japan	6,082,765	2,430,842	1,177,345	182,359	36,365	302,264
Others	996,673	1,855,271	1,680,181	–	–	–
	$20,084,253	$27,580,249	$22,214,496	$15,606,909	$14,193,490	$12,924,354

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

e. Major customers

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

	For the Years Ended December 31,					
	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
Customer BS	NA (Note)	NA (Note)	$2,801,901	10	$4,340,257	20
Customer BL	NA (Note)	NA (Note)	3,355,084	12	2,996,229	13
Customer H	2,942,697	15	4,960,006	18	NA (Note)	NA (Note)
Customer AE	2,022,787	10	NA (Note)	NA (Note)	NA (Note)	NA (Note)

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

TABLE 1

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Lender	Borrower	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Actual Amount Provided	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
NSP	General Energy Solutions	Other receivables from related parties	$929,310	$ –	$ –	2.8%	2	$ –	Operating capital	$ –	–	$ –	$1,975,629 (Notes 2, 3, 4 and 5)	$3,951,259	2
General Energy Solutions	Yong Liang	Other receivables from related parties	100,000	100,000	100,000	2.2%	2	–	Operating capital	–	–	–	955,792 (Notes 2, 3, 4 and 5)	955,792	2
	GES USA	Other receivables from related parties	105,000	–	–	–	2	–	Operating capital	–	–	–	238,948 (Notes 2, 3, 4 and 5)	477,896	2
	GES JAPAN	Other receivables from related parties	196,000	196,000	196,000	2.2%–2.233%	2	–	Operating capital	–	–	–	238,948 (Notes 2, 3, 4 and 5)	477,896	2
GES UK	GES JAPAN	Other receivables from related parties	107,320	–	–	–	2	–	Operating capital	–	–	–	2,225,253 (Notes 2, 3, 4 and 5)	2,225,253	2
	Hashimoto	Other receivables from related parties	13,685	13,685	13,685	2.2%	2	–	Operating capital	–	–	–	222,525 (Notes 2, 3, 4 and 5)	445,051	2
GES USA	ET ENERGY	Other receivables from related parties	31,555	–	–	–	2	–	Operating capital	–	–	–	736,463 (Notes 2, 3, 4 and 5)	736,463	2
	TIPPING POINT	Other receivables from related parties	24,096	–	–	–	2	–	Operating capital	–	–	–	736,463 (Notes 2, 3, 4 and 5)	736,463	2

Note 1: Nature of Financing:

1) For business;

2) For short-term financing.

Note 2: The financing company's total financing amount for one borrower should not exceed 40% of the financing company's net asset value. The net asset value of General Energy Solutions is based on the latest audited or reviewed financial statement.

Note 3: The financing company's total financing should not exceed 20% of its net asset value. A single financing should not exceed the transaction amount between financing company and 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 need should not exceed 20% of net asset value and the financing for a borrower should not exceed 10% of net asset value.

Note 5: Domestic subsidiaries with over 75% of voting shares owned directly or indirectly by General Energy Solution are not subject to Notes 3 and 4.

Note 6: Overseas subsidiaries wholly owned directly or indirectly by General Energy Solution are not subject to Note 2.

TABLE 2

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor Company	Endorsed/Guaranteed Company		Limits on Endorsement/ Guarantee Amount Provided to Each Endorsed/ Guaranteed Counterparty	Maximum Balance for the Period	Ending Balance	Actual Provided	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Amount Provided to Subsidiary	Endorsement/ Guarantee Amount Provided to the Parent Company	Endorsement/ Guarantee Amount Provided to Mainland China
		Name	Nature of Relationship										
									(%)				
				(Notes 1 and 2)						(Notes 1 and 2)			
0	NSP	General Energy Solutions	Subsidiary	$3,951,259	$ 400,000	$ 400,000	$ 247,413	$–	2.02	$9,878,147	YES	–	–
		GES UK	Subsidiary	3,951,259	1,115,172	1,115,172	1,115,172	–	5.64	9,878,147	YES	–	–
1	General Energy Solutions	Yong Liang	Subsidiary	2,389,481	630,000	630,000	328,353	–	26.37	4,778,962	YES	–	–
		GES UK	Subsidiary	2,389,481	480,000	480,000	196,413	–	20.09	4,778,962	YES	–	–
		GES USA	Subsidiary	2,389,481	679,626	592,582	338,973	–	24.80	4,778,962	YES	–	–
		MEGAONE	Subsidiary	2,389,481	67,500	–	–	–	–	4,778,962	YES	–	–
		MEGATHREE	Associate	2,389,481	67,500	–	–	–	–	4,778,962	NO	–	–
		MEGAFOUR	Subsidiary	2,389,481	17,890	–	–	–	–	4,778,962	YES	–	–
		Hashimoto	Associate	2,389,481	81,000	–	–	–	–	4,778,962	NO	–	–

Note 1: In accordance with the "Rules of Guarantees by NSP," the ceiling for total guaranteed amount was 50% of NSP's net asset value, and the limit on the guaranteed amount for a single party was 20% of NSP's net asset value. But for business purposes, the limit of guaranteed amount was the total of the purchase from or sale to NSP within the most recent year.

Note 2: Based on the "Rules of Guarantees by General Energy Solutions," the ceiling for total guaranteed amount was 200% of General Energy Solutions' (GES) net asset value, and the limit of guaranteed amount for a single party was 100% of GES's net asset value. But for business purposes, the limit on the guaranteed amount was the total of the purchase from or sale to GES within the most recent year. GES's net asset value is based on its latest financial statements.

TABLE 3

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
				(Thousands/ Units)		(%)		
NSP	**Stock**							
	TTMC	Investee	Available-for-sale financial assets – noncurrent	4,000	$ 59,400	5.44	$ 59,400	Note 2
	SUN APPENNINO CORPORATION	Investee	Financial assets carried at cost – noncurrent	–	22,590	26.09	22,590	Note 1
	FICUS CAPITAL CORPORATION	Investee	Financial assets carried at cost – noncurrent	–	1,259	28.07	1,259	Note 1
General Energy Solutions	**Stock**							
	Puttable preferred stock – Phanes Holding	Other related party	Debt investment with no active market – noncurrent	29	310,103	100.00	310,103	Note 2
Prime Energy	**Stock**							
	TTMC	Investee	Available-for-sale financial assets – noncurrent	359	5,923	0.49	5,923	Note 2
	EXOJET	Investee	Financial assets carried at cost – noncurrent	5,885	30,100	16.91	30,100	Note 1
New Ray Investment	**Stock**							
	TTMC	Investee	Available-for-sale financial assets – noncurrent	3,000	44,550	4.08	44,550	Note 2
GES USA	**Stock**							
	TG ENERGY SOLUTIONS LLC	Investee	Financial assets carried at cost – noncurrent	–	662	10.00	662	Note 1

Note 1: The above amount is based on book value.

Note 2: The above amount is based on fair value; for those pertaining to private-placement shares, based on quoted market prices; and for those that cannot be traded during the lock-up period, on relevant market prices.

Note 3: The above marketable securities had not been pledged or mortgaged. TTMC's shares held by NSP and New Ray Investment through private equity placement were restricted under Article 43-8 of the Securities and Exchange Act as of December 31, 2015.

TABLE 4

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
					(Thousands/ Units)		(Thousands/ Units)		(Thousands/ Units)				(Thousands/ Units)	
NSP	**Stock**													
	General Energy Solutions	Investments accounted for using the equity method	–	–	112,669	$1,524,378	32,427	$486,413	–	$–	$ –	$ –	145,096 (Note 1)	$1,823,867 (Note 2)
	Desolar Cayman	Investments accounted for using the equity method	–	–	125,400	3,693,740	14,101	459,969	–	–	–	–	139,501 (Note 3)	3,658,194 (Note 4)
General Energy Solutions	**Stock**													
	GES UK	Investments accounted for using the equity method	–	–	23,198	760,686	46,500	1,397,626	–	–	–	–	69,698	2,158,312
	Puttable preferred stock – Phanes Holding	Debt investment with no active market – noncurrent	–	–	–	–	29	310,103	–	–	–	–	29	310,103

Note 1: On September 25, 2014, General Energy Solutions' (GES) board of directors proposed a capital increase of NT$660,000 thousand and the Corporation increased its holding of GES shares by 32,254 thousand; the Corporation increased its holding of GES shares by 173 thousand in 2015 from GES's resigned employees and noncontrolling interest.

Note 2: The ending balance included the distribution of cash dividends of NT$29,019 thousand for 2014, recognition of the investment net loss of NT$211,014 thousand, cumulative translation adjustments of NT$52,355 thousand, unrealized intercompany profit of NT$595 thousand and adjustments of NT$159 thousand of the differences between equity and investment costs.

Note 3: On August 11, 2015, the Corporation's board of directors approved to increase in its capital by US$14,000 thousand and to increase its holdings of DelSolar Cayman by 14,101 thousand shares.

Note 4: The ending balance included the recognized investment net loss of NT$485,837 thousand, cumulative translation adjustments NT$(9,883) thousand and unrealized intercompany profit adjustments of NT$205 thousand.

TABLE 5

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

			Transaction Details				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total (Note)	Remark
NSP	General Energy Solutions	Subsidiary	Sale	$ 383,892	1.97	120 days from the invoice date	$–	–	$402,026	8.99	–
	Yong Liang	Subsidiary	Sale	112,914	0.58	90–120 days from the invoice date	–	–	207	–	–
	DelSolar Wu Jiang	Subsidiary	Sale	710,867	3.65	Open account 30 days	–	–	2,605	0.06	–
			Purchase	1,188,402	8.41	Cash on delivery 7 day	–	–	(35,152)	1.92	–
	Delta Electronic (Japan) Inc.	Other related party	Sale	305,452	1.57	Open account 60 days	–	–	150,800	3.37	–
DelSolar Wu Jiang	Delta Greentech (China) Co., Ltd. (Delta Greentech (China))	Other related party	Sale	125,129	3.07	Open account 90 days	–	–	117,134	11.11	–

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

TABLE 6

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Receivable from Related Parties	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
NSP	Delta Electronic (Japan) Inc.	Other related party	$ 150,800	3.56	$ 15	Receivable according to the financial situation	$45,813	$–
	General Energy Solutions	Subsidiary	402,026	1.57	327,396	Receivable according to the financial situation	–	–
DelSolar Wu Jiang	Delta Greentech (China)	Other related party	117,134	2.16	27,533	Receivable according to the financial situation	27,401	–
General Energy Solutions	Yong Liang	Subsidiary	101,688	–	–	Receivable according to the financial situation	–	–
	GES JAPAN	Subsidiary	194,810	–	–	Receivable according to the financial situation	–	–
	GES KYUSHU	Associate	161,887	–	161,887	Receivable according to the financial situation	32,932	–
GES UK	JRC	Subsidiary	1,500,259	–	–	Receivable according to the financial situation	–	–
GES JAPAN	Abacus	Subsidiary	205,958	–	–	Receivable according to the financial situation	–	–
	GES KYUSHU	Associate	110,302	–	–	Receivable according to the financial situation	–	–
	Hashimoto	Associate	184,179	–	–	Receivable according to the financial situation	–	–

TABLE 7

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2015	Original Investment Amount December 31, 2014	Balance as of December 31, 2015 Shares (Thousands)	Balance as of December 31, 2015 % of Ownership	Balance as of December 31, 2015 Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
NSP	DelSolar Cayman	Cayman Islands	Investment company	$4,427,839	$3,967,870	139,501	100.00	$3,658,194	$(486,647)	$(485,837)	Note 1
	General Energy Solutions	Hsin-chu, Taiwan	Electronic component manufacturing and selling	2,116,408	1,629,996	145,096	75.89	1,823,867	(277,529)	(211,014)	Note 1
	NSP BVI	British Virgin Islands	Investment company	65,233	–	2,001	100.00	66,164	(1)	(1)	Note 1
	New Ray Investment	Tainan, Taiwan	Investment company	115,000	115,000	11,500	100.00	56,308	(30,061)	(30,061)	Note 1
	Prime Energy	Tainan, Taiwan	Electronic component manufacturing and selling	90,000	90,000	9,000	100.00	50,994	(26,416)	(26,416)	Note 1
	NSP System	Tainan, Taiwan	Investment company	50,000	–	5,000	100.00	46,702	(2,685)	(2,685)	Note 1
	V5 Technology	Hsin-chu, Taiwan	Electronic component manufacturing and selling	57,691	30,000	3,681	61.33	32,275	(33,745)	(21,824)	Note 2
	BPS	Tainan, Taiwan	Solar related business	6,000	–	600	60.00	5,717	(472)	(283)	Note 1
	NSP UK	London, UK	Investment company	1,449	–	30	100.00	1,333	(130)	(130)	Note 1
	New Castle	Kaohsiung, Taiwan	Investment company	550	–	55	55.00	540	(18)	(10)	Note 1
	DelSolar Singapore	Singapore	Investment company	–	–	310	100.00	(46,151)	(1,981)	(1,981)	Note 1

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2015	December 31, 2014	Shares	% of Ownership	Carrying Value			
						(Thousands)					
General Energy Solutions	Yong Liang	Hsin-chu, Taiwan	Solar related business	129,000	59,000	–	100.00	118,324	3,632	3,632	Note 1
	Yong Han	Hsin-chu, Taiwan	Solar related business	29,000	1,000	–	100.00	28,525	1,081	1,081	Note 1
	Yong Zhou	Hsin-chu, Taiwan	Solar related business	35,000	20,000	–	100.00	20,627	(11,340)	(11,340)	Note 1
	Yun Yeh	Hsin-chu, Taiwan	Solar related business	1,000	–	–	100.00	908	(92)	(92)	Note 1
	GES JAPAN	Fukuoka, Japan	Investment company	–	211,614	–	–	–	(62,504)	(1,498)	Notes 1 and 4
	Hashimoto	Hashimoto, Japan	Solar related business	–	32,954	–	–	–	(9,678)	987	Notes 1 and 4
	Abacus	Tokyo, Japan	Solar related business	94,870	–	–	100.00	94,269	(3,540)	(3,540)	Note 1
	GES UK	London, UK	Investment company	2,122,975	660,897	69,698	100.00	2,158,312	(126,237)	(126,237)	Note 1
GES UK	GES USA	Delaware, US	Investment company	557,200	557,200	18,780	100.00	708,894	5,292	5,292	Note 1
	GES JAPAN	Fukuoka, Japan	Investment company	226,627	–	221	100.00	469,803	(62,504)	(61,006)	Notes 1 and 4
	NCH Solar 1	London, UK	Solar related business	533,810	7,230	10,797	100.00	534,561	6,821	4,461	Note 1
	GES Solar 2	London, UK	Solar related business	128,657	–	2,581	100.00	120,117	(2,917)	(2,917)	Note 1
	GES Solar 3	London, UK	Solar related business	3,280	–	–	100.00	3,032	(197)	(197)	Note 1
	GES Solar 4	London, UK	Solar related business	–	–	–	–	(49)	(49)	(49)	Notes 1 and 3
	GES Solar 5	London, UK	Solar related business	–	–	–	–	(49)	(49)	(49)	Notes 1 and 3
	GES Solar 6	London, UK	Solar related business	–	–	–	–	(49)	(49)	(49)	Notes 1 and 3
	GES Solar 7	London, UK	Solar related business	–	–	–	–	(49)	(49)	(49)	Notes 1 and 3
	GES Solar 8	London, UK	Solar related business	–	–	–	–	(49)	(49)	(49)	Notes 1 and 3
	GES PH	Manila, Philippines	Solar related business	6,029	6,029	8,622	100.00	6,437	(78)	(78)	Note 1
	GES CANADA	Canada	Investment company	143,952	–	4,600	100.00	109,379	(7,324)	(7,324)	Note 1

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2015	Original Investment Amount December 31, 2014	Balance as of December 31, 2015 Shares	Balance as of December 31, 2015 % of Ownership	Balance as of December 31, 2015 Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
						(Thousands)					
GES USA	ET ENERGY	Indiana, US	Solar related business	247,759	247,759	8,400	100.00	284,687	38,450	38,450	Note 1
	TIPPING POINT	Ohio, US	Solar related business	34,471	29,605	1,155	100.00	28,365	744	744	Note 1
	MEGAONE	California, US	Solar related business	–	28,608	–	–	–	(6,836)	(6,836)	Note 1
	MEGATWO	California, US	Solar related business	–	–	–	–	(43,837)	(27,914)	(27,914)	Notes 1 and 3
	MEGATHREE	Delaware, US	Solar related business	38,606	38,606	1,284	40.00	38,675	(2,691)	(796)	Note 1
	MEGAFOUR	New York, US	Solar related business	–	–	–	–	–	(14,018)	(14,018)	Note 1
	MEGAFIVE	California, US	Solar related business	–	–	–	–	(636)	(611)	(611)	Notes 1 and 3
	MEGASIX	California, US	Solar related business	–	–	–	–	(110)	(105)	(105)	Notes 1 and 3
	MEGASEVEN	California, US	Solar related business	–	–	–	–	(60)	(58)	(58)	Notes 1 and 3
	SEC Newco	New York, US	Solar related business	–	–	–	–	–	(295)	(295)	Note 1
	ASSET ONE	California, US	Solar related business	–	–	–	–	(186)	(27)	(27)	Notes 1 and 3
	ASSET TWO	California, US	Solar related business	–	–	–	–	(54)	(25)	(25)	Notes 1 and 3
	CENERGY	California, US	Solar related business	–	–	–	–	(799)	(767)	(767)	Notes 1 and 3
	SH4	California, US	Solar related business	–	–	–	–	(196)	(189)	(189)	Notes 1 and 3
	Bulldong	Indiana, US	Solar related business	–	–	–	–	–	(1,632)	(1,632)	Note 1
GES CANADA	JRC	Dominican	Solar related business	146,025	–	5	100.00	141,861	(6,661)	(6,661)	Note 1
GES JAPAN	GES KYUSHU	Fukuoka, Japan	Solar related business	76,116	76,116	25	45.00	20,476	(12,283)	(5,527)	Note 1
	GES FUKUSHIMA	Fukuoka, Japan	Solar related business	34,580	34,580	2	100.00	29,682	(480)	(480)	Note 1
	Hashimoto	Hoshimoto, Japan	Solar related business	10,909	–	2	45.00	6,672	(9,678)	(4,355)	Notes 1 and 4

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2015	Original Investment Amount December 31, 2014	Balance as of December 31, 2015 Shares (Thousands)	Balance as of December 31, 2015 % of Ownership	Balance as of December 31, 2015 Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
NSP System	Hsin Jin Optoelectronics	Yilan, Taiwan	Solar related business	$ 10,647	$ –	–	80.00	$ 9,229	$ (1,704)	$ (1,418)	Note 1
	Hsin Jin Solar Energy	Taipei, Taiwan	Solar related business	13,981	–	–	60.00	12,814	(1,896)	(1,167)	Note 1
	Si One	Tainan, Taiwan	Solar related business	15,000	–	1,500	100.00	14,997	(3)	(3)	Note 1
NSP UK	NSP Germany	Cologne, Germany	Solar related business	GBP$ 17	–	–	90.00	GBP$ 17	–	–	Note 1
	UNA 249	Frankfurt, Germany	Solar related business	GBP$ 20	–	–	100.00	GBP$ 18	GBP$ (1)	GBP$ (1)	Note 1
DelSolar Cayman	DelSolar US	Delaware, US	Investment company	US$ 14,800	US$ 5,800	1	100.00	US$12,860	US$ (1,190)	US$ (1,190)	Note 1
	DelSolar HK	Hong Kong	Investment company	US$125,200	US$120,100	125,200	100.00	US$98,215	US$(14,127)	US$(14,127)	Note 1
	NSP NEVADA	Nevada, US	Solar related business	–	–	–	100.00	–	–	–	Notes 1 and 3
DelSolar HK	DelSolar Wu Jiang	Jiangsu, China	Solar related business	US$120,000	US$120,000	–	100.00	US$93,118	US$(14,158)	US$(14,158)	Note 1
	NSP JAPAN	Osaka, Japan	Solar related business	US$ 97	–	1	100.00	US$ 74	US$ (24)	US$ (24)	Note 1
	NSP Nanchang	Jiangxi, China	Solar related business	US$ 5,000	–	–	100.00	US$ 4,962	US$ 61	US$ 61	Note 1
DelSolar Wu Jiang	XYH Suzhou	Jiangsu, China	Solar related business	–	–	–	100.00	US$ (3)	US$ (3)	US$ (3)	Note 1
DelSolar US	DelSolar Development	Delaware, US	Solar related business	US$ 4,850	US$ 4,850	–	100.00	US$ 4,822	US$ (120)	US$ (120)	Note 1
	CFR	Delaware, US	Solar related business	US$ 2,870	–	–	100.00	US$ 1,907	US$ (963)	US$ (963)	Note 1
	USD1	Delaware, US	Solar related business	US$ 3,582	–	–	100.00	US$ 3,512	US$ (70)	US$ (70)	Note 1
	CF Vegas	Delaware, US	Solar related business	US$ 741	–	–	100.00	US$ 709	US$ (32)	US$ (32)	Note 1
DelSolar Development	DSS-USF PHX LLC	US	Solar related business	US$ 1,370	US$ 1,370	–	100.00	US$ 1,685	US$ (22)	US$ (22)	Note 1
	DSS-RAL LLC	US	Solar related business	US$ 2,555	US$ 2,555	–	100.00	US$ 3,281	US$ (120)	US$ (120)	Note 1
DelSolar Singapore	DelSolar India	India	Solar related business	US$ 300	US$ 300	1,435	100.00	US$ (1,398)	US$ (69)	US$ (69)	Note 1

Note 1: Recognized on the basis of audited financial statements as of December 31, 2015.

Note 2: Recognized on the basis of unaudited financial statements as of December 31, 2015.

Note 3: The Corporation's special-purpose entities.

Note 4: To simplify the organization structure, General Energy Solutions sold its entire shares of GES JAPAN to its 100% owned subsidiary, GES UK; and sold its entire share of Hashimoto to its 100% owned subsidiary, GES JAPAN, in first quarter of 2015.

Note 5: For the investment in mainland China, refer to Table 8.

TABLE 8

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Percentage of Ownership in Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow			(Note)	(Note)	
DelSolar Wu Jiang	Solar related business	US$120,000	Indirect investments through the Corporation's 100% subsidiaries	US$120,000	$ –	$–	US$120,000	100%	US$(14,158)	US$93,118	$–
NSP Nanchang	Solar related business	US$ 5,000	Indirect investments through the Corporation's 100% subsidiaries	–	US$5,000	–	US$ 5,000	100%	US$ 61	US$ 4,962	–

Accumulated Investment in Mainland China as of December 31, 2015 (US$ in Thousands)	Investment Amount Authorized by the Investment Commission, MOEA (US$ in Thousands)	Limit on the Corporation's Investment in Mainland China
US$125,000	US$128,440	$11,853,776

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

Note 2: On December 1, 2015, the Investment Commission, MOEA, authorized the investment of US$3,440 thousand in NSP (Jiangsu) Limited (tentative name) but the amount has not been transferred as of December 31, 2015.

TABLE 9

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
For the year ended December 31, 2013							
0	NSP	General Energy Solutions	1	Sales	$ 28,471	Note 2	–
			1	Purchases	9	Note 2	–
			1	Manufacturing expenses	492,029	Note 2	2%
			1	Research and development expenses	450	Note 2	–
			1	Interest income	123	Note 2	–
			1	Other income	6,352	Note 2	–
			1	Accounts payable	11,576	Note 2	–
			1	Accrued expenses and other current liabilities	84	Note 2	–
		Prime Energy	1	Rental income	60	Note 2	–
		New Ray Investment	1	Rental income	60	Note 2	–
			1	Dividend income	280	Note 2	–
		DelSolar Wu Jiang	1	Sales	3,013	Note 2	–
			1	Sale of property, plant and equipment	46,198	Note 2	
			1	Acquisition of property, plant and equipment	12,989	Note 2	–
			1	Purchases	2,773,787	Note 2	14%
			1	Accounts payable	425,524	Note 2	1%
			1	Other receivables	51,006	Note 2	–
		DelSolar India	1	Other receivables	45,809	Note 2	–
		DelSolar Cayman	1	Other receivables	156	Note 2	–
1	DSS-RAL LLC	DelSolar Development	3	Other receivables	3,361	Note 2	–

				Intercompany Transactions			
No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
2	General Energy Solutions	Yong Tang	3	Sales	194,325	Note 2	1%
			3	Interest income	1,363	Note 2	–
			3	Rental income	70	Note 2	–
			3	Accounts receivable	117,361	Note 2	–
			3	Other receivables	101,227	Note 2	–
		Yong Liang	3	Interest income	261	Note 2	–
			3	Rent income	70	Note 2	–
		GES JAPAN	3	Accrued expenses	2,842	Note 2	–
		GES KYUSHU	3	Sales	168,784	Note 2	1%
			3	Interest expense	35	Note 2	–
			3	Accounts receivable	171,762	Note 2	1%
			3	Temporary prepayments-noncurrent	4,737	Note 2	–
		Hashimoto	3	Sales	73,501	Note 2	–
			3	Accounts receivable	74,170	Note 2	–
			3	Temporary prepayments-noncurrent	40,062	Note 2	–
		GES FUKUSHIMA	3	Interest income	40	Note 2	–
		GES USA	3	Interest income	933	Note 2	–
		TIPPING POINT	3	Sales	66	Note 2	–
		GES ASSET	3	Temporary prepayments-noncurrent	33	Note 2	–
		MEGAONE	3	Temporary prepayments-noncurrent	11,172	Note 2	–
			3	Advance receipts	791	Note 2	–
		MEGATWO	3	Temporary prepayments-noncurrent	18,915	Note 2	–
3	GES USA	MEGAONE	3	Other receivables	8,414	Note 2	–
		MEGATWO	3	Other receivables	17,561	Note 2	–
		GES ASSET	3	Other receivables	210	Note 2	–
		TIPPING POINT	3	Interest income	320	Note 2	–
			3	Interest receivable	320	Note 2	–
			3	Other receivables	31,610	Note 2	–
		ET ENERGY	3	Interest income	974	Note 2	–
			3	Interest receivable	332	Note 2	–
			3	Other receivables	109,996	Note 2	1%
4	Yong Tang	Yong Liang	3	Interest expense	7	Note 2	–
5	GES FUKUSHIMA	GES KYUSHU	3	Other receivables	1,325	Note 2	–
		Hashimoto	3	Other receivables	330	Note 2	–
6	GES JAPAN	Hashimoto	3	Other receivables	23,186	Note 2	–
		GES KYUSHU	3	Other receivables	3,728	Note 2	–
7	GES KYUSHU	Hashimoto	3	Other receivables	242	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
For the year ended December 31, 2014							
0	NSP	General Energy Solutions	1	Sales	$ 258,549	Note 2	1%
			1	Purchases	3,947	Note 2	–
			1	Manufacturing expenses	235,499	Note 2	1%
			1	Accounts receivable	86,059	Note 2	–
			1	Accounts payable	13,218	Note 2	–
			1	Accrued expenses	26	Note 2	–
			1	Indirect material expense	1	Note 2	–
		V5 Technology	1	Acquisition of property, plant and equipment	9,882	Note 2	–
			1	Payables to contractors and equipment suppliers	9,882	Note 2	–
			1	Other receivable	66	Note 2	–
			1	Rental income	62	Note 2	–
			1	Other income	8	Note 2	–
		Prime Energy	1	Rental income	60	Note 2	–
		New Ray Investment	1	Rental income	60	Note 2	–
		DelSolar Wu Jiang	1	Sales	319,253	Note 2	1%
			1	Purchases	2,773,287	Note 2	10%
			1	Sale of property, plant and equipment	20,347	Note 2	–
		DelSolar Wu Jiang	1	Acquisition of property, plant and equipment	31,463	Note 2	–
			1	Sales return of property, plant and equipment	865	Note 2	–
			1	Other receivables	4,015	Note 2	–
			1	Payments in advance	246,842	Note 2	1%
			1	Accounts payable	1,313	Note 2	–
			1	Accrued expenses	80	Note 2	–
			1	Maintenance and repair charges	240	Note 2	–
		DelSolar India	1	Other receivables	48,516	Note 2	–
			1	Refundable deposits	103	Note 2	–
1	General Energy Solutions	Yong Tang	3	Sales	190,551	Note 2	1%
		Yong Liang	3	Sales	50,934	Note 2	–
			3	Accounts receivable	11,924	Note 2	–
			3	Other receivables	32,000	Note 2	–
		GES FUKUSHIMA	3	Sales	5,680	Note 2	–
		GES JAPAN	3	Other receivables	66,124	Note 2	–
		MEGAONE	3	Temporary prepayments	11,419	Note 2	–
		MEGATWO	3	Other receivables	20,033	Note 2	–
2	GES USA	SEC Newco	3	Other receivables	169,272	Note 2	–
		ET ENERGY	3	Other receivables	5,828	Note 2	–
		TIPPING POINT	3	Other receivables	15,407	Note 2	–
		MEGAONE	3	Other receivables	11,743	Note 2	–
		MEGATWO	3	Other receivables	49,717	Note 2	–
		MEGAFOUR	3	Other receivables	46,781	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
For the year ended December 31, 2015							
0	NSP	General Energy Solutions	1	Accounts receivable	$ 402,206	Note 2	1%
			1	Other receivables	518	Note 2	–
			1	Accrued expenses	1,572	Note 2	–
			1	Payables to contractors and equipment suppliers	156	Note 2	–
			1	Sales	383,892	Note 2	2%
			1	Cost of sales	(170)	Note 2	–
			1	Interest income	8,269	Note 2	–
			1	Dividend income	29,019	Note 2	–
			1	Purchases	161	Note 2	–
			1	Manufacturing expenses	12,231	Note 2	–
			1	Miscellaneous purchases	1,258	Note 2	–
			1	Acquisition of property, plant and equipment	40,394	Note 2	–
		Prime Energy	1	Rental income	60	Note 2	–
		New Ray Investment	1	Rental income	60	Note 2	–
		V5 Technology	1	Other receivables	91	Note 2	–
			1	Rental income	902	Note 2	–
			1	Acquisition of property, plant and equipment	2,118	Note 2	–
		BPS	1	Other receivable	16	Note 2	–
			1	Rental income	75	Note 2	–
			1	Other income	3	Note 2	–
		NSP NEVADA	1	Temporary prepayments-noncurrent	16,922	Note 2	–
		NSP System	1	Rental income	9	Note 2	–
		NSP UK	1	Prepayments for long-term investments in stocks	2,498	Note 2	–
		Hsin Jin Optoelectronics	1	Accounts receivable	15,771	Note 2	–
			1	Other receivable	24,133	Note 2	–
			1	Sales	9,085	Note 2	–
			1	Rental income	5	Note 2	–
		Si One	1	Other receivable	5	Note 2	–
			1	Rental income	5	Note 2	–
		Hsin Jin Solar Energy	1	Accounts receivable	28,246	Note 2	–
			1	Sales	8,763	Note 2	–
		DelSolar Wu Jiang	1	Accounts receivable	2,605	Note 2	–
			1	Other receivables	4,185	Note 2	–
			1	Accounts payable	35,152	Note 2	–
			1	Estimated accrued expenses	189	Note 2	–
		DelSolar Wu Jiang	1	Sales	710,867	Note 2	3%
			1	Other income	6	Note 2	–
			1	Purchase	1,188,402	Note 2	5%
			1	Maintenance and repair charges	369	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
		Delsolar US	1	Temporary prepayments-noncurrent	65,200	Note 2	–
		USD1	1	Temporary prepayments-noncurrent	69,641	Note 2	–
		CFR	1	Other receivables	19,843	Note 2	–
			1	Estimated accrued expenses	377	Note 2	–
		Yong Liang	1	Accounts receivable	207	Note 2	–
			1	Sales	112,914	Note 2	1%
		Yong Zhou	1	Accounts receivable	38	Note 2	–
			1	Sales	36	Note 2	–
		Delsolar India	1	Other receivables	50,575	Note 2	–
			1	Refundable deposits	103	Note 2	–
1	DelSolar Wu Jiang	XYH Suzhou	3	Other receivables – other	115	Note 2	–
2	DSS-RAL LLC	DelSolar Development	3	Other receivables	17,177	Note 2	–
3	NSP UK	NSP Germany	3	Prepayments for long-term investments in stocks	107	Note 2	–
4	General Energy Solutions	Yong Liang	3	Other receivables	101,688	Note 2	–
			3	Rental income	70	Note 2	–
			3	Interest income	1,933	Note 2	–
		Yun Han	3	Sales	9,384	Note 2	–
			3	Rental income	70	Note 2	–
		Yong Zhou	3	Rental income	70	Note 2	–
		Yun Yeh	3	Rental income	64	Note 2	–
		GES JAPAN	3	Other receivables	194,810	Note 2	–
			3	Interest income	3,300	Note 2	–
		Abacus	3	Other receivables	89,358	Note 2	–
		GES Solar 2	3	Other receivables	14,687	Note 2	–
		GES USA	3	Sales	62,404	Note 2	–
5	Yong Zhou	Yong Liang	3	Rental income	99	Note 2	–
		Yong Han	3	Rental income	99	Note 2	–
6	GES JAPAN	GES FUKUSHIMA	3	Accrued expenses	495	Note 2	–
		Abacus	3	Other receivables	205,958	Note 2	1%
7	GES UK	GES Solar 2	3	Other receivables	1,226	Note 2	–
		GES Solar 4	3	Other receivables	59	Note 2	–
		GES Solar 5	3	Other receivables	59	Note 2	–
		GES Solar 6	3	Other receivables	59	Note 2	–
		GES Solar 7	3	Other receivables	59	Note 2	–
		GES Solar 8	3	Other receivables	59	Note 2	–
		NCH Solar 1	3	Accrued expenses	1,719	Note 2	–
		JRC	3	Other receivables	1,500,259	Note 2	4%
		GES JAPAN	3	Interest income	538	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
8	GES USA	ET ENERGY	3	Other receivables	14,426	Note 2	–
			3	Interest income	103	Note 2	–
		TIPPING POINT	3	Other receivables	8,958	Note 2	–
			3	Interest income	49	Note 2	–
		MEGATWO	3	Other receivables	47,115	Note 2	–
		MEGAFIVE	3	Other receivables	8,498	Note 2	–
		MEGASIX	3	Other receivables	14,659	Note 2	–
		MEGASEVEN	3	Other receivables	60	Note 2	–
		ASSET ONE	3	Other receivables	10,580	Note 2	–
		ASSET TWO	3	Other receivables	54	Note 2	–
		SH4	3	Other receivables	22,580	Note 2	–
		CENERGY	3	Other receivables	98,614	Note 2	–
9	NCH Solar 1	JRC	3	Sales	1,651	Note 2	–
10	GES Solar 2	GES Solar 3	3	Other receivables	25,667	Note 2	–
11	GES FUKUSHIMA	Abacus	3	Other receivables	88	Note 2	–
12	MEGATWO	GES USA	3	Prepayment for equipment	16,177	Note 2	–

Note 1: No. 1 represents the transaction from parent company to subsidiary; No. 2 represents the transaction from subsidiaries to parent company; No. 3 represents the transactions between subsidiaries.

Note 2: At normal commercial prices and terms.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Neo Solar Power Corp.

We have reviewed the accompanying consolidated balance sheets of Neo Solar Power Corp. (NSP) and its subsidiaries (collectively referred to as the "Corporation") as of June 30, 2015 and 2016, and the related consolidated statements of comprehensive income for the three months ended June 30, 2015 and 2016, six months ended June 30, 2015 and 2016, and consolidated statements of changes in equity and cash flows for the six months ended June 30, 2015 and 2016. These consolidated financial statements are the responsibility of NSP's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 15 to the consolidated financial statements, the financial statements of nonsignificant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2015 and 2016, combined total assets of these nonsignificant subsidiaries were NT$5,121,241 thousand and NT$9,075,143 thousand, respectively, representing 14.22% and 22.63%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$2,392,996 thousand and NT$5,911,512 thousand, respectively, representing 15.27% and 33.17%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2015 and 2016, six months ended June 30, 2015 and 2016, combined comprehensive loss of these subsidiaries was NT$(92,685) thousand, NT$(181,912) thousand, NT$(200,526) thousand and NT$(245,407) thousand, respectively, representing 10.58%, 18.22%, 14.05% and 24.00%, respectively, of the consolidated total comprehensive (loss) income. As disclosed in Note 16 to the consolidated financial statements, investment accounted for using the equity method of NT$64,563 thousand and NT$135,385 thousand as of June 30, 2015 and 2016, and the share of gain (loss) and share of total comprehensive income (loss) of associates and joint ventures of NT$(2,282) thousand, NT$26,642 thousand, NT$(2,807) thousand and NT$5,870 thousand for the three months ended June 30, 2015 and 2016, six months ended June 30, 2015 and 2016, respectively, were calculated based on the financial statements that have not been reviewed. Also, the information disclosed in Note 41 to the consolidated financial statements was based on unreviewed financial statements of these nonsignificant subsidiaries and investees for the same reporting periods.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the financial statements of these nonsignificant subsidiaries and investment accounted for using the equity method as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Our reviews also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts, based on our reviews, such translation has been made in conformity with the basis stated in Note 4 d. Such U.S. dollar amount are presented solely for the convenience of readers.

August 4, 2016

Notice to Readers

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

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	June 30, 2015 (Reviewed)	December 31, 2015 (Audited)	June 30, 2016 (Reviewed)	
	NT$	NT$	NT$	US$ (Note 4)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 6, 32 and 36)	$ 8,989,780	$ 8,498,752	$10,503,720	$ 326,000
Financial assets at fair value through profit or loss – current (Notes 7 and 36)	4,673	29	6,814	211
Notes and accounts receivable, net (Notes 11 and 36)	4,710,118	4,605,189	3,130,973	97,175
Installment accounts receivable (Notes 11 and 36)	–	18,717	42,457	1,318
Accounts receivable – related parties (Notes 11, 36 and 37)	7,720	340,460	275,898	8,563
Financial lease receivables (Notes 12, 17, 36 and 38)	76,446	90,727	85,743	2,661
Other receivables (Notes 11 and 36)	118,892	67,345	92,434	2,869
Other receivables – related parties (Notes 11, 36 and 37)	498,396	476,099	636,588	19,758
Current tax assets (Note 4)	16,141	9,532	10,522	327
Inventories (Notes 13 and 38)	2,583,105	4,253,107	5,898,076	183,056
Prepayments (Notes 19, 20 and 39)	641,660	635,751	497,094	15,428
Noncurrent assets held for sale (Notes 14 and 17)	329,158	2,876	38,725	1,202
Other current assets (Notes 20, 36 and 38)	345,821	303,406	430,496	13,361
Total current assets	18,321,910	19,301,990	21,649,540	671,929
NONCURRENT ASSETS				
Available-for-sale financial assets – noncurrent (Notes 8 and 36)	126,625	109,873	101,197	3,141
Financial assets carried at cost – noncurrent (Notes 9 and 36)	66,967	54,611	54,595	1,694
Debt investment with no active market – noncurrent (Notes 10, 36 and 37)	–	310,103	306,717	9,519
Investment accounted for using the equity method (Notes 15 and 16)	64,563	65,824	135,385	4,202
Property, plant and equipment (Notes 14, 17, 37 and 38)	13,245,977	12,924,354	11,893,825	369,144
Intangible assets (Note 18)	532,313	620,471	617,983	19,180
Deferred tax assets (Note 4)	28,401	18,377	18,249	566
Long-term installment accounts receivable (Notes 11 and 36)	–	338,686	1,157,091	35,912
Financial lease receivables – noncurrent (Notes 12, 17, 36 and 38)	1,519,350	1,915,008	1,679,916	52,139
Prepayments – noncurrent (Notes 20 and 39)	1,202,192	1,516,406	1,727,648	53,620
Refundable deposits (Notes 36, 37 and 38)	109,544	342,150	310,591	9,640
Prepayments for lease (Note 19)	21,657	23,587	22,600	701
Other noncurrent assets (Notes 20 and 38)	766,710	1,560,059	420,471	13,051
Total noncurrent assets	17,684,299	19,799,509	18,446,268	572,509
TOTAL	$36,006,209	$39,101,499	$40,095,808	$1,244,438

	June 30, 2015 (Reviewed)	December 31, 2015 (Audited)	June 30, 2016 (Reviewed)	
	NT$	NT$	NT$	US$ (Note 4)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 21, 36 and 38)	$ 3,663,039	$ 6,448,680	$ 6,088,887	$ 188,978
Short-term bills payable (Notes 21 and 36)	–	49,912	149,784	4,649
Financial liabilities at fair value through profit or loss – current (Notes 7 and 36)	58	6,102	20,361	632
Notes and accounts payable (Note 36)	1,783,860	2,005,779	1,554,360	48,242
Accounts payable – related parties (Notes 36 and 37)	81,318	557	659	20
Bonuses payable to employees and directors (Note 28)	39,716	2,649	2,798	87
Payables to contractors and equipment suppliers (Notes 36 and 37)	557,324	680,695	450,859	13,993
Accrued expense (Notes 23, 25, 36 and 37)	1,372,826	1,441,569	1,403,845	43,571
Current tax liabilities (Note 4)	3,866	640	424	13
Provisions – current (Note 24)	–	–	8,588	267
Receipts in advance (Note 37)	276,012	134,319	61,024	1,894
Current portion of long-term bank loans and bonds payable (Notes 21, 22, 36 and 38)	1,498,872	1,796,303	657,119	20,395
Other current liabilities (Note 23)	45,285	56,622	33,940	1,054
Total current liabilities	9,322,176	12,623,827	10,432,648	323,795
NONCURRENT LIABILITIES				
Bonds payable (Notes 22, 36 and 38)	3,637,314	3,461,799	3,501,681	108,680
Long-term bank loans (Notes 21, 36 and 38)	1,667,897	1,588,351	2,931,918	90,997
Provisions – noncurrent (Note 24)	247,112	291,688	195,261	6,060
Deferred tax liabilities (Note 4)	78,841	64,103	52,069	1,616
Preference share liabilities – noncurrent (Notes 21, 36 and 38)	470,000	470,000	470,000	14,587
Guarantee deposits	333	339	909	28
Other noncurrent liabilities (Note 23)	247,653	245,542	235,021	7,294
Total noncurrent liabilities	6,349,150	6,121,822	7,386,859	229,262
Total liabilities	15,671,326	18,745,649	17,819,507	553,057
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 26, 31 and 33)				
Common shares	8,559,865	8,581,617	10,177,797	315,884
Capital surplus	12,192,812	12,211,474	12,347,173	383,215
Retained earnings				
Legal reserve	69,422	69,422	–	–
Accumulated deficit	(1,016,402)	(1,238,096)	(826,368)	(25,648)
Other equity	(71,901)	131,877	(23,808)	(739)
Total equity attributable to shareholders of the parent	19,733,796	19,756,294	21,674,794	672,712
NONCONTROLLING INTERESTS (Notes 15 and 33)	601,087	599,556	601,507	18,669
Total equity	20,334,883	20,355,850	22,276,301	691,381
TOTAL	$36,006,209	$39,101,499	$40,095,808	$1,244,438

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

(With Deloitte & Touche review report dated August 4, 2016)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Loss Per Share)
(Reviewed, Not Audited)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2016		2015	2016	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
NET SALES (Notes 27, 32, 37 and 39)	$4,987,462	$4,503,893	$139,786	$ 9,617,797	$10,407,801	$323,023
COST OF SALES (Notes 13, 28, 37 and 39)	5,180,992	4,885,914	151,642	9,921,259	10,052,514	311,996
GROSS (LOSS) PROFIT	(193,530)	(382,021)	(11,856)	(303,462)	355,287	11,027
(UNREALIZED) REALIZED GAIN FROM SALES	27,849	(18,689)	(580)	38,450	(4,548)	(141)
REALIZED GROSS (LOSS) PROFIT FROM SALES	(165,681)	(400,710)	(12,436)	(265,012)	350,739	10,886
OPERATING EXPENSES (Notes 28 and 37)						
Selling	336,673	121,623	3,775	444,255	413,856	12,845
General and administrative	135,140	249,717	7,750	265,362	457,736	14,207
Research and development	97,333	97,116	3,014	182,918	191,324	5,938
Total operating expenses	569,146	468,456	14,539	892,535	1,062,916	32,990
OTHER INCOME AND EXPENSES (Notes 14, 17, 28 and 37)	(16,224)	(121,770)	(3,779)	(16,224)	(121,770)	(3,779)
LOSS FROM OPERATIONS	(751,051)	(990,936)	(30,754)	(1,173,771)	(833,947)	(25,883)
NONOPERATING INCOME AND EXPENSES						
Foreign exchange gain (loss), net (Note 28)	17,401	97,508	3,026	(41,890)	143,751	4,462
Share of gain (loss) of associates and joint ventures	(2,282)	26,642	827	(2,807)	5,870	182
Interest income (Notes 10 and 28)	9,898	14,428	448	13,470	25,945	805
Gain on disposal of power facility business (Note 12)	–	14,141	439	–	22,476	698
Others (Notes 28 and 37)	4,287	3,617	112	8,672	5,818	180
Gain from bargain purchase (Note 32)	1,082	–	–	1,082	–	–
Loss on disposal of investments	–	–	–	(955)	–	–
Other gains and losses	1,172	(238)	(7)	426	(359)	(12)
(Loss) gain on financial instruments at fair value through profit or loss (Note 7)	(4,605)	(16,452)	(511)	36,882	(37,545)	(1,165)
Finance costs (Note 28)	(60,916)	(73,898)	(2,294)	(123,127)	(152,900)	(4,745)
Total nonoperating income and expenses	(33,963)	65,748	2,040	(108,247)	13,056	405
LOSS BEFORE INCOME TAX	(785,014)	(925,188)	(28,714)	(1,282,018)	(820,891)	(25,478)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 29)	1,156	(17,001)	(529)	5,935	(12,784)	(397)
NET LOSS FOR THE PERIOD	(783,858)	(942,189)	(29,243)	(1,276,083)	(833,675)	(25,875)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2016		2015	2016	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
OTHER COMPREHENSIVE LOSS (Note 28)						
Items that may be reclassified subsequently to profit or loss:						
Unrealized loss on available-for-sale financial assets	$ (20,853)	$ (4,119)	$ (128)	$ (30,477)	$ (8,676)	$ (269)
Exchange differences on translating foreign operations	(71,007)	(51,971)	(1,613)	(120,489)	(180,152)	(5,591)
Total other comprehensive loss	(91,860)	(56,090)	(1,741)	(150,966)	(188,828)	(5,860)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$(875,718)	$(998,279)	$(30,984)	$(1,427,049)	$(1,022,503)	$(31,735)
NET LOSS ATTRIBUTABLE TO						
Shareholders of the parent	$(767,042)	$(935,206)	$(29,026)	$(1,233,947)	$ (826,368)	$(25,648)
Noncontrolling interests	(16,816)	(6,983)	(217)	(42,136)	(7,307)	(227)
	$(783,858)	$(942,189)	$(29,243)	$(1,276,083)	$ (833,675)	$(25,875)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO						
Shareholders of the parent	$(853,641)	$(994,004)	$(30,851)	$(1,376,371)	$(1,005,002)	$(31,192)
Noncontrolling interests	(22,077)	(4,275)	(133)	(50,678)	(17,501)	(543)
	$(875,718)	$(998,279)	$(30,984)	$(1,427,049)	$(1,022,503)	$(31,735)
LOSS PER SHARE (Note 30)						
Basic loss per share	$ (0.90)	$ (0.96)	$ (0.03)	$ (1.45)	$ (0.90)	$ (0.03)
Diluted loss per share	$ (0.90)	$ (0.96)	$ (0.03)	$ (1.45)	$ (0.90)	$ (0.03)

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

(With Deloitte & Touche review report dated August 4, 2016)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent																	
	Common Shares		Capital Surplus						Retained Earnings			Other Equity					
	Shares (Thousand)	Common Shares	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Carrying Amounts Adjusted for Changes in Percentage of Ownership in Subsidiaries	Employee Share Options	Restricted Shares for Employees	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Unearned Employee Benefits	Total	Noncontrolling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	856,277	$8,562,770	$11,404,787	$507,846	$156,427	$13,416	$3,022	$111,993	$47,566	$ 18,928	$ 391,744	$ 196,025	$(101,421)	$(56,670)	$21,256,433	$467,338	$21,723,771
Appropriation of 2014 earnings																	
Legal reserve	–	–	–	–	–	–	–	–	21,856	–	(21,856)	–	–	–	–	–	–
Reversal of special reserve	–	–	–	–	–	–	–	–	–	(18,928)	18,928	–	–	–	–	–	–
Cash dividends distributed by the Corporation	–	–	–	–	–	–	–	–	–	–	(171,271)	–	–	–	(171,271)	–	(171,271)
Cash dividends distributed by subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,243)	(9,243)
Cancellation of restricted shares for employees	(291)	(2,905)	–	–	–	–	–	(4,994)	–	–	–	–	–	7,899	–	–	–
Compensation cost of restricted shares for employees	–	–	–	–	–	–	–	–	–	–	–	–	–	24,690	24,690	–	24,690
Additional acquisition of partially owned subsidiaries at a percentage different from its earlier ownership percentage	–	–	–	–	–	315	–	–	–	–	–	–	–	–	315	193,670	193,985
Net loss for the six months ended June 30, 2015	–	–	–	–	–	–	–	–	–	–	(1,233,947)	–	–	–	(1,233,947)	(42,136)	(1,276,083)
Other comprehensive loss for the six months ended June 30, 2015, net of income tax	–	–	–	–	–	–	–	–	–	–	–	(111,947)	(30,477)	–	(142,424)	(8,542)	(150,966)
Total comprehensive loss for the six months ended June 30, 2015	–	–	–	–	–	–	–	–	–	–	(1,233,947)	(111,947)	(30,477)	–	(1,376,371)	(50,678)	(1,427,049)
BALANCE AT JUNE 30, 2015	855,986	$8,559,865	$11,404,787	$507,846	$156,427	$13,731	$3,022	$106,999	$69,422	$ –	$(1,016,402)	$ 84,078	$(131,898)	$(24,081)	$19,733,796	$601,087	$20,334,883

	Equity Attributable to Shareholders of the Parent																
	Common Shares		Capital Surplus						Retained Earnings			Other Equity					
	Shares (Thousand)	Common Shares	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Carrying Amounts Adjusted for Changes in Percentage of Ownership in Subsidiaries	Employee Share Options	Restricted Shares for Employees	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Unearned Employee Benefits	Total	Noncontrolling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	858,161	$ 8,581,617	$11,404,787	$507,846	$156,427	$13,731	$3,022	$125,661	$ 69,422	$–	$(1,238,096)	$ 239,609	$(71,074)	$(36,658)	$19,756,294	$599,556	$20,355,850
Offset of deficit against legal reserve	–	–	–	–	–	–	–	–	(69,422)	–	69,422	–	–	–	–	–	–
Offset of deficit against capital surplus	–	–	(1,168,674)	–	–	–	–	–	–	–	1,168,674	–	–	–	–	–	–
Issuance of common shares for cash	160,000	1,600,000	1,270,218	–	–	–	–	–	–	–	–	–	–	–	2,870,218	–	2,870,218
Cancellation of restricted shares for employees	(382)	(3,820)	–	–	–	–	–	(4,947)	–	–	–	–	–	8,767	–	–	–
Compensation cost of restricted shares for employees	–	–	–	–	–	–	–	–	–	–	–	–	–	14,182	14,182	–	14,182
Compensation cost of employee share options	–	–	39,048	–	–	–	–	–	–	–	–	–	–	–	39,048	329	39,377
Additional acquisition of partially owned subsidiaries at a percentage different from its earlier ownership percentage	–	–	–	–	–	54	–	–	–	–	–	–	–	–	54	17,485	17,539
Noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,638	1,638
Net loss for the six months ended June 30, 2016	–	–	–	–	–	–	–	–	–	–	(826,368)	–	–	–	(826,368)	(7,307)	(833,675)
Other comprehensive loss for the six months ended June 30, 2016, net of income tax	–	–	–	–	–	–	–	–	–	–	–	(169,958)	(8,676)	–	(178,634)	(10,194)	(188,828)
Total comprehensive loss for the six months ended June 30, 2016	–	–	–	–	–	–	–	–	–	–	(826,368)	(169,958)	(8,676)	–	(1,005,002)	(17,501)	(1,022,503)
BALANCE AT JUNE 30, 2016	1,017,779	$10,177,797	$11,545,379	$507,846	$156,427	$13,785	$3,022	$120,714	$ –	$–	$ (826,368)	$ 69,651	$(79,750)	$(13,709)	$21,674,794	$601,507	$22,276,301
BALANCE AT JUNE 30, 2016 (In Thousands of U.S. dollars; at NT$32.22 per US$1, Note 4)	1,017,779	$ 315,884	$ 358,329	$ 15,762	$ 4,855	$ 428	$ 94	$ 3,747	$ –	$–	$ (25,648)	$ 2,161	$ (2,475)	$ (425)	$ 672,712	$ 18,669	$ 691,381

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

(With Deloitte & Touche review report dated August 4, 2016)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	Six Months Ended June 30		
	2015	2016	
	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	$(1,282,018)	$ (820,891)	$(25,478)
Adjustments for:			
Depreciation	1,037,405	1,010,103	31,350
Amortization	1,958	1,961	61
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(19,913)	7,474	232
Loss on disposal of investment	955	–	–
Gain on disposal of power facility business	–	(22,476)	(698)
Reversal of provisions	–	(121,546)	(3,772)
Provision for doubtful accounts	174,543	110,890	3,442
Allowance for loss on inventories	22,161	312,816	9,709
Share of (gain) loss of associates and joint ventures	2,807	(5,870)	(182)
Unrealized (realized) gain from sales	(38,450)	4,548	141
Reclassified from property, plant and equipment to expenses	29	3,123	97
Loss on disposal of property, plant and equipment	–	16,780	521
Impairment loss on property, plant and equipment	6,128	96,972	3,010
Loss on disposal of noncurrent assets held for sale	2,387	8,018	249
Impairment loss on noncurrent assets held for sale	7,709	–	–
Compensation cost of restricted shares for employees	24,690	14,182	440
Compensation cost of employee share options	–	39,377	1,222
Interest income	(44,287)	(77,318)	(2,400)
Finance costs	123,127	152,900	4,745
Gain from bargain purchase	(1,082)	–	–
Net gain on foreign exchange	(15,687)	(83,979)	(2,606)
Changes in operating assets and liabilities:			
Notes and accounts receivable	(7,775)	1,315,195	40,819
Accounts receivable – related parties	176,169	57,138	1,773
Other receivables	(31,874)	(24,432)	(758)
Other receivables – related parties	142,373	(153,230)	(4,756)
Inventories	(544,412)	(1,998,783)	(62,035)
Prepayments (including noncurrent)	48,841	(216,360)	(6,715)
Other current assets	1,027,568	65,325	2,027
Notes and accounts payable	269,044	(422,035)	(13,098)

	Six Months Ended June 30		
	2015	2016	
	NT$	NT$	US$ (Note 4)
Accounts payable – related parties	$ (3,597)	$ 104	$ 3
Bonuses payable to employees and directors	–	149	5
Accrued expenses	(237,319)	(180,283)	(5,595)
Deferred revenue	(11,017)	(13,597)	(422)
Receipts in advance	20,334	(73,295)	(2,275)
Other current liabilities	12,687	(18,499)	(574)
Provisions	21,904	34,726	1,078
Income taxes paid	(1,642)	(25,896)	(804)
Net cash (used in) generated from operating activities	883,746	(1,006,709)	(31,244)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale financial assets	2,956	–	–
Proceeds from sale of power facility business	–	494,000	15,332
Acquisition of investment accounted for using the equity method	–	(56,651)	(1,758)
Acquisition of property, plant and equipment	(1,048,458)	(1,378,652)	(42,789)
Decrease in prepayments for investments	–	68,208	2,117
Net cash outflow on acquisition of subsidiaries	(9,314)	–	–
Decrease in restricted assets	76,102	887,180	27,535
Decrease in pledged bank acceptances	–	50,744	1,575
Increase in pledged time deposits	(8,083)	(23,700)	(736)
Decrease in finance lease receivables	52,217	49,578	1,539
Interest received	43,915	71,999	2,235
Increase in refundable deposits	(39,943)	(35,337)	(1,097)
Decrease in refundable deposits	175,006	59,568	1,849
Increase in other noncurrent assets	(14,555)	(687)	(21)
Decrease in other noncurrent assets	13,039	24,963	775
Net cash generated from (used in) investing activities	(757,118)	211,213	6,556

	Six Months Ended June 30		
	2015	2016	
	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term bank loans	$ 6,683,828	$ 11,184,217	$ 347,120
Decrease in short-term bank loans	(5,989,363)	(11,455,039)	(355,526)
Increase in short-term bill payable	–	99,812	3,098
Proceeds from long-term bank loans	100,000	1,942,958	60,303
Repayments of long-term bank loans	(716,301)	(1,724,882)	(53,535)
Increase in guarantee deposits	–	2,644	82
Decrease in guarantee deposits	(1,026)	(2,061)	(64)
Proceeds from issuance of common shares	–	2,870,218	89,082
Interest paid	(83,139)	(100,063)	(3,106)
Increase in noncontrolling interests	193,985	17,539	544
Net cash generated from financing activities	187,984	2,835,343	87,998
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(46,609)	(34,879)	(1,083)
NET INCREASE IN CASH AND CASH EQUIVALENTS	268,003	2,004,968	62,227
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	8,721,777	8,498,752	263,773
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 8,989,780	$ 10,503,720	$ 326,000

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

(With Deloitte & Touche review report dated August 4, 2016)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2016
(In Thousands, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATION

Neo Solar Power Corp. (NSP) was incorporated in the Republic of China (ROC) on August 26, 2005. NSP specializes in manufacturing high-quality solar cells, solar cell modules and wafers. NSP's main business activities include researching, developing, designing, manufacturing and selling solar cells and doing other solar-related businesses. Its common shares have been listed on the Taiwan Stock Exchange (TSE) since January 2009. For the main business activities of NSP and its subsidiaries (collectively referred to as "the Corporation"), refer to Notes 15 and 41.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors of NSP and issued on August 4, 2016.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China for application starting from 2017.

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010–2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

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

Except for the following, the initial application of the above New IFRSs in 2017 would not have any material impact on the Corporation's accounting policies:

1) ***Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"***

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

2) ***Annual Improvements to IFRSs: 2010–2012 Cycle***

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

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

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

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

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

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

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

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

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

4) ***Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"***

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

5) ***Annual Improvements to IFRSs: 2012–2014 Cycle***

Several standards including IFRS 5 "Noncurrent assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018 (Note)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarification of IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contract; and

e) Recognize revenue when the entity satisfies a performance obligation.

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

4) ***IFRS 16 "Leases"***

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

See Note 15 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

d. U.S. dollar amounts

A translation of the New Taiwan dollar (NT$) amounts into U.S. dollars in the consolidated financial statements as of and for the six months ended June 30, 2016 is included solely for the convenience of the readers, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT$32.22 to US $1.00 as of June 30, 2016. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2015	December 31, 2015	June 30, 2016
Demand deposits	$6,766,586	$7,085,212	$ 7,403,091
Checking accounts	70,731	61,723	67,915
Cash on hand	997	4,254	1,078
Cash equivalents			
Bank acceptances	709,695	284,763	12,142
Time deposits	1,441,771	1,062,800	3,019,494
	$8,989,780	$8,498,752	$10,503,720

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2015	December 31, 2015	June 30, 2016
Financial assets at fair value through profit or loss (FVTPL)			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$4,673	$ 29	$ 6,814
Financial liabilities at FVTPL			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	$ –	$5,968	$20,361
Interest swap contracts	58	134	–
	$ 58	$6,102	$20,361

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

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2015			
Sell	Sell EUR/Buy US$	July 27, 2015	EUR2,000/US$2,258
Buy	Sell JPY/Buy US$	August 13, 2015	JPY300,000/US$2,519
Buy	Sell JPY/Buy US$	August 14, 2015	JPY300,000/US$2,519
December 31, 2015			
Sell	Sell EUR/Buy US$	February 8, 2016	EUR2,000/US$2,180
Sell	Sell EUR/Buy US$	February 9, 2016	EUR2,000/US$2,171
Sell	Sell EUR/Buy US$	March 10, 2016	EUR2,000/US$2,191
Buy	Sell RMB/Buy US$	January 21, 2016	RMB9,832/US$1,500
Buy	Sell JPY/Buy US$	February 26, 2016	JPY300,000/US$2,451
Buy	Sell JPY/Buy US$	March 1, 2016	JPY300,000/US$2,455
Buy	Sell JPY/Buy US$	March 1, 2016	JPY300,000/US$2,455
Buy	Sell JPY/Buy US$	March 11, 2016	JPY200,000/US$1,632
June 30, 2016			
Sell	Sell EUR/Buy US$	July 11, 2016	EUR2,000/US$2,273
Sell	Sell EUR/Buy US$	July 18, 2016	EUR1,000/US$1,123
Buy	Sell RMB/Buy US$	July 5, 2016	RMB13,017/US$2,000
Buy	Sell RMB/Buy US$	July 15, 2016	RMB6,605/US$1,000
Buy	Sell RMB/Buy US$	August 5, 2016	RMB9,818/US$1,500
Buy	Sell RMB/Buy US$	August 5, 2016	RMB9,821/US$1,500
Buy	Sell RMB/Buy US$	August 23, 2016	RMB19,791/US$3,000
Buy	Sell RMB/Buy US$	August 30, 2016	RMB6,619/US$1,000
Buy	Sell JPY/Buy US$	July 20, 2016	JPY200,000/US$1,915
Buy	Sell JPY/Buy US$	August 25, 2016	JPY300,000/US$2,741
Buy	Sell JPY/Buy US$	August 31, 2016	JPY200,000/US$1,807
Buy	Sell JPY/Buy US$	August 31, 2016	JPY300,000/US$2,711
Buy	Sell JPY/Buy US$	September 9, 2016	JPY107,540/US$1,000

The Corporation entered into derivative transactions during the six months ended June 30, 2015 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

At the end of the reporting period, outstanding interest swap contracts not under hedge accounting were as follows:

Contract Amount	Maturity Period	Interest Rates – Payments	Interest Rates – Receipts
(In Thousands)			
June 30, 2015			
NT$25,700	May 28, 2013–May 28, 2018	1.150%	0.875% (floating)
December 31, 2015			
NT$25,700	May 28, 2013–May 28, 2018	1.150%	0.808% (floating)

The Corporation entered into derivative transactions during the six months ended June 30, 2015 and 2016 to manage exposures to interest rate fluctuations of assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2015	December 31, 2015	June 30, 2016
Noncurrent			
Domestic quoted shares			
ThinTech Materials Technology Co., Ltd. (TTMC)	$126,625	$109,873	$101,197

As of June 30, 2015, December 31, 2015 and June 30, 2016, the carrying amounts of the Corporation's investment in TTMC's private-placement shares were NT$119,840 thousand, NT$103,950 thousand and NT$95,830 thousand, respectively; under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

Except as stated above, the available-for-sale financial assets were not used as guarantee or collateral for loan and do not have other operating restrictions.

9. FINANCIAL ASSETS CARRIED AT COST

	June 30, 2015	December 31, 2015	June 30, 2016
Noncurrent			
Domestic unlisted common shares			
EXOJET Technology Corporation ("EXOJET")	$42,500	$30,100	$30,100
Overseas unlisted common shares			
SUN APPENNINO CORPORATION	22,590	22,590	22,590
FICUS CAPITAL CORPORATION	1,259	1,259	1,259
TG ENERGY SOLUTIONS LCC	618	662	646
	$66,967	$54,611	$54,595
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$66,967	$54,611	$54,595

Management believed that the above domestic and foreign unlisted equity investments held by the Corporation have fair value that cannot be reliably measured because the range of reasonable fair value estimates was significant; thus, they were measured at cost less impairment at the end of reporting period.

The financial assets carried at cost were not used as guarantee or collateral for loan and do not have other operating restrictions.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2015	December 31, 2015	June 30, 2016
Noncurrent			
Puttable preferred stock (C-Share II)-Phanes Holding Inc.	$–	$146,453	$145,287
Puttable preferred stock (C-Shares III)-Phanes Holding Inc.	–	163,650	161,430
	$–	$310,103	$306,717

Phanes Holding Inc. ("Phanes Holding"), a project developer, is an overseas unlisted company. General Energy Solutions (GES), a subsidiary of NSP, has successfully built several power facilities in the United Kingdom and Dominican Republic through the cooperative relationship with Phanes Holding. In order to build a long-term cooperative strategic relationship with Phanes Holding, GES subscribed for the following preferred stocks issued by Phanes Holding at par on December 18, 2015:

1) Two-year puttable preferred stock (C-Shares II) with 4,500 shares amounting to US$4,500 thousand (NT$145,287 thousand) for 100% interest

2) Five-year puttable preferred stock (C-Shares III) with 24,000 shares amounting to US$5,000 thousand (NT$161,430 thousand) for 100% interest

The above preferred stocks carried no voting rights and dividend rights but preferential rights on dividends specified at 7% of the par value. The preferred stocks can be redeemed prior to or later than the maturity date under the agreement between GES and Phanes Holding.

There was no significant addition, deduction, impairment or reversal in GES's debt investments with no active market for the six months ended June 30, 2016. For the six months ended June 30, 2016, the interest income of puttable preferred stock was NT$11,567 thousand.

The debt investments with no active market had not been pledged as security as of June 30, 2016.

At the end of the reporting period, the registration of the puttable preferred stock was still in process.

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

	June 30, 2015	December 31, 2015	June 30, 2016
Notes and accounts receivable			
Notes and accounts receivable	$4,890,963	$4,926,841	$3,550,322
Accounts receivable – related parties	7,720	340,460	275,898
Less: Allowance for impairment loss	(180,845)	(321,652)	(419,349)
	$4,717,838	$4,945,649	$3,406,871
Other receivables			
Other receivables – related parties	$ 498,396	$ 476,099	$ 636,588
Sales tax refund receivable	56,500	57,511	69,210
Others	62,392	9,834	23,224
	$ 617,288	$ 543,444	$ 729,022

a. Notes and accounts receivable

The credit periods for the sale of goods were (a) 30 to 120 days after the end of the month; (b) 14 to 365 days from the invoice date; and (c) 30 to 90 days for letters of credit and the average credit periods for power facility construction were 180 to 360 days. No interest was charged on accounts receivable. For overdue accounts receivable, interest was charged on the basis of management's judgment. 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 irrecoverable amounts estimated through aging analysis, reference to past default of the counterparties and an assessment of their current financial position.

For the accounts receivable that were past due but not impaired 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 June 30, 2015, December 31, 2015 and June 30, 2016, the amounts of collaterals or other credit enhancements for these receivables were NT$105,131 thousand, NT$89,565 thousand and NT$114,371 thousand, respectively. The Corporation had no legal right to offset the receivables against any amounts owed by the Corporation to the counterparties.

The aging of receivables was as follows:

	June 30, 2015	December 31, 2015	June 30, 2016
Up to 60 days	$4,246,379	$4,735,550	$2,971,959
61–90 days	87,560	12,413	83,912
91–120 days	348,147	55,600	106,844
More than 120 days	216,597	463,738	663,505
Total	$4,898,683	$5,267,301	$3,826,220

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:

	June 30, 2015	December 31, 2015	June 30, 2016
Up to 60 days	$ 418,524	$486,868	$350,235
61–90 days	63,184	12,413	83,912
91–120 days	348,147	55,600	96,534
More than 120 days	211,029	142,085	197,158
	$1,040,884	$696,966	$727,839

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, 2015	$ 7,463	$–	$ 7,463
Impairment loss recognized on receivables	174,543	–	174,543
Translation adjustments	(1,161)	–	(1,161)
Balance at June 30, 2015	$180,845	$–	$180,845
Balance at January 1, 2016	$321,652	$–	$321,652
Impairment loss recognized on receivables	110,890	–	110,890
Translation adjustments	(13,193)	–	(13,193)
Balance at June 30, 2016	$419,349	$–	$419,349

Allowance for impairment loss included individually impaired accounts receivable amounting to NT$180,845 thousand, NT$321,652 thousand and NT$419,349 thousand as of June 30, 2015, December 31, 2015 and June 30, 2016, respectively. These amounts were recognized according to the Corporation's risk control process involving customers with tight cash flows. The recognized impairment represents the difference between the carrying amount of these accounts receivable and the present value of the expected proceeds to be received from liquidation. The Corporation did not hold any collateral on these impaired receivables.

b. **Installment accounts receivable and other receivables**

	June 30, 2015	December 31, 2015	June 30, 2016
Gross amount of installment accounts receivable	$ –	$399,408	$1,335,971
Unrealized interests revenue	–	(42,005)	(136,423)
	$ –	$357,403	$1,199,548
Other receivables	$617,288	$543,444	$ 729,022
Allowance for impairment loss	–	–	–
	$617,288	$543,444	$ 729,022

At the end of the reporting period, installment accounts receivable from sales of machinery and equipment with the expected amount to be collected during 2016 to 2027 are as follows:

Year	Amount
2016	$ 10,969
2017	87,097
2018	112,877
2019	115,127
2020	117,421
2021	119,762
2022	122,149
2023	124,584
2024	127,068
2025	129,602
2026	109,319
2027	23,573
	$1,199,548

None of the Corporation's installment accounts receivable was past due or impaired.

The credit period of other receivables is basically 60 days after the end of the month. Allowance for impairment loss is assessed on the basis of estimated irrecoverable amounts determined by 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, in which other receivables had not been impaired.

	June 30, 2015	December 31, 2015	June 30, 2016
Neither past due nor impaired	$147,144	$265,039	$261,173
Past due but not impaired – more than 120 days	470,144	278,405	467,849
	$617,288	$543,444	$729,022

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

12. FINANCE LEASE RECEIVABLES

	June 30, 2015	December 31, 2015	June 30, 2016
Gross investment in leases			
Not later than one year	$ 160,800	$ 201,477	$ 179,087
Over one year and less than five years	645,687	795,686	711,276
Later than five years	1,629,305	2,136,843	1,801,357
	2,435,792	3,134,006	2,691,720
Less: Unearned finance income	839,996	1,128,271	926,061
Present value of minimum lease payments	$1,595,796	$2,005,735	$1,765,659

The Corporation entered into several electricity purchase agreements (refer to Note 39 a. 2)) for the Corporation to sell all electricity to Taiwan Power Company, Tokyo Electric Power Company, Inc., Good Energy Limited and Indianapolis Power & Light Company, etc. after the electric generating facilities become operational with distribution system. The average term of finance leases entered into was 15 to 25 years. Since these agreements were covered by IFRIC 4 "Determining Whether an Arrangement contains a Lease" and IAS 17 "Leases," they were accounted for as finance lease.

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

For the six months ended June 30, 2016, the Corporation sold part of its power facilities resulting in a disposal gain of NT$22,476 thousand.

The amounts of finance lease receivables pledged as collateral for bank loans are shown in Note 38.

The finance lease receivables as of June 30, 2015, December 31, 2015 and June 30, 2016 were neither past due nor impaired.

13. INVENTORIES

	June 30, 2015	December 31, 2015	June 30, 2016
Finished goods	$1,101,393	$1,010,463	$2,019,292
Work in progress	239,670	302,321	287,687
Raw materials	774,726	1,043,390	1,483,745
Power facility construction in progress	467,316	1,896,933	2,107,352
	$2,583,105	$4,253,107	$5,898,076

Power facility construction in progress is the cost of Power facility construction which will be sold in the near future.

Allowances for inventory losses were NT$358,254 thousand, NT$301,657 thousand and NT$610,453 thousand as of June 30, 2015, December 31, 2015 and June 30, 2016, respectively.

For the three months ended June 30, 2015, the cost of sales related to inventories was NT$5,180,992 thousand, which included (1) unallocated fixed manufacturing overheads of NT$96,680 thousand; (2) income of NT$5,820 thousand from the sale of scraps and (3) reversal of NT$45,043 thousand losses on inventories. The allowance for losses on inventory was reversed as a result of the subsequent sale of obsolete inventories and the decrease of the unit cost of products.

For the three months ended June 30, 2016, the cost of sales related to inventories was NT$4,885,914 thousand, which included (1) unallocated fixed manufacturing overheads of NT$176,069 thousand; (2) income of NT$4,433 thousand from the sale of scraps and (3) loss of NT$919 thousand from the disposal of obsolete inventories; (4) allowance for losses on inventories amounting to NT$215,416 thousand and (5) gain on reversal of loss on purchase contract of NT$443 thousand.

For the six months ended June 30, 2015, the cost of sales related to inventories was NT$9,921,259 thousand, which included (1) unallocated fixed manufacturing overheads of NT$251,015 thousand; (2) income of NT$13,151 thousand from the sale of scraps and (3) allowance for losses on inventories of NT$22,161 thousand.

For the six months ended June 30, 2016, the cost of sales related to inventories was NT$10,052,514 thousand, which included (1) unallocated fixed manufacturing overheads of NT$265,405 thousand; (2) income of NT$11,594 thousand from the sale of scraps; (3) loss of NT$1,737 thousand from the disposal of obsolete inventories; (4) allowance for losses on inventories of NT$312,816 thousand and (5) gain on reversal of loss on purchase contracts of NT$5,046 thousand.

Refer to Note 38 for the carrying amount of inventories pledged by the Corporation to secure borrowings.

14. NONCURRENT ASSETS HELD FOR SALE

	June 30, 2015	December 31, 2015	June 30, 2016
Machinery and equipment	$322,058	$2,876	$38,725
Miscellaneous equipment	7,100	–	–
	$329,158	$2,876	$38,725

In 2014, the Corporation intended to proceed an exchange of assets with some machinery and equipment and advance payments. Such transaction was expected to be completed in 2015. On the reclassification of such assets as held for sale, the Corporation assessed their recoverable amount as less than their carrying amount; thus, impairment loss of NT$40,319 thousand was recognized for the year ended December 31, 2014; furthermore, after further assessment, an additional impairment loss of NT$7,709 thousand was recognized during the six months ended June 30, 2015, and the disposal was completed in April 2016.

In the second quarter of 2015, NSP intended to dispose a parcel of machinery and equipment and miscellaneous equipment and therefore reclassified such assets to noncurrent assets classified as held for sale. On November 10, 2015, NSP's board of directors approved the disposal of the above assets to TS Solartech Sdn Bhd. by installment payment. The first disposal had been completed on November 27, 2015; the second disposal is expected to be completed in November 2016. When such assets were reclassified as held for sale, NSP did not recognize any impairment loss.

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			% of Ownership			
Investor	Investee	Main Business	June 30, 2015	December 31, 2015	June 30, 2016	Remark
NSP	General Energy Solutions Inc. ("General Energy Solutions")	Electronic component manufacturing and selling	75.83	75.89	75.89	–
	Prime Energy Corp. ("Prime Energy")	Electronic component manufacturing and selling	100.00	100.00	100.00	–
	V5 Technology Ltd. ("V5 Technology")	Electronic component manufacturing and selling	59.43	61.33	61.23	–
	New Ray Investment Corp. ("New Ray Investment")	Investment company	100.00	100.00	100.00	–
	DelSolar Holding Singapore Pte. Ltd. ("DelSolar Singapore")	Investment company	100.00	100.00	100.00	–
	DelSolar Holding (Cayman) Ltd. ("DelSolar Cayman")	Investment company	100.00	100.00	100.00	–
	NSP Systems (BVI) Ltd. ("NSP BVI")	Investment company	–	100.00	100.00	–
	NSP UK Holding Limited ("NSP UK")	Investment company	–	100.00	100.00	–
	Best Power Service Corp. ("BPS")	Solar-related business	–	60.00	60.00	–
	NSP System Development Corp. ("NSP System")	Investment company	–	100.00	100.00	–
	New Castle Investment Corp. ("New Castle")	Investment company	–	55.00	55.00	–
General Energy Solutions	Yong Liang Ltd. ("Yong Liang")	Solar-related business	100.00	100.00	100.00	–
	Yong Han Ltd. ("Yong Han")	Solar-related business	100.00	100.00	100.00	–
	Yong Zhou Ltd. ("Yong Zhou")	Solar-related business	100.00	100.00	100.00	–
	Yun Yeh Energy Inc. ("Yun Yeh")	Solar-related business	100.00	100.00	100.00	–
	EverLite Power Inc. ("EverLite")	Electronic component manufacturing and selling	–	–	100.00	–
	General Energy Solutions International Co., Ltd. ("GES Samoa")	Investment company	–	–	–	Note 1

Investor	Investee	Main Business	% of Ownership June 30, 2015	December 31, 2015	June 30, 2016	Remark
	GES JAPAN CORPORATION (“GES JAPAN”)	Investment company	–	–	–	Note 1
	GES Global Co. Limited (“GES BVI”)	Investment company	–	–	–	Notes 2 and 7
	General Energy Solutions UK Limited (“GES UK”)	Investment company	–	100.00	100.00	Note 1
	Canoga Limited (“Canoga”)	Investment company	100.00	–	–	Note 3
	Abacus Renewable One Japan Ltd. (“Abacus”)	Solar-related business	–	100.00	100.00	Note 3
GES Samoa	General Energy Solutions UK Limited (“GES UK”)	Investment company	100.00	–	–	Note 1
GES UK	General Energy Solutions USA. Inc. (“GES USA”)	Investment company	100.00	100.00	100.00	–
	GENERAL ENERGY SOLUTIONS PHILIPPENS, INC. (“GES PH”)	Solar-related business	100.00	100.00	100.00	–
	GES JAPAN	Investment company	100.00	100.00	100.00	Note 1
	NCH Solar 1 Limited (“NCH Solar 1”)	Solar-related business	100.00	100.00	100.00	Note 4
	GES Solar 2 Limited (“GES Solar 2”)	Solar-related business	–	100.00	100.00	–
	GES Solar 3 Limited (“GES Solar 3”)	Solar-related business	–	100.00	100.00	–
	GES Solar 4 Limited (“GES Solar 4”)	Solar-related business	–	–	–	Note 5
	GES Solar 5 Limited (“GES Solar 5”)	Solar-related business	–	–	–	Note 5
	GES Solar 6 Limited (“GES Solar 6”)	Solar-related business	–	–	–	Note 5
	GES Solar 7 Limited (“GES Solar 7”)	Solar-related business	–	–	–	Note 5
	GES Solar 8 Limited (“GES Solar 8”)	Solar-related business	–	–	–	Note 5
	General Energy Solutions CANADA Inc. (“GES CANADA”)	Investment company	–	100.00	100.00	–
GES USA	ET ENERGY SOLUTIONS LLC (“ET ENERGY”)	Solar-related business	100.00	100.00	100.00	–
	TIPPING POINT ENERGY COC PPA SPE-1, LLC (“TIPPING POINT”)	Solar-related business	100.00	100.00	100.00	–
	GES MEGAONE, LLC (“MEGAONE”)	Solar-related business	–	–	–	Note 6
	MEGATWO, LLC (“MEGATWO”)	Solar-related business	–	–	–	Note 7
	GES MEGAFOUR, LLC (“MEGAFOUR”)	Solar-related business	–	–	–	Note 6
	GES MEGAFIVE, LLC (“MEGAFIVE”)	Solar-related business	–	–	–	Note 7
	GES MEGASIX, LLC (“MEGASIX”)	Solar-related business	–	–	–	Note 7
	GES MEGASEVEN, LLC (“MEGASEVEN”)	Solar-related business	–	–	–	Note 7
	GES MEGAEIGHT, LLC (“MEGAEIGHT”)	Solar-related business	–	–	–	Note 7
	GES ASSET ONE, LLC. (“ASSET ONE”)	Solar-related business	–	–	–	Note 7
	GES ASSET TWO, LLC. (“ASSET TWO”)	Solar-related business	–	–	–	Note 7
	GES ASSET THREE LLC (“ASSET THREE”)	Solar-related business	–	–	–	Note 7
	GES ASSET FOUR LLC (“ASSET FOUR”)	Solar-related business	–	–	–	Note 7

Investor	Investee	Main Business	% of Ownership June 30, 2015	December 31, 2015	June 30, 2016	Remark
	CENERGY PORTFOLIO LLC ("CENERGY")	Solar-related business	–	–	–	Note 7
	SH4 SOLAR LLC ("SH4")	Solar-related business	–	–	100.00	–
	SEC Newco., LLC ("SEC Newco")	Solar-related business	–	–	–	Note 6
GES USA	Bulldog Energy Airport LLC ("Bulldog")	Solar-related business	–	–	–	Note 6
	Cedar Falls Solar Farm, LLC ("Cedar Falls")	Solar-related business	–	–	100.00	–
GES JAPAN	GES FUKUSHIMA CORPORATION ("GES FUKUSHIMA")	Solar-related business	100.00	100.00	100.00	–
GES CANADA	ELECTRONIC J.R.C., S.R.L ("JRC")	Solar-related business	–	100.00	100.00	–
CENERGY	Smart Farm Inashiki Godo Kaisha ("Inashiki GK")	Solar-related business	–	–	–	Note 7
	Smart Farm Namegata Godo Kaisha ("Namegata GK")	Solar-related business	–	–	–	Note 7
MEGA TWO	Munisol S.A.P.I. de C.V. ("Munisol")	Solar-related business	–	–	–	Notes 7 and 8
ASSET THREE	GES Asset Three Shima's, LLC ("Shima's")	Solar-related business	–	–	–	Note 7
	GES Asset Three Waimea, LLC ("Waimea")	Solar-related business	–	–	–	Note 7
	GES Asset Three Honokawai, LLC ("Honokawai")	Solar-related business	–	–	–	Note 7
	GES Asset Three Eleele, LLC ("Eleele")	Solar-related business	–	–	–	Note 7
	GES Asset Three Hanalei, LLC ("Hanalei")	Solar-related business	–	–	–	Note 7
	GES Asset Three Kappa, LLC ("Kappa")	Solar-related business	–	–	–	Note 7
	GES Asset Three Koloa, LLC ("Koloa")	Solar-related business	–	–	–	Note 7
NSP BVI	NSP HK Holding Ltd. ("NSP HK")	Solar-related business	–	–	–	Note 7
	Clean Focus GP Limited ("CFGP")	Investment company	–	100.00	100.00	–
DelSolar Cayman	DelSolar (HK) Ltd. ("DelSolar HK")	Investment company	100.00	100.00	100.00	–
	DelSolar US Holdings (Delaware) Corporation ("DelSolar US")	Investment company	100.00	100.00	100.00	–
	NSP SYSTEM NEVADA HOLDING CORP. ("NSP NEVADA")	Solar-related business	–	–	–	Notes 2 and 7
DelSolar Singapore	DelSolar India EPC Company Private Ltd. ("DelSolar India")	Solar-related business	100.00	100.00	100.00	–
NSP UK	NSP Germany GmbH ("NSP Germany")	Solar-related business	–	90.00	90.00	–
	PV-Power-Park Pro 1 Verwaltungs GmbH ("PV-Power-Park")	Solar-related business	–	100.00	100.00	Note 9

Investor	Investee	Main Business	% of Ownership June 30, 2015	December 31, 2015	June 30, 2016	Remark
NSP System	Hsin Jin Optoelectronics ("Hsin Jin Optoelectronics")	Solar-related business	–	80.00	80.00	–
	Si One Corp. ("Si One")	Solar-related business	–	100.00	100.00	–
.	Hsin Jin Solar Energy Co., Ltd. ("Hsin Jin Solar Energy")	Solar-related business	–	60.00	60.00	–
	Da Li Energy Co., Ltd. ("Da Li Energy")	Solar-related business	–	–	100.00	–
NSP HK	XYH (Suzhou) Energy Ltd. ("XYH Suzhou")	Solar-related business	–	–	100.00	Note 8
DelSolar HK	DelSolar (Wu Jiang) Ltd. ("DelSolar Wu Jiang")	Solar-related business	100.00	100.00	100.00	–
	NSP Japan Inc. ("NSP Japan")	Solar-related business	–	100.00	100.00	–
	Neo Solar Power (Nanchang) Ltd. ("NSP Nanchang")	Solar-related business	–	100.00	100.00	–
NSP NEVADA	Livermore Community Solar Farm, LLC ("Livermore")	Solar-related business	–	–	75.00	–
	HI Solar Green 1 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 2 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 3 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 4 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 5 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 6 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 7 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 8 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 9 LLC	Solar-related business	–	–	–	Note 7
	HI Solar Green 10 LLC	Solar-related business	–	–	–	Note 7
DelSolar US	DelSolar Development (Delaware) LLC ("DelSolar Development")	Solar-related business	100.00	100.00	100.00	–
DelSolar US	Clean Focus Renewables Inc. ("CFR")	Solar-related business	–	100.00	100.00	–
	USD1 Owner LLC ("USD1")	Solar-related business	–	100.00	100.00	–
	CF Vegas Holdings LLC ("CF Vegas")	Solar-related business	–	100.00	–	Note 6
DelSolar Wu Jiang	XYH (Suzhou) Energy Ltd. ("XYH Suzhou")	Solar-related business	–	100.00	–	Note 8
DelSolar Development	DSS-USF PHX LLC	Solar-related business	100.00	100.00	100.00	–
	DSS-RAL LLC	Solar-related business	100.00	100.00	100.00	–
CFR	Rugged Solar LLC	Solar-related business	–	–	–	Note 7

Note 1: The Corporation has started simplifying the organization structure since 2013. In the end of 2013, General Energy Solutions (GES) sold its entire shares of GES UK to GES's 100% owned subsidiary, GES Samoa; and sold GES Samoa's entire shares of GES USA to GES Samoa's 100% owned second-tier subsidiary, GES UK; and sold GES's and GES UK's entire shares of GES FUKUSHIMA to GES's 100% owned subsidiary, GES JAPAN; and GES Samoa had been liquidated in the second half of 2014 and returned its entire share of GES UK to GES as return of capital shares, and the liquidation was completed in November 2015; and GES sold its entire shares of GES JAPAN to GES's 100% owned subsidiary, GES UK in the first quarter of 2015. The organizational restructuring did not result in any gain or loss.

Note 2: The capital has not been invested as of June 30, 2016.

Note 3: Abacus, a company located in Japan indirectly became 100%-owned subsidiary after the Corporation acquired Hong Kong-based Canoga Limited (Canoga) in March 2015. In order to simplify the organization structure, Canoga sold its entire shares of Abacus at the carrying value to the Corporation in September 2015. The liquidation of Canoga had been completed in January 2016.

Note 4: GES UK's 40% equity investment in NCH Solar 1 in October 2014 and the subscription for the remaining 60% equity in May 2015 turned NCH Solar 1 into 100% owned subsidiary instead of investment accounted for using the equity method.

Note 5: The liquidation of GES Solar 4, GES Solar 5, GES Solar 6, GES Solar 7 and GES Solar 8 had been completed in May 2016.

Note 6: CF Vegas, SEC Newco, Bulldog and MEGAFOUR were disposed in February 2016, March 2015, August 2015 and October 2015, respectively. MEGAONE was invested in January 2014 and was disposed in June 2015.

Note 7: GES BVI, MEGATWO, MEGAFIVE, MEGASIX, MEGASEVEN, MEGAEIGHT, ASSET ONE, ASSET TWO, ASSET THREE, ASSET FOUR, CENERGY, Inashiki GK, Namegata GK, Shima's, Waimea, Honokawai, Eleele, Hanalei, Kappa, Koloa, NSP HK, NSP NEVADA, Munisol, HI Solar Green 1 LLC, HI Solar Green 2 LLC, HI Solar Green 3 LLC, HI Solar Green 4 LLC, HI Solar Green 5 LLC, HI Solar Green 6 LLC, HI Solar Green 7 LLC, HI Solar Green 8 LLC, HI Solar Green 9 LLC, HI Solar Green 10 LLC and Rugged Solar LLC were deemed as subsidiaries of the Corporation in accordance with SIC12 "Consolidation-Special Purpose Entities."

Note 8: The ownership of Munisol had been transferred from GES USA to MEGATWO in June 2016; the ownership of XYH Suzhou had been transferred from Delsolar Wu Jiang to NSP HK in June 2016.

Note 9: UNA 249 Equity Management GmbH (UNA 249), a subsidiary of NSP UK, had been renamed as PV-Power-Park Pro 1 Verwalttungs GmbH (PV-Power-Park) in May 2016.

Note 10: Except for DelSolar Wu Jiang, the above subsidiaries included in the consolidated financial statements were nonsignificant subsidiaries; their financial statements had not been reviewed.

b. Details of subsidiaries that have material noncontrolling interests

Name of Subsidiary	Principal Place of Business	% of Ownership and Voting Rights Held by Noncontrolling Interests		
		June 30, 2015	December 31, 2015	June 30, 2016
General Energy Solutions ("GES")	Hsin-chu	24.17	24.11	24.11

Name of Subsidiary	Gain (Loss) Allocated to Noncontrolling Interests				Accumulated Noncontrolling Interests		
	Three Months Ended June 30		Six Months Ended June 30				
	2015	2016	2015	2016	June 30, 2015	December 31, 2015	June 30, 2016
GES	$(12,065)	$(1,750)	$(33,766)	$ 3,558	$573,514	$564,133	$557,470
Others	(4,751)	(5,233)	(8,370)	(10,865)	27,573	35,423	44,037
Total	$(16,816)	$(6,983)	$(42,136)	$ (7,307)	$601,087	$599,556	$601,507

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

GES and GES's subsidiaries

	June 30, 2015	December 31,2015	June 30, 2016
Current assets	$2,663,421	$3,712,563	$3,938,370
Noncurrent assets	2,084,795	3,082,348	3,359,764
Current liabilities	1,077,685	3,060,872	3,651,244
Noncurrent liabilities	1,248,012	1,344,558	1,285,044
Equity	$2,422,519	$2,389,481	$2,361,846
Equity attributable to:			
Owners of GES	$1,849,005	$1,825,348	$1,804,376
Noncontrolling interests of GES	573,514	564,133	557,470
	$2,422,519	$2,389,481	$2,361,846

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Revenue	$ 132,783	$ 77,249	$ 371,443	$ 464,532
Profit (loss) for the period	$ (49,825)	$ (7,258)	$(140,161)	$ 14,756
Other comprehensive (loss) income for the period	(21,766)	11,121	(35,341)	(42,391)
Total comprehensive (loss) income for the period	$ (71,591)	$ 3,863	$(175,502)	$ (27,635)
Profit (loss) attributable to:				
Owner of GES	$ (37,760)	$ (5,508)	$(106,395)	$ 11,198
Noncontrolling interests of GES	(12,065)	(1,750)	(33,766)	3,558
	$ (49,825)	$ (7,258)	$(140,161)	$ 14,756
Total comprehensive income (loss) attributable to:				
Owner of GES	$ (54,291)	$ 2,932	$(133,220)	$ (20,972)
Noncontrolling interests of GES	(17,300)	931	(42,282)	(6,663)
	$ (71,591)	$ 3,863	$(175,502)	$ (27,635)
Net cash inflow (outflow) from:				
Operating activities	$ 396,350	$ 45,474	$ (37,198)	$ (16,237)
Investment activities	(327,281)	(441,728)	(359,310)	(411,022)
Finance activities	(15,511)	466,606	301,927	368,208
Effect of exchange rate changes	(21,766)	(2,524)	(35,341)	(2,399)
Net cash inflow (outflow)	$ 31,792	$ 67,828	$(129,922)	$ (61,450)

16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2015	December 31, 2015	June 30, 2016
Investment in associates	$64,563	$65,824	$ 72,438
Investment in joint venture	–	–	62,947
	$64,563	$65,824	$135,385
Investment in associates			
Overseas unlisted companies			
MEGATHREE	$35,525	$38,675	$ 36,143
GES KYUSHU	21,035	20,477	30,933
Hashimoto	8,003	6,672	5,362
Renewable Energies Co., Ltd. ("Renewable")	–	–	–
Investment in joint venture			
Overseas unlisted company			
NSP ET CAP MN HOLDINGS LLC (JV2)	–	–	62,947
	$64,563	$65,824	$135,385

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

Name of Associate and Joint Venture	June 30, 2015	December 31, 2015	June 30, 2016
MEGATHREE	40%	40%	40%
GES KYUSHU	45%	45%	45%
Hashimoto	45%	45%	45%
Renewable	50%	50%	50%
JV2 (Note)	–	–	67%

Note: NSP ET CAP MN HOLDINGS LLC (JV2) was jointly invested by Delsolar US, a subsidiary of NSP, and ET Capital Solar Partners (USA), Inc. As of June 30, 2016, the Corporation held a 67% equity interest in JV2 and two of three seats of JV2's board of directors. Based on the contractual arrangement between Delsolar US and ET Capital Solar Partners (USA), Inc., any material management decisions of JV2 shall be approved by the full board of directors. Therefore, Delsolar US concluded that it does not have control over JV2. In addition, as specified in the contractual arrangement, both Delsolar US and ET Capital Solar Partners (USA), Inc. have equal profit distribution percentage.

The information of main business, principal place of operation and registered country of the above associates and joint venture is shown on Table 6.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

The results and assets and liabilities of the above associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

The investment in the associates and joint venture had not been pledged as collateral for bank loans.

17. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2015	December 31, 2015	June 30, 2016
Carrying amounts			
Land	$ 440,596	$ 533,870	$ 547,638
Buildings	3,461,282	3,345,503	3,231,702
Machinery and equipment	7,857,685	7,626,300	6,199,601
Research and development equipment	33,922	28,212	22,211
Office equipment	28,965	21,885	14,304
Rental assets	122,073	120,113	106,850
Leasehold improvements	254,907	242,617	116,318
Miscellaneous equipment	139,789	129,781	92,078
Advance payments and construction in progress	906,758	876,073	1,563,123
	$13,245,977	$12,924,354	$11,893,825

	Six Months Ended June 30, 2015					
	Balance, Beginning of Period	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Period
Cost						
Land	$ 440,596	$ –	$ –	$ –	$ –	$ 440,596
Buildings	4,324,180	421	–	420	–	4,325,021
Machinery and equipment	16,349,228	49,571	–	(217,037)	(86,833)	16,094,929
Research and development equipment	56,473	800	–	–	–	57,273
Office equipment	76,157	60	–	–	(560)	75,657
Rental assets	176,662	–	–	–	(5,756)	170,906
Leasehold improvements	341,799	750	–	1,552	(13,983)	330,118
Miscellaneous equipment	373,499	2,621	–	(4,642)	(1,916)	369,562
Advance payments and construction in progress	672,983	860,390	(480,777)	(144,018)	(1,820)	906,758
	22,811,577	$ 914,613	$(480,777)	$(363,725)	$(110,868)	22,770,820
Accumulated depreciation						
Buildings	747,357	$ 116,382	$ –	$ –	$ –	863,739
Machinery and equipment	7,375,415	851,360	–	(73,909)	(48,283)	8,104,583
Research and development equipment	16,633	6,718	–	–	–	23,351
Office equipment	38,475	8,726	–	–	(509)	46,692
Rental assets	40,945	10,050	–	–	(2,162)	48,833
Leasehold improvements	65,746	17,259	–	–	(7,794)	75,211
Miscellaneous equipment	206,983	26,910	–	(2,863)	(1,257)	229,773
	8,491,554	$1,037,405	$ –	$ (76,772)	$ (60,005)	9,392,182
Accumulated impairment						
Machinery and equipment	126,533	$ 6,128	$ –	$ –	$ –	132,661
	$14,193,490					$13,245,977

	Six Months Ended June 30, 2016					
	Balance, Beginning of Period	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Period
Cost						
Land	$ 533,870	$ –	$ –	$ –	$ 13,768	$ 547,638
Buildings	4,325,661	–	–	2,009	–	4,327,670
Machinery and equipment	16,755,496	7,680	(155,960)	(992,813)	(156,009)	15,458,394
Research and development equipment	57,745	–	–	–	–	57,745
Office equipment	77,215	34	–	(453)	(997)	75,799
Rental assets	185,681	–	–	–	(5,226)	180,455
Leasehold improvements	342,090	–	(11,361)	–	(25,283)	305,446
Miscellaneous equipment	385,477	313	(1,603)	(30,944)	(3,533)	349,710
Advance payments and construction in progress	876,073	1,096,619	(354,576)	(107,125)	52,132	1,563,123
	23,539,308	$1,104,646	$(523,500)	$(1,129,326)	$(125,148)	22,865,980
Accumulated depreciation						
Buildings	980,158	$ 116,454	$ –	$ (644)	$ –	1,095,968
Machinery and equipment	8,989,057	833,463	(102,736)	(488,610)	(98,914)	9,132,260
Research and development equipment	29,533	6,001	–	–	–	35,534
Office equipment	55,330	7,209	–	(70)	(974)	61,495
Rental assets	65,568	10,600	–	–	(2,563)	73,605
Leasehold improvements	99,473	16,103	(4,757)	–	(15,775)	95,044
Miscellaneous equipment	255,696	20,273	(1,058)	(14,622)	(2,657)	257,632
	10,474,815	$1,010,103	$(108,551)	$ (503,946)	$(120,883)	10,751,538
Accumulated impairment						
Machinery and equipment	140,139	$ –	$ (13,523)	$ –	$ (83)	126,533
Leasehold improvements	–	96,972	–	–	(2,888)	94,084
	140,139	$ 96,972	$ (13,523)	$ –	$ (2,971)	220,617
	$12,924,354					$11,893,825

The Corporation assessed that there were indications of impairment on machinery and equipment and leasehold improvements because the recoverable amount of machinery and equipment and of leasehold improvements were estimated to be less than their carrying amount; thus, the Corporation recognized impairment losses on machinery and equipment of NT$6,128 thousand and on leasehold improvements of NT$96,972 thousand for the six months ended June 30, 2015 and 2016, respectively.

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

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

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

Refer to Note 38 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings.

For the six months ended June 30, 2015 and 2016, the deductions were amounts transferred to finance lease receivables of NT$480,777 thousand and NT$354,576 thousand, respectively, purchase discount of property, plant and equipment of nil and NT$30,070 thousand, respectively, and disposal of property, plant and equipment of nil and NT$16,780 thousand, respectively.

For the six months ended June 30, 2015, there were reclassifications from prepayments for equipment of NT$39,232 thousand to advance payments and construction in progress and advance payments and construction in progress of NT$29 thousand to other expenses, from noncurrent assets classified as held for sale of NT$182 thousand to machinery and equipment, from machinery and equipment of NT$319,238 thousand to noncurrent assets classified as held for sale and from miscellaneous equipment of NT$7,100 thousand to noncurrent assets classified as held for sale.

For the six months ended June 30, 2016, there were reclassifications from prepayments for equipment of NT$145,721 thousand to advance payments and construction in progress and from advance payments and construction in progress of NT$3,123 thousand to other expenses and from machinery and equipment of NT$767,978 thousand to noncurrent assets classified as held for sale.

18. INTANGIBLE ASSETS

	June 30, 2015	December 31, 2015	June 30, 2016
Carrying amounts of each class			
Goodwill	$513,332	$513,332	$513,332
Contracts with customers	–	89,634	87,520
Brands	18,936	17,010	15,084
Patents	45	495	460
Others	–	–	1,587
	$532,313	$620,471	$617,983

	For the Six Months Ended June 30	
	2015	2016
Brands		
Cost		
Balance at January 1 and June 30	$ 133,709	$ 133,709
Accumulated amortization		
Balance at January 1	(112,847)	(116,699)
Amortization	(1,926)	(1,926)
Balance at June 30	(114,773)	(118,625)
	$ 18,936	$ 15,084

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

The above items of other intangible assets are amortized on a straight-line basis over 1 to 6 years.

For the six months ended June 30, 2015 and 2016, the Corporation did not recognize any impairment loss.

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

19. PREPAYMENTS FOR LEASE

	June 30, 2015	December 31, 2015	June 30, 2016
Current asset	$ 5,727	$ 582	$ 5,946
Noncurrent asset	21,657	23,587	22,600
	$27,384	$24,169	$28,546

Prepayments for lease, which mainly included land use rights paid for power facility construction in the U.S., are amortized on a straight-line basis over 30 years. As of June 30, 2015, December 31, 2015 and June 30, 2016, such land use rights amounted to NT$21,657 thousand, NT$23,587 thousand and NT$22,600 thousand, respectively. The Corporation had obtained the certificates of land use rights.

20. PREPAYMENTS AND OTHER ASSETS

	June 30, 2015	December 31, 2015	June 30, 2016
Prepayments			
Payments in advance	$1,754,413	$1,745,672	$1,962,779
Prepayments for equipment	39,627	157,427	82,687
Prepayments for investments	–	70,022	–
Others	49,812	179,036	179,276
	$1,843,852	$2,152,157	$2,224,742
Other assets			
Restricted assets	$ 548,049	$1,272,709	$ 384,865
Pledged time deposits	213,006	213,006	236,706
Prepaid sales tax	183,821	164,758	126,455
Temporary prepayments	80,792	80,717	43,031
Pledged bank acceptances	–	50,744	–
Others	86,863	81,531	59,910
	$1,112,531	$1,863,465	$ 850,967
Prepayments			
Current	$ 641,660	$ 635,751	$ 497,094
Noncurrent	1,202,192	1,516,406	1,727,648
	$1,843,852	$2,152,157	$2,224,742
Other assets			
Current	$ 345,821	$ 303,406	$ 430,496
Noncurrent	766,710	1,560,059	420,471
	$1,112,531	$1,863,465	$ 850,967

As of June 30, 2015 and December 31, 2015, the restricted assets consist of deposit reserve accounts of NT$548,049 thousand and NT$1,272,709 thousand, respectively.

As of June 30, 2016, the restricted assets consist of deposit reserve accounts of NT$361,365 thousand and certificate of deposit purchased for the declaration of preferred stock dividends of NT$23,500 thousand.

The Corporation recognized impairment loss on prepayments after assessment; please refer to Note 39 a.

21. LOANS

a. Short-term bank loans

	June 30, 2015	December 31, 2015	June 30, 2016
Working capital loans – interest at 0.7200%–6.5600% in 2015; 0.6900%-3.5100% in 2016	$3,663,039	$6,448,680	$6,088,887

b. Short-term bills payable

	June 30, 2015	December 31, 2015	June 30, 2016
Commercial paper	$–	$50,000	$150,000
Less: Unamortized discount on bills payable	–	(88)	(216)
	$–	$49,912	$149,784

Outstanding short-term bills payable were as follows:

December 31, 2015

Promissory Institutions	**Nominal Amount**	**Discount Amount**	**Carrying Value**	**Interest Rate**
Commercial paper				
International Bills Finance Corporation	$50,000	$88	$49,912	1.91%

June 30, 2016

Promissory Institutions	**Nominal Amount**	**Discount Amount**	**Carrying Value**	**Interest Rate**
Commercial paper				
International Bills Finance Corporation	$ 50,000	$ 41	$ 49,959	1.906%
Taiwan Cooperative Bills Finance Corporation	100,000	175	99,825	0.762%
	$150,000	$216	$149,784	

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

c. **Long-term bank loans**

	June 30, 2015	**December 31, 2015**	**June 30, 2016**
Syndicated loans: Lead bank – Taiwan Cooperative Bank			
Repayable semiannually from the date of first repayment, one year after the date of the initial drawdown, November 5, 2015 to November 5, 2018; if a two-year extension is agreed, the principal of the last period will be equally amortized within two years and repayable every 4.8 months; annual floating interest rates at 2.6418% in 2015 and 2.5091%–2.6418% in 2016	$ –	$910,000	$2,000,000
Repayable semiannually from the date of first repayment, 24 months after the date of the initial drawdown, November 5, 2015 to November 5, 2018; repayment of 20% for the first two periods on November 5, 2017 and May 5, 2018, respectively, and 60% on the last payment on November 5, 2018; if a two-year extension is agreed, the principal of the last period will be equally amortized within two years and repayable every 4.8 months; annual floating interest rate at 2.3542% in 2016	–	–	774,864
Repayable semiannually from November 2012 to November 2015; repayment of 10% for the first six periods and 40% on the last payment; annual floating interest rate at 1.3913%–1.6088% in 2015	540,993	–	–
Repayable semiannually from November 2012 to November 2015; annual floating interest rate at 1.5414%–1.5453% in 2015	348,624	–	–
Secured loan from Cathay Bank			
Repayable monthly from August 2015 to July 2027; annual floating interest rates at 3.5845%–4.0000% in 2015 and 4.0000%–4.3366 % in 2016	–	519,168	489,787
Repayable monthly from June 2016 to November 2017 with monthly interest repayments; annual floating interest rates at 4.7500% in 2016	–	–	75,605
Repayable monthly from December 2015 to November 2022 with monthly interest repayments and annual floating interest rates at 5.0000% in 2015 and 5.0000% in 2016	–	33,066	30,758

	June 30, 2015	December 31, 2015	June 30, 2016
Syndicated loans: Lead bank – CTBC Bank			
Paid off in June 2016; annual floating interest rates at 2.5721%–2.6903% in 2015 and 2.5721% in 2016	$ 1,000,000	$ 1,000,000	$ –
Repayable semiannually from February 2012 to August 2016; repayment of 50% before February 2013, repayment of 10% through fourth to sixth repayment, and repayment of 40% for remaining periods before August 2016; annual floating interest rates at 2.5118%–2.6361% in 2015 and 2.5130%–2.6361% in 2016	668,000	412,000	–
Unsecured loan from King's Town Bank			
Repayable on the 30th of every even month from the date of the initial drawdown, October 16, 2015, with principal repayments of $5,000 thousand; annual floating interest rates at 1.7600%–1.8300% in 2015 and 1.6900%–1.7600% in 2016	–	195,000	–
Secured loan from King's Town Bank			
Repayable every two months from December 2015 to November 2028; annual floating interest rate at 3.2600% in 2015	–	81,300	–
Secured loan from EnTie Bank			
Repayable monthly from May 2013 to April 2020; annual floating interest rate at 3.7400%–3.7720% in 2015	19,275	17,643	–
Secured loan from Cathay United Bank			
Repayable quarterly from November 2013 to October 2026; repayment of at least US$6,500 thousand on the first installment; annual floating interest rate at 3.5356%–3.5609% in 2015	509,137	–	–
Other borrowings			
Repayable monthly from January 2015 to December 2017	79,169	–	–
Repayable monthly from July 2013 to June 2015	1,571	–	–
	3,166,769	3,168,177	3,371,014
Current portion	(1,498,872)	(1,579,826)	(439,096)
	$ 1,667,897	$ 1,588,351	$2,931,918

Other borrowings were loans from a finance company with annual effective interest rates from 6.32% to 6.97% and were paid off in advance in August 2015.

The loan agreements on the Taiwan Cooperative Bank syndicated loan require the maintenance of certain financial ratios based on NSP's annual and semiannual financial reports. The related restrictions are as follows:

Taiwan Cooperative Bank syndicated loan:

1) Current ratio (Current assets ÷ Current liabilities): At least 100%;

2) Debt to equity ratio (Total liabilities and guarantee balances ÷ Tangible net worth): No more than 125%;

3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3.

4) Tangible net worth: At least NT$10,000,000 thousand.

NSP did not meet the required interest coverage ratio as of June 30, 2015, December 31, 2015 and June 30, 2016; thus, NSP accrued the related compensation expenses as required under the loan agreements.

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

CTBC Bank-led syndicated loan:

1) Current ratio (Current assets ÷ Current liabilities): At least 100%;

2) Debt to equity ratio (Total liabilities ÷ Total shareholders' equity): No more than 100%;

3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3.

4) Tangible net worth: At least NT$4,000,000 thousand.

NSP did not meet the required interest coverage ratio as of June 30, 2015 and December 31, 2015; thus, NSP accrued the related compensation expenses as required under the loan agreement. The loan was paid off as of June 30, 2016; hence, no breach of the contract has taken place.

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

The loan agreement between ET ENERGY and Cathay Bank requires the maintenance of certain financial ratios based on ET ENERGY's quarterly financial reports. The related restriction is as follows:

Secured loan from Cathay Bank:

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

ET ENERGY was not able to meet the required debt service coverage ratio as of December 31, 2015; nevertheless, according to the agreements, not meeting the requirement was not considered a breach. As of June 30, 2016, ET ENERGY was in compliance with above ratio requirements.

The loan agreement between ASSET THREE and Cathay Bank requires the maintenance of certain financial ratios based on ASSET THREE's quarterly financial reports. The related restrictions are as follows:

Secured loan from Cathay Bank:

1) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ principal and interest paid in current year]: No less than 110%.

2) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense + Amount of the escrow account) ÷ principal and interest paid in current year]: No less than 150%.

As of June 30, 2016, if ASSET THREE fails to meet the abovementioned required financial ratios, the bank can request ASSET THREE to increase its balance of deposit reserve accounts in accordance with the contractual agreement. However, such required financial ratios were not applicable, considering that the power facility was not in operation before the commercial operation date.

The loan agreement between General Energy Solutions and EnTie Bank requires the maintenance of certain financial ratios based on General Energy Solutions's consolidated annual and semiannual financial reports. The related restrictions are as follows:

Secured loan from EnTie Bank:

1) Debt to equity ratio (Total liabilities and contingent liabilities ÷ Tangible net worth): No more than 300%;

2) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ principal and interest paid in current year]: At least 1.

As of June 30, 2015 and December 31, 2015, General Energy Solutions was in compliance with the above ratio requirements except for the debt service coverage ratio. Nevertheless, not meeting the requirement was not considered a breach. The loan was paid off by General Energy Solutions as of March 31, 2016; hence, there was no breach.

The assets pledged as collaterals are shown in Note 38.

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

d. Preference share liabilities

	June 30, 2015	December 31, 2015	June 30, 2016
First Preference Shares, Series A	$470,000	$470,000	$470,000

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

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

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

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

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

The FP Shares do not have voting rights.

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

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

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

22. BONDS PAYABLE

	June 30, 2015	December 31, 2015	June 30, 2016
Secured overseas convertible bonds (a)	$3,422,372	$3,461,799	$3,501,681
Secured domestic convertible bonds (b)	214,942	216,477	218,023
	3,637,314	3,678,276	3,719,704
Less: Current portion	–	(216,477)	(218,023)
	$3,637,314	$3,461,799	$3,501,681

a. Secured overseas convertible bonds

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

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

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

Approved by NSP's board of directors on August 4, 2016, NSP will issue its third 0% 3-year secured overseas convertible bonds, with an aggregate cap principal amount (including oversubscription amount) of US$120,000 thousand and a face value of US$100 thousand, in order to repay the principal of the secured overseas convertible bonds issued on July 18, 2014, as well as meet capital requirements for bank loans upon approval of foregoing amendment to the terms in ad hoc meeting of the bondholders.

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

ING Bank:

1) Current ratio (Current assets ÷ Current liabilities): At least 100%;

2) Debt to equity ratio (Total liabilities ÷ Tangible net worth): No more than 125%, total liabilities including contingent liabilities;

3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: At least 3.

4) Tangible net worth: At least NT$10,000,000 thousand.

As of June 30, 2015, December 31, 2015, June 30, 2016, NSP was in compliance with the above ratio requirements except for the interest coverage ratio. Nevertheless, not meeting the requirement was not considered a breach.

The assets pledged as collaterals are shown in Note 38.

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

b. Secured domestic convertible bonds

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

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus – conversion option of bonds. The effective interest rates for the liability components of the first and second issue were 1.3964% and 1.5075%, respectively, per annum on initial recognition.

23. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2015	December 31, 2015	June 30, 2016
Accrued expenses			
Loss on contracts	$ 318,157	$ 318,157	$ 318,157
Salaries	179,195	194,629	161,054
Bonus	112,117	216,153	106,144
Service charge	85,515	77,176	80,999
Cash dividends	180,514	–	–
Others	497,328	635,454	737,491
	$1,372,826	$1,441,569	$1,403,845
Other liabilities			
Deferred revenue	$ 267,489	$ 265,757	$ 250,669
Receipts under custody	10,683	11,052	8,485
Advanced receipts from customers	14,491	24,901	5,506
Others	275	454	4,301
	$ 292,938	$ 302,164	$ 268,961
Current	$ 45,285	$ 56,622	$ 33,940
Noncurrent	247,653	245,542	235,021
	$ 292,938	$ 302,164	$ 268,961

24. PROVISIONS

	June 30, 2015	December 31, 2015	June 30, 2016
Current			
Customer returns and rebates	$ –	$ –	$ 8,588
Noncurrent			
Warranties	$247,112	$291,688	$195,261

	For the Six Months Ended June 30	
	2015	2016
Customer returns and rebates		
Balance at January 1	$ –	$ –
Additions	–	11,841
Reversal	–	(2,485)
Usage	–	(768)
Balance at June 30	$ –	$ 8,588
Warranties		
Balance at January 1	$225,308	$ 291,688
Additions	23,390	23,919
Reversal	–	(119,061)
Usage	(1,486)	(1,034)
Translation adjustments	(100)	(251)
Balance at June 30	$247,112	$ 195,261

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 of the periods the related goods were sold.

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

25. RETIREMENT BENEFIT PLANS

NSP and the Corporation's subsidiaries in Republic of China make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages in accordance with the Labor Pension Act, and these contributions are recognized as pension costs.

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

26. EQUITY

a. Common shares

	June 30, 2015	December 31, 2015	June 30, 2016
Number of shares authorized (in thousands)	1,200,000	1,200,000	1,200,000
Amount of shares authorized	$12,000,000	$12,000,000	$12,000,000
Number of shares issued and fully paid (in thousands)	855,986	858,161	1,017,779
Shares issued	$ 8,559,865	$ 8,581,617	$10,177,797
Share premiums	11,404,787	11,404,787	11,545,379
	$19,964,652	$19,986,404	$21,723,176

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

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

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

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

On March 15, 2016, NSP's board of directors approved an increase in its capital by issuance of up to 180,000 thousand shares of capital shares or global depositary shares, which was also approved by the shareholders in their meeting on June 16, 2016.

On April 29, 2016, NSP's board of directors approved to increase its capital by issuance of up to 180,000 thousand shares through private-placement shares, which was also approved by the shareholders in their meeting on June 16, 2016.

b. Capital surplus

	June 30, 2015	December 31, 2015	June 30, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Share premiums	$11,404,787	$11,404,787	$11,545,379
Premiums from the conversion of convertible bonds	507,846	507,846	507,846
May only be used to offset a deficit (2)			
Recognized from changes in percentage of ownership interest in subsidiaries	13,731	13,731	13,785
May not be used for any purpose			
Recognized from conversion option of bonds	156,427	156,427	156,427
Recognized from employee share options	3,022	3,022	3,022
Recognized from employee restricted shares	106,999	125,661	120,714
	$12,192,812	$12,211,474	$12,347,173

1) Such capital surplus may be used to offset a deficit; in addition, when NSP 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 was recognized from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, where NSP made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 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 NSP's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, please refer to Note 28 e.

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

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

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", NSP should appropriate or reverse to a special reserve.

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

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

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

d. **Unrealized loss on available-for-sale financial instruments**

	For the Six Months Ended June 30	
	2015	2016
Balance at January 1	$(101,421)	$(71,074)
Unrealized loss on revaluation of available-for-sale financial assets	(31,432)	(8,676)
Cumulative gain on sale of available-for-sale financial assets reclassified to profit or loss	955	–
Balance at June 30	$(131,898)	$(79,750)

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

27. REVENUE

The analysis of the Corporation's net sales was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Revenue from the sale of goods	$4,515,738	$4,408,693	$8,617,722	$ 9,466,875
Revenue from the sale of power facility construction	95,597	33,184	300,497	382,914
Processing fees revenue	334,854	16,716	553,640	392,511
Revenue from other activities	41,273	45,300	145,938	165,501
	$4,987,462	$4,503,893	$9,617,797	$10,407,801

28. COMPREHENSIVE INCOME (LOSS)

a. Other income and expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Loss on impairment of property, plant and equipment	$ (6,128)	$ (96,972)	$ (6,128)	$ (96,972)
Loss on disposal of property, plant on equipment	–	(16,780)	–	(16,780)
Loss on impairment of noncurrent assets held for sale	(7,709)	–	(7,709)	–
Loss on disposal of noncurrent assets held for sale	(2,387)	(8,018)	(2,387)	(8,018)
	$(16,224)	$(121,770)	$(16,224)	$(121,770)

b. Interest income and other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Interest income				
Puttable preferred stock	$ –	$ 5,397	$ –	$11,567
Bank deposits	9,894	7,164	13,446	9,109
Installment accounts receivable	–	1,788	–	4,157
Late payment	–	–	–	1,027
Security deposits	4	79	10	85
Others	–	–	14	–
	$9,898	$14,428	$13,470	$25,945
Other income				
Compensation income	$ 872	$ 907	$ 4,467	$ 2,396
Rental income	60	817	87	850
Government grants	3,048	–	3,050	–
Others	307	1,893	1,068	2,572
	$4,287	$ 3,617	$ 8,672	$ 5,818

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Interest on bank loans	$29,197	$46,809	$ 70,652	$ 98,959
Interest on convertible bonds	20,307	20,773	40,502	41,428
Preferred dividends	11,653	6,152	11,653	12,305
Other interest expense	(241)	164	320	208
	$60,916	$73,898	$123,127	$152,900

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Property, plant and equipment	$520,887	$490,814	$1,037,405	$1,010,103
Intangible assets	995	981	1,958	1,961
Total	$521,882	$491,795	$1,039,363	$1,012,064
An analysis of depreciation by function				
Operating costs	$495,714	$469,425	$ 986,458	$ 966,238
Operating expenses	25,173	21,389	50,947	43,865
	$520,887	$490,814	$1,037,405	$1,010,103
An analysis of amortization by function				
Operating expenses	$ 995	$ 981	$ 1,958	$ 1,961

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Post-employment benefits (Note 25)				
Defined contribution plans	$ 24,264	$ 22,049	$ 49,047	$ 46,137
Share-based payments				
Equity-settled share-based payments	10,456	5,957	24,690	53,559
Other employee benefits	599,199	543,211	1,142,672	1,142,819
Total employee benefits expense	$633,919	$571,217	$1,216,409	$1,242,515
An analysis of employee benefits expense by function				
Operating costs	$475,279	$419,464	$ 913,529	$ 840,567
Operating expenses	158,640	151,753	302,880	401,948
	$633,919	$571,217	$1,216,409	$1,242,515

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to NSP's Articles in June 2016; the amendments stipulate distribution of employees' compensation and remuneration to directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. NSP incurred a deficit for the six months ended June 30, 2016; thus, neither compensation to employees nor remuneration to directors was estimated.

The Articles before the amendment stipulated to distribute bonus to employees and remuneration to directors at the rates no less than 3% and no higher than 2%, respectively, of net income (net of the bonus and remuneration). NSP incurred a deficit for the six months ended June 30, 2015; thus, neither bonus to employees nor remuneration to directors was estimated.

Material differences between these estimates and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the compensation/bonus and remuneration are recognized. If there is a change in the proposed amounts after the date the annual consolidated financial statements had been authorized for issue, the differences are accounted for as a change in accounting estimate in the following year.

The appropriations of bonus to employees and remuneration to directors for 2014 have been approved in the shareholders' meeting on June 17, 2015. NSP incurred a deficit for the year ended December 31, 2015; thus, neither compensation to employees nor remuneration to directors was estimated. The information on the appropriations for 2014 was as follows:

	For the Year Ended December 31, 2014	
	Cash Dividends	**Stock Dividends**
Bonus to employees	$32,343	$–
Remuneration to directors	4,312	–

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

Information on the bonus to employees and directors, proposed by NSP's board of directors and approved in the shareholders' meeting is available on the Market Observation Post System website of the TSE.

f. Net (loss) gain on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	**2016**	**2015**	**2016**
Foreign exchange gains	$ 98,230	$189,172	$ 172,233	$ 362,303
Foreign exchange losses	(80,829)	(91,664)	(214,123)	(218,552)
Net gain (loss)	$ 17,401	$ 97,508	$ (41,890)	$ 143,751

g. Components of other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	**2016**	**2015**	**2016**
Unrealized loss on available-for-sale financial assets:				
Recognized during the period	$(20,853)	$ (4,119)	$ (31,432)	$ (8,676)
Reclassification adjustments – Disposal	–	–	955	–
	$(20,853)	$ (4,119)	$ (30,477)	$ (8,676)
Exchange difference on translating foreign operations:				
Recognized during the period	$(71,007)	$(51,971)	$(120,489)	$(180,152)

29. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	**2016**	**2015**	**2016**
Current tax				
Current period	$(5,000)	$(22,765)	$ (5,914)	$(25,142)
Prior periods	327	(279)	327	452
Deferred tax				
Current period	5,829	6,043	11,522	11,906
Income tax benefit (expense) recognized in profit or loss	$ 1,156	$(17,001)	$ 5,935	$(12,784)

b. **Integrated income tax**

	June 30, 2015	December 31, 2015	June 30, 2016
NSP's accumulated deficit			
Accumulated deficit generated on and after January 1, 1998	$(1,016,402)	$(1,238,096)	$(826,368)
NSP's imputation credits accounts	$ 190,890	$ 141,609	$ 141,601

The creditable ratio for distribution of earnings for 2014 was 26.13%. There was no distributable earnings for 2015 that led to a zero creditable ratio for distribution of earnings for 2015.

c. **Income tax assessments**

NSP's income tax returns through 2013 have been assessed by the tax authorities.

30. LOSS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Basic loss per share	$(0.90)	$(0.96)	$(1.45)	$(0.90)
Diluted loss per share	$(0.90)	$(0.96)	$(1.45)	$(0.90)

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

Net loss for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Loss for the period attributable to owners of the parent	$(767,042)	$(935,206)	$(1,233,947)	$(826,368)
Effect of dilutive potential common share:				
Interest on convertible bonds (after tax)	–	–	–	–
Loss used in the computation of diluted loss per share	$(767,042)	$(935,206)	$(1,233,947)	$(826,368)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Weighted average number of common shares used in the computation of basic loss per share	852,664	973,167	852,664	914,266
Effect of dilutive potential common shares:				
Convertible bonds	–	–	–	–
Restricted share options of employee	–	–	–	–
Employee bonus	–	–	–	–
Employee remuneration	–	–	–	–
Employee share options	–	–	–	–
Weighted average number of common shares used in the computation of diluted loss per share	852,664	973,167	852,664	914,266

Since NSP is allowed to settle bonus or remuneration paid to employees by cash or shares, whenever applicable, NSP assumes that the entire amount of the bonus or 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 outstanding convertible bonds and employee share options issued by NSP were anti-dilutive and excluded from the computation of diluted loss per share.

31. SHARE-BASED PAYMENT ARRANGEMENTS

Issuance of shares reserved for employees to subscribe

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

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

NSP used the Black-Scholes model to determine the fair value of the options related to the aforementioned new shares issued during the six months ended June 30, 2016. The valuation assumptions were as follows:

	2016 Plan 1
Grant-date share price (NT$/Per Share)	$ 21.25
Exercise price (NT$/Per Share)	$ 18.00
Expected volatility	49.19%
Expected life (days)	21
Expected dividend yield	–
Risk-free interest rate	0.41%

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

The compensation cost of the shares for cash reserved for employees for the six months ended June 30, 2016 was NT$39,048 thousand.

On March 2, 2015, V5 Technology Ltd. ("V5 Technology")'s board resolved to increase its capital by public offering of 3,007 thousand new common shares. A portion of the new shares issued for cash was reserved for subscription by V5 Technology's employees and the grant date of the share issuance to employees was March 4, 2015. The subscription base date was April 30, 2015.

On January 4, 2016, V5 Technology's board resolved to increase its capital by public offering of 3,000 thousand new common shares. A portion of the new shares issued for cash was reserved for subscription by V5 Technology's employees and the grant date of the share issuance to employees was January 4, 2016. The subscription base date was January 29, 2016.

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

	2015 Plan 1	2016 Plan 1
Grant-date share price (NT$/Per Share)	$ 12.06	$ 7.69
Exercise price (NT$/Per Share)	$ 15.00	$ 15.00
Expected volatility	34.31%	3.45%
Expected life (years)	0.1370	0.0685
Expected dividend yield	–	–
Risk-free interest rate	0.35%	0.21%

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

V5 Technology's compensation cost of the shares for cash reserved for employees for the six months ended June 30, 2015 and 2016 was both zero.

Employee share option plan

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

No share options were granted in the six months ended June 30, 2015 and 2016. Other information on the share option plan was as follows:

	2005 Plan		2006 Plan	
	Number of Options	Average Exercise Price	Number of Options	Average Exercise Price
	(In Thousands)	(NT$/Per Share)	(In Thousands)	(NT$/Per Share)
For the six months ended June 30, 2015				
Beginning balance	175	$10.00	100	$10.00
Options exercised	–	–	–	–
Ending balance	175	10.00	100	10.00
Options exercisable, end of period	175	10.00	100	10.00

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

At the end of the reporting period, the information about the outstanding share options is as follows:

June 30, 2015	
Exercise Price	Weighted Average Remaining Contractual Life
(NT$/Per Share)	(In Years)
$10.00	0.50
10.00	1.08

b. Information on employee share options replaced from DelSolar's employee share options (the "replaced ESOs") was as follows:

	Plan 4 in 2009		Plan 5 in 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$/Per Share)
	(In Thousands)	(NT$/Per Share)	(In Thousands)	(NT$/Per Share)
For the six months ended June 30, 2015				
Beginning balance	325	$46.50	188	$49.90
Options canceled	(66)	46.50	(59)	49.90
Ending balance	259	46.50	129	49.90
Options exercisable, end of period	259	46.50	129	49.90
For the six months ended June 30, 2016				
Beginning balance	170	$46.50	104	$49.90
Options canceled	(13)	42.00	(11)	44.90
Ending balance	157	42.00	93	44.90
Options exercisable, end of period	157	42.00	93	44.90

	Plan 6 in 2010		Plan 7 in 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	(In Thousands)	(NT$/Per Share)	(In Thousands)	(NT$/Per Share)
For the six months ended June 30, 2015				
Beginning balance	120	$58.20	526	$70.10
Options canceled	(23)	58.20	(183)	70.10
Ending balance	97	58.20	343	70.10
Options exercisable, end of period	97	58.20	257	70.10
For the six months ended June 30, 2016				
Beginning balance	37	$58.20	240	$70.10
Options canceled	(11)	51.90	(6)	61.90
Ending balance	26	51.90	234	61.90
Options exercisable, end of period	26	51.90	234	61.90

As of balance sheet date, the information about the succeeded employee stock options due to business combination was as follows:

June 30, 2015		December 31, 2015		June 30, 2016	
Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life
(NT$/Per Share)	(In Years)	(NT$/Per Share)	(In Years)	(NT$/Per Share)	(In Years)
$46.50	1.12	$46.50	0.62	$42.00	0.12
49.90	1.32	49.90	0.82	44.90	0.32
58.20	1.81	58.20	1.31	51.90	0.81
70.10	2.30	70.10	1.80	61.90	1.30

c. Employee share option plan of V5 Technology:

Qualified employees of V5 Technology were granted option units numbering 20 thousand and 27 thousand in February 2016 according to employee share option plan of 2014 and of 2015, respectively. Qualified employees of V5 Technology were granted option units numbering 80 thousand and 173 thousand in November 2014 and May 2015, respectively. Each option entitles the holder to subscribe for one common share of V5 Technology. The options granted are both valid for 5 years and exercisable at certain percentages after the first anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the V5 Technology's common shares on the grant date. For any subsequent changes in the V5 Technology's common shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	Employee Share Option Plan of 2015			
	For the Six Months ended June 30			
	2015		2016	
	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price
	(In Thousands)	(NT$)	(In Thousands)	(NT$)
Employee share options				
Beginning balance	–	$ -	153	$11.50
Options granted	173	11.50	27	12.70
Options canceled	–	–	(6)	12.70
Ending balance	173	11.50	174	12.70
Options exercisable, end of period	–	–	44	12.70

	Employee Share Option Plan of 2014			
	For the Six Months ended June 30			
	2015		2016	
	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price
	(In Thousands)	(NT$)	(In Thousands)	(NT$)
Employee share options				
Beginning balance	80	$24.00	67	$11.50
Options granted	–	–	20	12.70
Ending balance	80	11.50	87	12.70
Options exercisable, end of period	–	–	20	12.70

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

June 30, 2015		December 31, 2015		June 30, 2016	
Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life	Exercise Price	Weighted Average Remaining Contractual Life
(NT$/Per Share)	(In Years)	(NT$/Per Share)	(NT$/Per Share)	(In Years)	(In Years)
$11.50	3.23	$11.50	2.73	$12.70	2.77
11.50	4.83	11.50	4.33	12.70	3.94

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

	Employee Share Option Plan of 2015	Employee Share Option Plan of 2014 and 2015
	For the Six Months ended June 30, 2015	For the Six Months ended June 30, 2016
Grant-date share price (NT$/Per Share)	$ 8.25	$ 7.69
Exercise price (NT$/Per Share)	$ 11.50	$ 12.70
Expected volatility	37.74%	3.45%
Expected life (years)	3.25	3.25
Expected dividend yield	–	–
Risk-free interest rate	0.781%	0.21%

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

Restricted share plan for employees

No share options were granted in the six months ended June 30, 2015 and 2016.

Information on issued employee restricted shares was as follows:

	Shares (In Thousands)	
	For the Six Months Ended June 30	
	2015	2016
Beginning balance	3,613	2,796
Canceled	(291)	(382)
Ending balance	3,322	2,414

32. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Percentage of Voting Equity Interests Acquired (%)	Consideration Transferred
NCH Solar 1	Solar-related business	May 19, 2015	100	$12,121

NCH Solar 1 was acquired to effectively integrate the Corporation's overall resources, expand operating scale, enhance operating performance and boost competitiveness.

b. Considerations transferred

	NCH Solar 1
Cash	$12,121

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

	NCH Solar 1
Current assets	$ 43,643
Property, plant and equipment	120,718
Financial lease receivables	312,694
Current liabilities	(455,050)
	$ 22,005

The tax base of NCH Solar 1's assets acquired was reset on the basis of market values of the assets. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had been finalized.

d. **Gain from bargain purchase recognized on acquisition**

	NCH Solar 1
Consideration transferred	$ 12,121
Plus: Fair value of the acquirer's previously held equity interest	8,802
Less: Fair value of identifiable net assets acquired	(22,005)
Gain from bargain purchase recognized on acquisition	$ (1,082)

e. **Net cash outflow on the acquisition of subsidiaries**

	NCH Solar 1
Consideration paid in cash during the period	$12,121
Less: Cash balances acquired	(2,807)
	$ 9,314

f. **Impact of acquisition on the results of the Corporation.**

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

	From May 20 to June 30, 2015
Revenue	
NCH Solar 1	$6,468
Profit (loss)	
NCH Solar 1	$5,977

Had the business combination of NCH Solar 1 been in effect at the beginning of the annual reporting period, the Corporation's revenue would have been NT$9,628,227 thousand, and the loss would have been NT$1,285,959 thousand for the six months ended June 30, 2015. This pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Corporation that would actually have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

In determining the Corporation's pro-forma revenue and loss had NCH Solar 1 been acquired at the beginning of the reporting period, the management performed the following:

1) Calculated the depreciation of plant and equipment acquired on the basis of the fair values determined at the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and

2) Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Corporation after the business combination.

33. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On January 16, 2015, General Energy Solutions (GES) issued shares for cash and NSP acquired 32,254 thousand GES shares for NT$483,805 thousand. NSP's equity interests in GES decreased from 76.54% to 75.80%. NSP's equity interests in GES increased from 75.80% to 75.83% because NSP acquired shares from GES's resigned employees and noncontrolling shareholder. On April 30, 2015, V5 Technology Ltd. (V5 Technology) issued shares for cash, and NSP acquired 1,770 thousand V5 Technology shares for NT$26,546 thousand. NSP's equity interests in V5 Technology decreased from 60% to 59.43%. As of June 30, 2015, NSP's capital surplus increased by a total of NT$315 thousand because of recorded changes in its equity in the investee's net assets.

On January 29, 2016, V5 Technology Ltd. (V5 Technology) issued shares for cash and NSP acquired 1,831 thousand V5 Technology shares for NT$27,461 thousand. The acquisition of V5 Technology at a percentage different from the earlier ownership percentage reduced NSP's equity interests in V5 Technology from 61.33% to 61.23%. As of June 30, 2016, NSP's capital surplus increased by a total of NT$54 thousand because of recorded changes in its equity in the investee's net assets.

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

	GES and V5 Technology	
	For the Six Months Ended June 30	
	2015	2016
Cash consideration received	$ 193,985	$ 17,539
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	(193,670)	(17,485)
Differences arising from equity transaction	$ 315	$ 54
Line items adjusted for equity transaction		
Capital surplus – difference between consideration and carrying amounts adjusted for changes in percentage of ownership in subsidiaries	$ 315	$ 54

34. **OPERATING LEASE ARRANGEMENTS**

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

	June 30, 2015	December 31, 2015	June 30, 2016
Up to 1 year	$ 63,775	$ 89,490	$ 61,135
Over 1 year and up to 5 years	134,947	144,103	139,521
Over 5 years	255,789	284,327	270,540
	$454,511	$517,920	$471,196

The lease payments recognized as expenses were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Minimum lease payment	$28,299	$33,405	$55,371	$79,492

35. **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.

36. FINANCIAL INSTRUMENTS

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

1) Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, management believes that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements either approximate their fair values or their fair values cannot be reliably measured.

	June 30, 2015		December 31, 2015		June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Finance lease receivables (including current and noncurrent portion)	$1,595,796	$1,596,292	$2,005,735	$2,005,735	$1,765,659	$1,765,356
Financial liabilities						
Financial liabilities measured at amortized cost						
Bonds payable	3,637,314	3,609,557	3,678,276	3,688,177	3,719,704	3,744,330

2) Fair value hierarchy

June 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Finance lease receivables (including current and noncurrent portion)	$–	$–	$1,596,292	$1,596,292
Financial liabilities				
Financial liabilities measured at amortized cost				
Bonds payable	$–	$–	$3,609,557	$3,609,557

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Finance lease receivables (including current and noncurrent portion)	$–	$–	$2,005,735	$2,005,735
Financial liabilities				
Financial liabilities measured at amortized cost				
Bonds payable	$–	$–	$3,688,177	$3,688,177

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Finance lease receivables (including current and noncurrent portion)	$–	$–	$1,765,356	$1,765,356
Financial liabilities				
Financial liabilities measured at amortized cost				
Bonds payable	$–	$–	$3,744,330	$3,744,330

The fair value of finance lease receivables was estimated on the basis of interest rate of the sales with buyback agreements with similar terms.

The fair value of the liability component of convertible bonds was determined assuming redemptions on October 1, 2016 and July 18, 2017 and using interest rates based on loans with similar terms.

b. Fair value of financial instruments carried at fair value

1) Fair value hierarchy

June 30, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$6,785	$119,840	$–	$126,625
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts	$ –	$ 4,673	$–	$ 4,673
Financial liabilities at fair value through profit or loss				
Interest swap contracts	$ –	$ 58	$–	$ 58

December 31, 2015

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

June 30, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$5,367	$95,830	$–	$101,197
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts	$ –	$ 6,814	$–	$ 6,814
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ –	$20,361	$–	$ 20,361

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2015 and 2016.

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

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

c. **Categories of financial instruments**

	June 30, 2015	December 31, 2015	June 30, 2016
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ 4,673	$ 29	$ 6,814
Loans and receivables (Note 1)	15,139,005	16,476,450	17,008,830
Available-for-sale financial assets (Note 2)	193,592	164,484	155,792
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	58	6,102	20,361
Measured at amortized cost (Note 3)	14,106,190	17,199,684	16,603,095

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

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

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

d. **Financial risk management objectives and policies**

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

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge against risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative 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 body 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 and cross-currency swap contracts, etc. to manage exposures due to exchange rate and interest rate fluctuations. These instruments help to 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 U.S. dollar 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. When foreign assets exceed foreign liabilities, a positive number below indicates an increase in profit before tax associated with the New Taiwan dollar's strengthening 5% against a foreign currency. When New Taiwan dollar weakened by 5% against a foreign currency, there would be an equal and opposite impact on profit before tax and the balances below would be negative.

	U.S. Dollar Impact			
	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	**2016**	**2015**	**2016**
Profit or loss	$2,564	$(7,474)	$(347)	$18,536

	JPY Impact			
	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	**2016**	**2015**	**2016**
Profit or loss	$(1,837)	$1,425	$3,548	$8,104

The Corporation's sensitivity to USD exchange rates increased in the current period mainly because of the increase in assets recorded in U.S. dollars. The Corporation's sensitivity to JPY exchange rates increased in the current period mainly because of the increase in assets recorded in JPY.

b) *Interest rate risk*

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

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

	June 30, 2015	**December 31, 2015**	**June 30, 2016**
Fair value interest rate risk			
Financial assets	$ 2,401,220	$ 1,672,662	$ 3,243,922
Financial liabilities	(6,745,784)	(7,444,497)	(7,028,415)
Cash flow interest rate risk			
Financial assets	7,277,887	8,296,572	7,812,376
Financial liabilities	(4,191,338)	(6,370,548)	(6,770,974)

Sensitivity analysis

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

Had interest rates been 1% higher and all other variables been held constant, the Corporation's net profit for the six months ended June 30, 2015 and 2016 would have increased by NT$15,432 thousand and NT$5,207 thousand, respectively, mainly because of the Corporation's exposure to interest rates on its variable-rate demand deposits and bank borrowings.

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

c) *Other price risk*

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

Sensitivity analysis

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

Had equity prices been 5% lower, the other comprehensive income for the six months ended June 30, 2015 and 2016 would have decreased by NT$6,331 thousand and NT$5,060 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

The Corporation's sensitivity to price decreased in the current period mainly because of the decrease in available-for-sale financial assets.

2) ***Credit risk***

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

a) The carrying amounts of the consolidated 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 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 accounts receivable at the end of the reporting period to ensure that adequate allowance is 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 pertained to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts customers 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 having similar characteristics.

The Corporation's concentrations of credit risk of 33%, 25% and 28% of total accounts receivable as of June 30, 2015, December 31, 2015 and June 30, 2016, respectively, were 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 rate risk tables (nonderivative financial liabilities)

The following tables show the Corporation's remaining contractual maturity for its nonderivative financial liabilities with agreed-upon repayment periods. The tables had been 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 table below regardless of the probability of the banks choosing to exercise their rights to repayment. The maturity dates for other nonderivative 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.

June 30, 2015

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Nonderivative financial liabilities				
Non-interest bearing	$1,625,546	$ 938,812	$ 583,310	$3,658,714
Variable interest rate liabilities	349,015	465,499	1,772,344	1,697,806
Fixed interest rate liabilities	547,820	1,478,053	648,886	493,500
	$2,522,381	$2,882,364	$3,004,540	$5,850,020

December 31, 2015

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

June 30, 2016

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Nonderivative financial liabilities				
Non-interest bearing	$1,299,182	$1,189,227	$ 470,395	$3,564,606
Variable interest rate liabilities	417,353	1,977,428	1,520,530	2,977,306
Fixed interest rate liabilities	968,574	1,849,969	51,595	493,500
	$2,685,109	$5,016,624	$2,042,520	$7,035,412

As of June 30, 2015, December 31, 2015 and June 30, 2016, the Corporation believes there was no bank loan on which immediate repayment will be demanded.

The amounts included above for variable interest rate instruments of nonderivative 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 rate risk 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.

June 30, 2015

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Net settled				
Interest rate swaps	$–	$–	$–	$58

December 31, 2015

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Net settled				
Interest rate swaps	$ –	$ –	$–	$134
Foreign exchange forward contracts	166	5,802	–	–
	$166	$5,802	$–	$134

June 30, 2016

	On Demand or Up to 1 Month	Over 1 Month to 3 Months	Over 3 Months to 1 Year	1+ Years
Net settled				
Foreign exchange forward contracts	$1,069	$19,292	$–	$–

c) Financing facilities

	June 30, 2015	December 31, 2015	June 30, 2016
Secured long-term bank loan facilities (installment credit):			
Amount used	$ 9,308,246	$ 7,547,967	$ 5,845,192
Amount unused	189,300	1,610,700	792,282
	$ 9,497,546	$ 9,158,667	$ 6,637,474
Unsecured long-term bank loan facilities (revolving credit):			
Amount used	$ 3,494,448	$ 1,000,000	$ 782,760
Amount unused	–	800,000	17,240
	$ 3,494,448	$ 1,800,000	$ 800,000
Unsecured long-term bank loan facilities (installment credit):			
Amount used	$ –	$ 195,000	$ 120,000
Amount unused	–	–	480,000
	$ –	$ 195,000	$ 600,000
Secured short-term bank loan facilities (which may be extended by mutual agreement):			
Amount used	$ 233,558	$ 108,940	$ –
Amount unused	233,747	271,935	–
	$ 467,305	$ 380,875	$ –
Secured short-term bank loan facilities (cannot be extended):			
Amount used	$ 589,848	$ 589,848	$ 589,848
Amount unused	–	–	–
	$ 589,848	$ 589,848	$ 589,848
Unsecured short-term bank loan facilities (revolving credit):			
Amount used	$ 3,738,885	$ 5,607,619	$ 5,548,577
Amount unused	7,556,505	6,868,372	7,307,461
	$11,295,390	$12,475,991	$12,856,038
Unsecured short-term bank loan facilities (installment credit):			
Amount used	$ 384,723	$ 1,613,606	$ 1,339,052
Amount unused	–	–	265,134
	$ 384,723	$ 1,613,606	$ 1,604,186

37. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between NSP and its subsidiaries (NSP'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. **Trading transactions**

Related Party Category	Sale of Goods — For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Other related parties (Note 1)	$7,502	$127,379	$50,812	$198,770
Related parties in substance	417	161	998	273
Investors with significant influence on certain group entities	22	–	45	–
	$7,941	$127,540	$51,855	$199,043

Related Party Category	Other Income — For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Related parties in substance	$10	$10	$10	$15

Related Party Category	Purchase of goods — For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Investors with significant influence on certain group entities	$125	$105	$499	$643
Related parties in substance	71	–	314	330
	$196	$105	$813	$973

Related Party Category	Other Expenses — For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Investors with significant influence on certain group entities	$ 242	$4,517	$ 858	$ 8,416
Other related parties (Note 1)	842	3,920	1,608	8,029
	$1,084	$8,437	$2,466	$16,445

Related Party Category	Rental Expense — For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Other related parties (Note 1)	$11,241	$8,840	$22,663	$17,950

Related Party Category	Utilities — For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Other related parties (Note 1)	$27,332	$17,800	$56,057	$44,298

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

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

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

b. The following accounts receivable from related parties were outstanding at the end of the reporting period:

	Accounts Receivable		
Related Party Category	**June 30, 2015**	**December 31, 2015**	**June 30, 2016**
Other related parties (Note 1)	$7,697	$340,434	$275,898
Investors with significant influence on certain group entities	23	26	–
	$7,720	$340,460	$275,898

	Other Receivables		
Related Party Category	**June 30, 2015**	**December 31, 2015**	**June 30, 2016**
Associates	$488,410	$475,550	$625,147
Investors with significant influence on certain group entities	9,986	–	–
Other related parties (Note 1)	–	549	11,441
	$498,396	$476,099	$636,588

	Prepayments for Equipment		
Related Party Category	**June 30, 2015**	**December 31, 2015**	**June 30, 2016**
Other related parties (Note 1)	$–	$61,492	$5,073

	Prepayments		
Related Party Category	**June 30, 2015**	**December 31, 2015**	**June 30, 2016**
Other related parties (Note 1)	$–	$3,473	$–

	Refundable Deposits		
Related Party Category	**June 30, 2015**	**December 31, 2015**	**June 30, 2016**
Other related parties (Note 1)	$–	$42,589	$41,577

Other receivables were temporary payments of project fee that the Corporation paid for its associates and reclassified from overdue accounts receivable and interest receivable from financing provided.

Prepayments for equipment suppliers were in order to develop new projects of power facility globally, the Corporation entered into a consultancy agreement with other related parties.

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

c. **The following trade payables to related parties were outstanding at the end of the reporting period:**

Related Party Category	Accounts Payable June 30, 2015	Accounts Payable December 31, 2015	Accounts Payable June 30, 2016
Investors with significant influence on certain group entities	$ 346	$324	$597
Other related parties (Note 1)	64	64	62
Related parties in substance	70	169	–
Associates	80,838	–	–
	$81,318	$557	$659

Related Party Category	Receipts in Advance June 30, 2015	Receipts in Advance December 31, 2015	Receipts in Advance June 30, 2016
Other related parties (Note 1)	$12	$12	$12

Related Party Category	Payables to Contractors and Equipment Suppliers June 30, 2015	Payables to Contractors and Equipment Suppliers December 31, 2015	Payables to Contractors and Equipment Suppliers June 30, 2016
Investors with significant influence on certain group entities	$60,930	$70,235	$62,827
Related parties in substance	–	4,168	4,168
	$60,930	$74,403	$66,995

Related Party Category	Other Accrued Expenses June 30, 2015	Other Accrued Expenses December 31, 2015	Other Accrued Expenses June 30, 2016
Other related parties (Note 1)	$48,525	$77,128	$48,519
Investors with significant influence on certain group entities	317	6,455	4,968
	$48,842	$83,583	$53,487

Note 1: Other related parties were entities of the investor who has significant influence over the Corporation and the entity whose parent issued puttable preferred stocks which were acquired by the Corporation on December 18, 2015. Phanes Holding has become the Corporation's other related party since December 18, 2015; thus, the Corporation disclosed the related trading transactions from December 18, 2015 and the balances at the end of the reporting period.

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

d. **Other transactions**

Related Party Category	Acquisition of Property, Plant and Equipment For the Six Months Ended June 30 2015	Acquisition of Property, Plant and Equipment For the Six Months Ended June 30 2016
Investors with significant influence on certain group entities	$34,374	$15,882

Related Party Category	Proceeds — For the Three Months Ended June 30 — 2015	2016	Gain (Loss) on Disposal — For the Three Months Ended June 30 — 2015	2016
Investors with significant influence on certain group entities	$9,510	$–	$(2,387)	$–

Related Party Category	Proceeds — For the Six Months Ended June 30 — 2015	2016	Gain (Loss) on Disposal — For the Six Months Ended June 30 — 2015	2016
Investors with significant influence on certain group entities	$9,510	$–	$(2,387)	$–

Refer to Note 41 for information relating to financing and endorsements and guarantees between the Corporation and its related parties.

e. **Compensation of key management personnel**

The compensation of directors and other members of key management personnel were as follows:

Related Party Category	For the Three Months Ended June 30 — 2015	2016	For the Six Months Ended June 30 — 2015	2016
Short-term benefits	$13,860	$ 8,873	$32,892	$36,147
Share-based payments	2,937	1,393	6,887	6,730
Post-employment benefits	339	290	732	659
	$17,136	$10,556	$40,511	$43,536

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

38. PLEDGED OR MORTGAGED ASSETS

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

	June 30, 2015	December 31, 2015	June 30, 2016
Property, plant and equipment	$ 8,180,778	$ 7,926,059	$6,864,530
Finance lease receivables (including current and noncurrent portions)	956,458	1,107,244	1,003,531
Restricted assets (classified as other current and noncurrent assets)	548,049	1,272,709	361,365
Refundable deposits	109,544	342,150	310,591
Pledged time deposits (classified as other current and noncurrent assets)	213,006	213,006	236,706
Pledged bank acceptances (classified as other current assets)	–	50,744	–
Power facility construction in progress (classified as inventories)	141,326	–	–
	$10,149,161	$10,911,912	$8,776,723

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

1) Long-term purchase contracts:

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

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

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

As of June 30, 2016, amount of US$7,062 thousand (NT$227,609 thousand) was recorded under prepayment. Earlier, in November 2009, NSP renegotiated the purchase price with company J. Both parties agreed to adjust the purchase quantity and price monthly from December 2009.

b) In August 2007 and January 2008, NSP entered into long-term materials supply agreements with company G. Under the agreements, NSP should make payments from January 1, 2009 to December 31, 2018. In return, company G should supply an agreed-upon quantity of raw materials. As of June 30, 2016, an amount of US$9,651 thousand (NT$319,839 thousand) was recorded under prepayment. In May 2009, NSP and company G revised the agreements. Under the new agreements, company G should supply an agreed-upon quantity of raw materials from 2009 to December 31, 2018. Within this period, deductions could be made from the prepayments, and the purchase price would be adjusted on the basis of market price. The last agreement revision by NSP and company G was in September 2013. The purchase price would be adjusted monthly in accordance with the pricing mechanism agreed upon by both parties. In November 2015, company G's parent company located in Shanghai announced that its domestic subsidiary would undergo a financial restructuring. Although company G indicated the financial restructuring would not affect its operation and will continuously supply raw materials to NSP, NSP accrued a potential loss in 2015 considering prepayment might not be collected.

c) In February 2008, DelSolar entered into a long-term materials supply agreement with company AH. Based on this supply agreement, company AH guaranteed to supply an agreed-upon quantity of raw materials to DelSolar during January 2009 to December 31, 2015, and in return DelSolar would make some prepayments by installments during this period of time. In April 2013, company AH stopped supplying materials because of its financial difficulties, and both parties entered into the negotiation process. On May 31, 2013, NSP merged with DelSolar, with NSP as the survivor entity. Considering prepayments to company AH might not be able to be fully collected, NSP had accrued a potential loss in the second quarter of 2013. In March 2015, NSP received an arbitration notice of company AH. NSP believes there are unsolved issues on the long-term materials supply agreement which will need further clarification from both parties. Therefore NSP has engaged an attorney to assist on the process and will make necessary adjustments according to the result of arbitration.

d) In March 2008 and August 2008, NSP entered into long-term materials supply agreements with company BM. Under the agreements, NSP should make payments from January 1, 2008 to December 31, 2016. In return, company BM should supply an agreed-upon quantity of raw materials. As of June 30, 2016, an amount of US$638 thousand (NT$20,745 thousand) was recorded under prepayment. Earlier, in August 2010, NSP renegotiated the agreement with company BM. Both parties agreed to adjust the purchase price and refund amount of prepayment in accordance with market prices from August 2010.

e) In October 2008, NSP entered into a long-term materials supply agreement with company K. Under the agreement, NSP should make payments from January 2009 to December 31, 2016. In return, company K should supply an agreed-upon quantity of raw materials. In December 2010, NSP renegotiated the agreement with company K. Both parties agreed that company K would supply NSP with an agreed-upon quantity of raw materials at its purchase price plus a markup of a certain percentage from January 2011 to December 31, 2016. As of June 30, 2016, an amount of US$16,240 thousand (NT$487,678 thousand) was recorded under prepayment. In the controversy of whether or not to continuously perform the above-mentioned agreement, company K has filed a lawsuit at Hsinchu District Court on January 13, 2016 to demand payment for NT$10,000 thousand as a partial claim. NSP retained lawyers to defend this lawsuit.

f) In August 2010 and December 2013, NSP entered into long-term materials supply agreements with company Y. Under the agreements, company Y should supply an agreed-upon quantity of raw materials from October 2010 to December 31, 2016. NSP should make payments during this period. Earlier, both parties agreed to adjust the purchase price monthly from October 2010 in accordance with a price adjustment mode agreed upon by both parties. Under the agreement, if NSP fails to complete the purchase of the required quantity or delays its payments, company Y is entitled to request compensation.

g) In November 2010, NSP entered into a long-term materials supply agreement with company X. Under the agreement, NSP should make payments from January 2011 to December 31, 2017. In return, company X should supply an agreed-upon quantity of raw materials. As of June 30, 2016, an amount of US$3,918 thousand (NT$113,242 thousand) was recorded under prepayment. Earlier, both parties agreed to adjust the purchase price monthly since 2012. However, in the three months ended March 31, 2012, both parties failed to reach an agreement on purchase price and quantity. Under the agreement, NSP was entitled to end the contract unconditionally, and company X should return the remaining balance of prepayment. Both parties agreed to deduct the remaining prepayment before March 31, 2013. Because company X announced it would undertake financial restructuring, NSP considered the remaining prepayments might not be collected due to company X's going concern issue; thus, NSP accrued potential losses for 2012 and 2013. NSP resumed purchase after October 2014.

h) In March 2011, NSP entered into a long-term materials supply agreement with company AD. Under the agreement, company AD should supply an agreed-upon quantity of raw materials. Based on the agreement, the purchase price will be adjusted quarterly. In return, NSP should make the payment from January 2012 to December 31, 2018. In April 2015, NSP renegotiated the agreement with company AD. Both parties agreed that company AD would supply NSP with an agreed-upon quantity of raw materials from April 2015 to December 31, 2022, and the purchase price would be negotiated quarterly. As of June 30, 2016, an amount of US$6,781 thousand (NT$197,134 thousand) was recorded under prepayment. Under the agreement, if NSP delays the payments, company AD is entitled to request an interest on the delayed payment at a rate already agreed on by both parties.

2) Material sell-buy agreements:

As of June 30, 2016, the Corporation entered into irrevocable sell-buy agreements with several companies.

The information was as follows:

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

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

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

GES JAPAN entered into an equity buy-sell agreement, which included the agreement on the sale of the ownership of GES FUKUSHIMA, a power facility in Japan, and Hashimoto, with company S in June 2016. The expected proceeds to be received is JPY1,151,280 thousand, equivalent to NT$361,617 thousand. As of August 2, 2016, GES JAPAN has received advance payments of JPY115,128 thousand. Revenues will only be recognized on the disposal date on which inspection and acceptance are completed by company S.

3) GES developed new projects of power facility globally under the supervision of the contractors. The Corporation entered into construction contracts with several contractors with a total contract price of NT$2,582,312 thousand and the unpaid amount was NT$1,364,032 thousand as of June 30, 2016.

BPS has obtained orders for power facility construction and contracted the projects to the contractors. BPS entered into construction contracts with the contractors with a total contract price and unpaid amount of NT$72,839 thousand as of June 30, 2016.

4) GES entered into equity purchase or assets purchase agreements with several companies with a total contract price of NT$485,656 thousand and the unpaid amount was NT$344,713 thousand as of June 30, 2016.

5) GES entered into solar power projects development agreements with several companies (including related parties) with a total contract price of NT$139,396 thousand and the unpaid amount was NT$62,725 thousand as of June 30, 2016.

6) Unused letters of credit amounted to approximately EUR1,205 thousand and US$5,488 thousand as of June 30, 2016.

b. Contingencies

1) In December 2010, NSP and the M+W Group (M+W) entered into a construction agreement and materials purchase agreement, with a total amount of NT$510,000 thousand. On April 22, 2013, M+W claimed the construction had been completed and requested for a payment of NT$191,165 thousand (including NT$49,344 thousand for additional works). On September 4, 2013, M+W requested the help of the Hsin-chu district court, a common pleas court, to request NSP to return NT$200,723 thousand, which included NT$191,165 thousand and interest calculated at 5% per year. NSP already filed a plea and counterplea on this case. The first trial is currently pending in the court and the appraiser has delivered the appraisal report to the court on January 18, 2016, waiting for further instructions.

As of June 30, 2016, the amount of NT$368,179 thousand had been paid; except the NT$49,344 thousand for the additional works. NSP had accrued construction contract payables of NT$141,821 thousand accordingly.

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

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

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

The Corporation filed an appeal with Suzhou Intermediate People's Court on July 3, 2015 to request CEEG (Shanghai) and CEEG (Nanjing), both are CD group companies, to return RMB48,230 thousand and pleaded to the Shanghai International Economic and Trade Arbitration Commission (SHIAC) on July 2, 2015 to request CEEG (Nanjing) Renewable Energy Co. Ltd, a CD group company, to return RMB32,060 thousand. The Corporation has simultaneously applied for property preservation and recognized appropriate allowance for impairment loss and necessary adjustment will be made depending on the ruling. Suzhou Intermediate People's Court ruled in the Corporation's favor on September 23, 2015, but company CD appealed to the court 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 expected repayment of RMB48,230 thousand and CEEG (Nanjing) assumed joint liability. The Corporation prevailed in the proceeding and was awarded RMB32,060 thousand in damages from CEEG (Nanjing) Renewable Energy Co., Ltd. on February 2, 2016. The Corporation has reached a payment schedule agreement with CEEG (Nanjing).

CD Group did not make payment according to the terms of the above payment schedule; hence, the Corporation has entrusted a law firm to apply for compulsory enforcement of the award. At the end of June 2016, some portion of CD Group's cash was successfully seized through the court enforcement and wired to the Corporation. The law firm along with the court continuously conduct subsequent investigations on CD Group's assets.

4) In the controversy of whether or not to continuously perform the long-term materials supply agreement, company K has filed a lawsuit at Hsinchu District Court on January 13, 2016 to demand payment of NT$10,000 thousand partial claim. NSP entrusted a lawyer to handle the case during the judicial procedure.

5) In March 2015, NSP received a notice of arbitration initiated by the controversy that resulted from the long-term materials supply agreement, which was signed in February 2008 between DelSolar and company AH. NSP believed that there were unsolved issues on the long-term materials supply agreement which will need further clarification from both parties. Therefore NSP engaged an attorney to assist on the process and will make necessary adjustments according to the result of arbitration.

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

7) Company CE has requested for arbitration of 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 for the issuance of an order for attachment and an order for transfer of the Corporation's debentures of payments of goods. The Corporation disagreed with the demand of company CE; therefore, company CE advocated that the Corporation should pay a total of NT$60,480 thousand and interest payable accrued at 5% per annum. As company CE has applied for the implementation of debt restructuring in mainland China with its third party vendor company G, the Corporation instructed legal counsels to answer the charges subsequently.

8) The dispute over the buy-sell agreement between DelSolar Wu Jiang and company JE has been admitted by Shanghai Jiading People's Court on July 25, 2016, and the court session is scheduled on September 7, 2016. The total amount involved was RMB5,947 thousand, which was composed of return of advance payments of RMB5,406 thousand, penalty of RMB500 thousand, and interest loss of RMB41 thousand accrued as of the court filing date. A civil ruling has been issued by the receiving court to freeze company JE's bank accounts and is in the process of enforcement.

40. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2015		December 31, 2015		June 30, 2016	
	Foreign Currencies	**Exchange Rate**	**Foreign Currencies**	**Exchange Rate**	**Foreign Currencies**	**Exchange Rate**
	(In Thousands)	**(Note 1)**	**(In Thousands)**	**(Note 1)**	**(In Thousands)**	**(Note 1)**
Financial assets						
Monetary assets						
USD	$184,068	30.8610	$179,781	33.0660	$184,682	32.2860
USD (Note 2)	399	6.2025	11,101	6.4950	8,885	6.6475
EUR	5,381	34.4157	17,457	35.8230	12,576	35.8350
EUR (Note 2)	1	6.9153	119	7.0876	102	7.3782
JPY	432,065	0.2527	316,927	0.2737	512,508	0.3141
JPY (Note 2)	7,889	0.0508	820	0.0539	12,878	0.0647
RMB	5,498	4.9753	6,676	5.0744	87,032	4.8569
GBP	3,302	48.5381	1,755	48.9019	1,858	43.4870
HKD	–	–	1	4.2521	1	4.1589
Nonmonetary assets						
USD	1,151	30.8610	9,500	32.6424	9,500	32.2860
JPY	114,911	0.2527	–	–	–	–
USD	42	29.9100	42	29.9100	42	29.9100
EUR	600	37.6500	600	37.6500	600	37.6500
Financial liabilities						
Monetary liabilities						
USD	159,109	30.8610	157,529	33.0660	171,950	32.2860
USD (Note 2)	24,052	6.2025	13,391	6.4950	8,965	6.6475
USD (Note 3)	1,529	63.7729	1,529	66.2000	1,529	67.5864
EUR	3,597	34.4157	8,246	35.8230	5,519	35.8350
EUR (Note 2)	265	6.9153	210	7.0876	279	7.3782
JPY	101,477	0.2527	85,580	0.2737	4,507	0.3141
JPY (Note 2)	57,696	0.0508	3,672	0.0539	4,869	0.0647
GBP	3,006	48.5381	3,355	48.9019	3,086	43.4870
RMB	–	–	44	5.0744	131	4.8569

Note 1: Exchange rates between foreign currencies and New Taiwan Dollars, except specified.

Note 2: Exchange rates between foreign currencies and RMB.

Note 3: Exchange rates between foreign currencies and INR.

For the three months ended June 30, 2015 and 2016 and for the six months ended June 30, 2015 and 2016, realized and unrealized foreign exchange gains (losses) were NT$17,401 thousand, NT$97,508 thousand, NT$(41,890) thousand and NT$143,751 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

41. SEPARATELY DISCLOSED ITEMS

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

a. Financings provided: Table 1 (attached)

b. Endorsements/guarantees provided: Table 2 (attached)

c. Marketable securities held (which does not include invested subsidiaries, associates, and joint ventures): Table 3 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

e. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

f. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

i. Trading in derivative instruments: Please see Note 7.

j. Names, locations, and 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 4 and 8 (attached)

l. Intercompany relationships and significant intercompany transaction: Table 8 (attached)

42. OPERATING SEGMENT INFORMATION

Financial information reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on revenue from each type of products. The accounting policies of the reportable segments are the same as the Corporation's accounting policies. The Corporation's main reportable segments are solar cell, module and power facility.

a. Segment revenue and results

	Segment Revenue			
	For the Three Months Ended June 30			
	2015		2016	
	From External Customer	Inter-segment Sales	From External Customer	Inter-segment Sales
Solar cell	$4,112,072	$575,520	$3,227,385	$230,144
Module	735,469	101,821	1,197,293	283,287
Power facility	138,635	–	85,349	–
Others	1,286	692	(6,134)	157,131
Total from continuing operations	$4,987,462	$678,033	$4,503,893	$670,562

	Segment Revenue			
	For the Six Months Ended June 30			
	2015		2016	
	From External Customer	Inter-segment Sales	From External Customer	Inter-segment Sales
Solar cell	$7,763,744	$1,059,124	$ 7,273,390	$488,740
Module	1,397,599	141,434	2,582,994	323,686
Power facility	367,638	–	476,855	–
Others	88,816	2,752	74,562	159,409
Total from continuing operations	$9,617,797	$1,203,310	$10,407,801	$971,835

	Segment Profit or Loss			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2016	2015	2016
Solar cell	$(188,313)	$(327,670)	$ (226,506)	$ 84,134
Module	(42,925)	21,205	(154,998)	82,876
Power facility	70,802	(59,279)	111,920	164,029
Others	(4,721)	(21,272)	3,093	33,381
Reportable segments gross (loss) profit	(165,157)	(387,016)	(266,491)	364,420
Realized intercompany (loss) profit	(524)	(13,694)	1,479	(13,681)
	(165,681)	(400,710)	(265,012)	350,739
Unallocated amount				
Operating expenses	(569,146)	(468,456)	(892,535)	(1,062,916)
Other income and expenses	(16,224)	(121,770)	(16,224)	(121,770)
Nonoperating income and expenses	(33,963)	65,748	(108,247)	13,056
Loss before income tax	$(785,014)	$(925,188)	$(1,282,018)	$ (820,891)

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

b. Segment total assets and liabilities

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

TABLE 1

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars)

Financing Company	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Actual Provided	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
NSP	GES USA	Other receivables from related parties	$325,000	$325,000	$325,000	2.80%	2	$–	Operating capital	$–	–	$–	$2,167,479 (Notes 2, 3 and 4)	$4,334,959	2
General Energy Solutions	Yong Liang	Other receivables from related parties	100,000	–	–	–	2	–	Operating capital	–	–	–	236,185 (Notes 2, 3, 4 and 5)	944,738	2
	GES UK	Other receivables from related parties	234,500	234,500	–	–	2	–	Operating capital	–	–	–	236,185 (Notes 2, 3, 4 and 5)	944,738	2
	GES JAPAN	Other receivables from related parties	196,000	–	–	–	2	–	Operating capital	–	–	–	236,185 (Notes 2, 3, 4 and 5)	944,738	2
GES UK	GES JAPAN	Other receivables from related parties	196,360	196,360	196,360	2.20%	2	–	Operating capital	–	–	–	2,387,841 (Notes 2, 3, 4 and 5)	2,387,841	2
	Hashimoto	Other receivables from related parties	13,685	13,685	13,685	2.20%	2	–	Operating capital	–	–	–	238,784 (Notes 2, 3, 4 and 5)	955,136	2
	GES KYUSHU	Other receivables from related parties	29,770	29,770	29,770	2.20%	2	–	Operating capital	–	–	–	238,784 (Notes 2, 3, 4 and 5)	955,136	2

Note 1: Nature of Financing:

1) For business;

2) For short-term financing.

Note 2: The financing company's total financing amount for one counterparty should not exceed 40% of the financing company's net asset value. The net asset value of General Energy Solutions is based on the latest audited or reviewed financial statement.

Note 3: The financing company's total financing should not exceed 20% of its net asset value. A single financing should not exceed the transaction amount between financing company and counterparty within one year and should not exceed the highest amount of purchases or sales.

Note 4: NSP total amount of financing for short-term financing need should not exceed 20% of net asset value and the financing for a counterparty should not exceed 10% of net asset value.

Note 5: GES total amount of financing for short-term financing need should not exceed 40% of net asset value and the financing for a counterparty should not exceed 10% of net asset value.

Note 6: Overseas subsidiaries wholly owned directly or indirectly by General Energy Solution are not subject to Note 2. The financing company's total financing should not exceed three years and the total amount of financing and the financing for a counterparty should not exceed 100% of net asset value.

TABLE 2

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty	Maximum Balance for the Period	Ending Balance	Actual Provided	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Amount Provided to Subsidiary	Endorsement/ Guarantee Amount Provided to the Parent Company	Endorsement/ Guarantee Amount Provided to Mainland China
		Name	Nature of Relationship	(Notes 1 and 2)					(%)	(Notes 1 and 2)			
0	NSP	General Energy Solutions	Subsidiary	$4,334,959	$ 400,000	$ 400,000	$ 360,716	$–	1.85	$10,837,397	YES	–	–
		DelSolar HK	Subsidiary	4,334,959	32,500	32,500	–	–	0.15	10,837,397	YES	–	–
		NSP HK	Subsidiary	4,334,959	325,000	325,000	–	–	1.50	10,837,397	YES	–	–
		CFR	Subsidiary	4,334,959	650,000	650,000	48,750	–	3.00	10,837,397	YES	–	–
		Abacus	Subsidiary	4,334,959	1,050,000	1,050,000	–	–	4.84	10,837,397	YES	–	–
		GES UK	Subsidiary	4,334,959	1,115,172	1,115,172	1,115,172	–	5.15	10,837,397	YES	–	–
		XYH Suzhou	Subsidiary	4,334,959	225,000	225,000	–	–	1.04	10,837,397	YES	–	–
1	General Energy Solutions	Yong Liang	Subsidiary	2,361,846	630,000	–	–	–	–	4,723,692	YES	–	–
		GES UK	Subsidiary	2,361,846	810,000	810,000	526,413	–	34.30	4,723,692	YES	–	–
		GES USA	Subsidiary	2,361,846	709,949	259,949	253,061	–	11.01	4,723,692	YES	–	–

Note 1: In accordance with the “Rules of Guarantees by NSP,” the ceiling for total guaranteed amount was 50% of NSP’s net asset value, and the limit on the guaranteed amount for a single party was 20% of NSP’s net asset value. But for business purposes, the limit of guaranteed amount was the total of the purchase from or sale to NSP within the most recent year.

Note 2: Based on the “Rules of Guarantees by General Energy Solutions,” the ceiling for total guaranteed amount was 200% of General Energy Solutions’ (GES) net asset value, and the limit of guaranteed amount for a single party was 100% of GES’s net asset value. But for business purposes, the limit on the guaranteed amount was the total of the purchase from or sale to GES within the most recent year. GES’s net asset value is based on its latest audited or reviewed financial statements.

TABLE 3

MARKETABLE SECURITIES HELD
JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016 Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
				(Thousands/ Units)		(%)		
NSP	**Stock**							
	TTMC	Investee	Available-for-sale financial assets – noncurrent	4,000	$ 54,760	5.44	$ 54,760	Note 2
	SUN APPENNINO CORPORATION	Investee	Financial assets carried at cost – noncurrent	–	22,590	26.09	22,590	Note 1
	FICUS CAPITAL CORPORATION	Investee	Financial assets carried at cost – noncurrent	–	1,259	28.07	1,259	Note 1
General Energy Solutions	**Stock**							
	Puttable preferred stock-Phanes Holding	Other related party	Debt investment with no active market – noncurrent	29	306,717	100.00	306,717	Note 2
Prime Energy	**Stock**							
	TTMC	Investee	Available-for-sale financial assets – noncurrent	359	5,367	0.49	5,367	Note 2
	EXOJET	Investee	Financial assets carried at cost – noncurrent	5,885	30,100	16.91	30,100	Note 1
New Ray Investment	**Stock**							
	TTMC	Investee	Available-for-sale financial assets – noncurrent	3,000	41,070	4.08	41,070	Note 2
GES USA	**Stock**							
	TG ENERGY SOLUTIONS LLC	Investee	Financial assets carried at cost – noncurrent	–	646	10.00	646	Note 1

Note 1: The above amount is based on book value.

Note 2: The above amount is based on fair value; for those pertaining to private-placement shares, on quoted market prices; and for those that cannot be traded during the lock-up period, on relevant market prices.

Note 3: The above marketable securities had not been pledged or mortgaged. TTMC's shares held by NSP and New Ray Investment through private equity placement were restricted under Article 43-8 of the Securities and Exchange Act as of June 30, 2016.

TABLE 4

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

			Transaction Details				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total (Note)	Remark
NSP	General Energy Solutions	Subsidiary	Sale	$249,848	2.72	120 days from the invoice date	$–	–	$641,400	18.70	–
	DelSolar Wu Jiang	Subsidiary	Purchase	408,345	5.40	Cash on delivery 7 days	–	–	(28,140)	2.03	–
			Sale	208,489	2.27	Open account 30 days	–	–	116,455	3.40	–
	Delta Electronic (Japan) Inc.	Other related parties	Sale	127,055	1.38	Open account 60 days	–	–	124,057	3.62	–
GES Energy Solutions	Abacus	Subsidiary	Sale	260,061	82.09	Open account 60 days	–	–	258,584	63.40	–

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

TABLE 5

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Receivable from Related Parties Amounts	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
NSP	General Energy Solutions	Subsidiary	$ 641,400	0.96	$ 392,543	Receivable according to the financial situation	$ –	$–
	DelSolar Wu Jiang	Subsidiary	116,455	7.00	39,766	Receivable according to the financial situation	29,802	–
	GES USA	Subsidiary	322,860	–	–	Receivable according to the financial situation	322,860	–
	Delta Electronic (Japan) Inc.	Other related parties	124,057	1.85	6	Receivable according to the financial situation	–	–
General Energy Solutions	GES KYUSHU	Associate	159,965	–	122,687	Receivable according to the financial situation	159,965	–
	Abacus	Subsidiary	343,271	–	102,547	Receivable according to the financial situation	–	–
	Abacus	Subsidiary	258,584	4.02	–	Receivable according to the financial situation	–	–
GES JAPAN	GES KYUSHU	Associate	174,879	–	126,136	Receivable according to the financial situation	–	–
	Hashimoto	Associate	235,671	–	210,618	Receivable according to the financial situation	–	–
	Abacus	Subsidiary	239,665	–	235,523	Receivable according to the financial situation	–	–
GES USA	Cedar Falls	Subsidiary	114,766	–	–	Receivable according to the financial situation	–	–
GES UK	GES JAPAN	Subsidiary	221,594	–	–	Receivable according to the financial situation	–	–
	JRC	Subsidiary	1,607,522	–	1,464,854	Receivable according to the financial situation	–	–

TABLE 6

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2016	December 31, 2015	Shares (Thousands)	% of Ownership	Carrying Value			
NSP	DelSolar Cayman	Cayman Islands	Investment company	$4,427,839	$4,427,839	139,501	100.00	$3,147,473	$(372,039)	$(371,635)	Note 1
	General Energy Solutions	Hsin-chu, Taiwan	Electronic component manufacturing and selling	2,116,408	2,116,408	145,096	75.89	1,794,226	14,756	11,198	Note 1
	NSP BVI	British Virgin Islands	Investment company	65,233	65,233	2,001	100.00	(24,265)	(90,089)	(90,089)	Note 1
	New Ray Investment	Tainan, Taiwan	Investment company	115,000	115,000	11,500	100.00	52,691	(137)	(137)	Note 1
	Prime Energy	Tainan, Taiwan	Electronic component manufacturing and selling	90,000	90,000	9,000	100.00	50,306	(132)	(132)	Note 1
	NSP System	Tainan, Taiwan	Investment company	144,200	50,000	14,420	100.00	140,084	4,195	4,195	Note 1
	V5 Technology	Hsin-chu, Taiwan	Electronic component manufacturing and selling	85,152	57,691	5,511	61.23	42,583	(27,105)	(17,208)	Note 1
	BPS	Tainan, Taiwan	Solar related business	6,000	6,000	600	60.00	5,215	(837)	(502)	Note 1
	NSP UK	London, UK	Investment company	3,947	1,449	80	100.00	401	(3,211)	(3,211)	Note 1
	New Castle	Kaohsiung, Taiwan	Investment company	550	550	55	55.00	539	(3)	(1)	Note 1
	DelSolar Singapore	Singapore	Investment company	–	–	310	100.00	(45,324)	(1,030)	(1,030)	Note 1

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2016	December 31, 2015	Shares	% of Ownership	Carrying Value			
						(Thousands)					
General Energy Solutions	Yong Liang	Hsin-chu, Taiwan	Solar related business	169,000	129,000	–	100.00	176,501	3,835	3,835	Note 1
	Yong Han	Hsin-chu, Taiwan	Solar related business	29,000	29,000	–	100.00	29,471	910	910	Note 1
	Yong Zhou	Hsin-chu, Taiwan	Solar related business	35,000	35,000	–	100.00	15,999	(4,629)	(4,629)	Note 1
	Yun Yeh	Hsin-chu, Taiwan	Solar related business	8,000	1,000	–	100.00	7,859	(48)	(48)	Note 1
	Ever Lite	Hsin-chu, Taiwan	Electronic component manufacturing and selling	6,000	–	–	100.00	5,939	(61)	(61)	Note 1
	Abacus	Tokyo, Japan	Solar related business	94,834	94,834	–	100.00	89,470	8,735	8,735	Note 1
	GES UK	London, UK	Investment company	2,265,371	2,122,975	74,000	100.00	2,319,221	57,429	57,429	Note 1
	GES BVI	British Virgin Islands	Investment company	–	–	–	–	–	–	–	Note 1
GES UK	GES USA	Delaware, US	Investment company	557,200	557,200	18,780	100.00	714,865	22,605	22,605	Note 1
	GES JAPAN	Fukuoka, Japan	Investment company	513,062	513,062	221	100.00	538,523	1,012	1,012	Note 1
	NCH Solar 1	London, UK	Solar related business	533,810	533,810	10,797	100.00	480,115	8,684	8,684	Note 1
	GES Solar 2	London, UK	Solar related business	128,705	128,657	2,582	100.00	105,104	(1,045)	(1,045)	Note 1
	GES Solar 3	London, UK	Solar related business	3,328	3,280	67	100.00	2,327	(434)	(434)	Note 1
	GES PH	Manila, Philippines	Solar related business	6,029	6,029	8,622	100.00	6,284	(1)	(1)	Note 1
	GES CANADA	Canada	Investment company	143,952	143,952	4,600	100.00	111,411	5,520	5,520	Note 1
GES USA	ET ENERGY	Indiana, US	Solar related business	247,759	247,759	8,400	100.00	292,973	15,797	15,797	Note 1
	TIPPING POINT	Ohio, US	Solar related business	34,471	34,471	1,155	100.00	27,703	25	25	Note 1
	MEGATWO	California, US	Solar related business	–	–	–	–	(49,362)	(6,657)	(6,657)	Notes 1 and 3
	MEGATHREE	Delaware, US	Solar related business	38,606	38,606	1,284	40.00	36,143	967	958	Note 1
	MEGAFIVE	California, US	Solar related business	–	–	–	–	(646)	(26)	(26)	Notes 1 and 3
	MEGASIX	California, US	Solar related business	–	–	–	–	(133)	(26)	(26)	Notes 1 and 3
	MEGASEVEN	California, US	Solar related business	–	–	–	–	(1,018)	(974)	(974)	Notes 1 and 3
	MEGAEIGHT	California, US	Solar related business	–	–	–	–	(84)	(85)	(85)	Notes 1 and 3
	CEDAR FALLS	Iowa, US	Solar related business	3,378	–	102	100.00	3,358	70	70	Note 1
	ASSET ONE	California, US	Solar related business	–	–	–	–	697	890	890	Notes 1 and 3
	ASSET TWO	California, US	Solar related business	–	–	–	–	(78)	(26)	(26)	Notes 1 and 3
	ASSET THREE	Hawaii, US	Solar related business	–	–	–	–	(414)	(420)	(420)	Notes 1 and 3
	ASSET FOUR	California, US	Solar related business	–	–	–	–	(62)	(63)	(63)	Notes 1 and 3
	CENERGY	California, US	Solar related business	–	–	–	–	35,358	33,890	33,890	Notes 1 and 3
	SH4	California, US	Solar related business	22,646	–	684	100.00	22,362	393	393	Notes 1

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: June 30, 2016	Investment Amount: December 31, 2015	Balance as of June 30, 2016: Shares (Thousands)	Balance as of June 30, 2016: % of Ownership	Balance as of June 30, 2016: Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
MEGA TWO	MUNISOL	Mexico	Solar related business	–	–	–	–	(6,532)	(6,629)	(6,629)	Notes 1, 3 and 7
GES CANADA	JRC	Dominican	Solar related business	146,025	146,025	5	100.00	108,856	5,520	5,520	Note 1
GES JAPAN	GES KYUSHU	Fukuoka, Japan	Solar related business	76,116	76,116	25	45.00	30,933	15,635	7,035	Note 1
	GES FUKUSHIMA	Fukuoka, Japan	Solar related business	34,580	34,580	2	100.00	24,373	(9,142)	(9,142)	Note 1
	Hashimoto	Hoshimoto, Japan	Solar related business	10,909	10,909	2	45.00	5,362	(4,718)	(2,123)	Note 1
CENERGY	Inashiki GK	Japan	Solar related business	–	–	–	–	18,619	17,814	17,814	Notes 1 and 3
	Namegata GK	Japan	Solar related business	–	–	–	–	16,795	16,106	16,106	Notes 1 and 3
ASSET THREE	Shima's	Hawaii, US	Solar related business	–	–	–	–	–	–	–	Notes 1 and 3
ASSET THREE	Waimea	Hawaii, US	Solar related business	$ –	$ –	–	–	$ –	$ –	$ –	Notes 1 and 3
	Honokawai	Hawaii, US	Solar related business	–	–	–	–	–	–	–	Notes 1 and 3
	Eleele	Hawaii, US	Solar related business	–	–	–	–	–	–	–	Notes 1 and 3
	Hanalei	Hawaii, US	Solar related business	–	–	–	–	–	–	–	Notes 1 and 3
	Kappa	Hawaii, US	Solar related business	–	–	–	–	–	–	–	Notes 1 and 3
	Koloa	Hawaii, US	Solar related business	–	–	–	–	–	–	–	Notes 1 and 3
NSP System	Hsin Jin Optoelectronics	Tainan, Taiwan	Solar related business	10,647	10,647	–	80.00	10,302	1,341	1,073	Note 1
	Hsin Jin Solar Energy	Tainan, Taiwan	Solar related business	13,981	13,981	–	60.00	14,467	2,755	1,653	Note 1
	Si One	Tainan, Taiwan	Solar related business	15,000	15,000	1,500	100.00	14,822	(175)	(175)	Note 1
	Da Li Energy	Tainan, Taiwan	Solar related business	200	–	–	100.00	1,988	1,107	1,107	Note 1
NSP UK	NSP Germany	Cologne, Germany	Solar related business	GBP 17	GBP 17	–	90.00	GBP (48)	GBP (70)	GBP (63)	Note 1
	PV-Power-Park	Frankfurt, Germany	Solar related business	GBP 20	GBP 20	–	100.00	GBP 20	GBP –	GBP –	Notes 1 and 8
DelSolar Cayman	DelSolar US	Delaware, US	Investment company	USD 14,800	USD 14,800	1	100.00	USD 11,598	USD (1,262)	USD (1,262)	Note 1
	DelSolar HK	Hong Kong	Investment company	USD 125,200	USD 125,200	125,200	100.00	USD 86,444	USD (10,002)	USD (10,002)	Note 1
	NSP NEVADA	Nevada, US	Solar related business	USD –	USD –	–	–	USD (87)	USD (87)	USD (87)	Notes 1 and 3
DelSolar HK	DelSolar Wu Jiang	Jiangsu, China	Solar related business	USD 120,000	USD 120,000	–	100.00	USD 81,259	USD (10,166)	USD (10,166)	Notes 1, 2 and 5
	NSP JAPAN	Osaka, Japan	Solar related business	USD 97	USD 97	1	100.00	USD 221	USD 125	USD 125	Note 1
	NSP Nanchang	Jiangxi, China	Solar related business	USD 5,000	USD 5,000	–	100.00	USD 4,903	USD 39	USD 39	Notes 1 and 5

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount				Balance as of June 30, 2016				Net Income (Loss) of the Investee		Investment Gain (Loss)		Note
				June 30, 2016		December 31, 2015		Shares	% of Ownership	Carrying Value						
								(Thousands)								
NSP BVI	CFGP	British Virgin Islands	Investment company	USD	2,000	USD	2,000	10	100.00	USD	(749)	USD	(2,750)	USD	(2,750)	Note 1
	NSP HK	Hong Kong	Investment company	USD	–	USD	–	–	–	USD	(13)	USD	–	USD	–	Notes 1 and 3
NSP NEVADA	Livermore	Delaware, US	Solar related business	USD	150	USD	150	–	75.00	USD	613	USD	(116)	USD	(87)	Note 1
	HI Solar Green 1 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 2 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 3 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 4 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 5 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 6 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 7 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 8 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 9 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
	HI Solar Green 10 LLC	Hawaii, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
NSP HK	XYH Suzhou	Jiangsu	Solar related business	USD	–	USD	–	–	100.00	USD	(13)	USD	–	USD	–	Notes 1 and 7
CFR	Rugged solar LLC	Delaware, US	Solar related business	USD	–	USD	–	–	–	USD	–	USD	–	USD	–	Notes 1 and 3
DelSolar US	DelSolar Development	Delaware, US	Solar related business	USD	4,850	USD	4,850	–	100.00	USD	4,722	USD	(100)	USD	(100)	Note 1
	CFR	Delaware, US	Solar related business	USD	2,870	USD	2,870	–	100.00	USD	657	USD	(1,250)	USD	(1,250)	Note 1
	USD1	Delaware, US	Solar related business	USD	3,582	USD	3,582	–	100.00	USD	3,512	USD	–	USD	–	Note 1
	CF Vegas	Delaware, US	Solar related business	USD	–	USD	741	–	–	USD	–	USD	–	USD	–	Notes 1 and 4
	JV2	Delaware, US	Solar related business	USD	1,950	USD	–	–	–	USD	1,950	USD	–	USD	–	Notes 1 and 6
DelSolar Development	DSS-USF PHX LLC	US	Solar related business	USD	1,370	USD	1,370	–	100.00	USD	1,660	USD	(25)	USD	(25)	Note 1
	DSS-RAL LLC	US	Solar related business	USD	2,555	USD	2,555	–	100.00	USD	3,196	USD	(85)	USD	(85)	Note 1
DelSolar Singapore	DelSolar India	India	Solar related business	USD	300	USD	300	1,435	100.00	USD	(1,406)	USD	(31)	USD	(31)	Note 1

Note 1: Recognized on the basis of unreviewed financial statements as of June 30, 2016.

Note 2: Recognized on the basis of reviewed financial statements as of June 30, 2016.

Note 3: The Corporation's special-purpose entities.

Note 4: CF Vegas was disposed in February 2016.

Note 5: For the investment in mainland China, refer to Table 7.

Note 6: As of June 30, 2016, the Corporation's ownership interest in JV2 was 67% and the Corporation accounted for two thirds of the members of the board. According to the agreement, any material operation and management decision of JV2 shall be vested solely in a Board of Managers which means Delsolar US does not have control over JV2. As specified in the agreement, the percentage interest of both members were 50% and 50%, respectively.

Note 7: The ownership of Munisol had been transferred from GES USA to MEGATWO and the ownership of XYH Suzhou had been transferred from Delsolar Wu Jiang to NSP HK in June 2016.

Note 8: UNA 249 Equity Management GmbH (UNA 249) which is the subsidiary of NSP UK had been renamed PV-Power-Park Pro 1 Verwalttungs GmbH (PV-Power-Park) in May 2016.

TABLE 7

INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Percentage of Ownership in Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow					
DelSolar Wu Jiang	Solar-related business	US$120,000	Indirect investments through the Corporation's 100% subsidiary	US$120,000	$–	$–	US$120,000	100%	US$(10,166) (Note 1)	US$81,259 (Note 1)	$–
NSP Nanchang	Solar-related business	US$ 5,000	Indirect investments through the Corporation's 100% subsidiary	US$ 5,000	–	–	US$ 5,000	100%	US$39	US$4,903	–

Accumulated Investment in Mainland China as of June 30, 2016 (US$ in Thousands)	Investment Amount Authorized by the Investment Commission, MOEA (US$ in Thousands)	Limit on the Corporation's Investment in Mainland China
US$125,000	US$128,440 (Note 2)	NT$13,004,876

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

Note 2: On December 1, 2015, the Investment Commission, MOEA, authorized the investment of US$3,440 thousand in NSP (Jiangsu) Limited (tentative name) but the capital has not been invested as of June 30, 2016.

TABLE 8

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
For the six months ended June 30,2015							
0	NSP	General Energy Solutions	1	Sales	$ 24,138	Note 2	–
			1	Cost of sale	(170)	Note 2	–
			1	Purchase	161	Note 2	–
			1	Manufacturing expenses	12,231	Note 2	–
			1	Accounts receivable	23,518	Note 2	–
			1	Accrued expenses	2,676	Note 2	–
			1	Other receivables	28,997	Note 2	–
			1	Estimated payables to contractors and equipment suppliers	245	Note 2	–
			1	Acquisition of property, plant and equipment	40,245	Note 2	–
		V5 Technology	1	Other receivables	89	Note 2	–
			1	Payables to contractors and equipment suppliers	2,224	Note 2	–
			1	Rental income	420	Note 2	–
			1	Acquisition of property, plant and equipment	2,118	Note 2	–
		Prime Energy	1	Rental income	30	Note 2	–
		New Ray	1	Rental income	30	Note 2	–
		Yong Liang	1	Accounts receivable	82,704	Note 2	–
			1	Sale	78,493	Note 2	1%
		DelSolar Wu Jiang	1	Purchase	489,218	Note 2	5%
			1	Payments in advance	120,148	Note 2	–
			1	Accounts receivable	230,113	Note 2	1%
			1	Other receivables	3,906	Note 2	–
			1	Sales	601,622	Note 2	6%
			1	Accounts payable	268	Note 2	–
			1	Accrued expense	180	Note 2	–
			1	Other accounts payable-others	4	Note 2	–
			1	Maintenance and repair charges	181	Note 2	–
		DelSolar India	1	Other receivables	47,203	Note 2	–
			1	Refundable deposits	103	Note 2	–
1	DDS – RAL LLC	DelSolar Development	3	Other receivables	13,082	Note 2	–
2	General Energy Solutions	Yong Han	3	Sales	9,384	Note 2	–
			3	Rental income	35	Note 2	–
			3	Other received in advance	35	Note 2	–
		Yun Yeh	3	Rental income	29	Note 2	–
			3	Other received in advance	35	Note 2	–
		Yong Liang	3	Interest income	824	Note 2	–
			3	Rental income	35	Note 2	–
			3	Other receivables	100,578	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
			3	Other received in advance	35	Note 2	–
		NCH Solar 1	3	Accounts receivable	67,703	Note 2	–
			3	Other receivables	190,662	Note 2	1%
		GES Solar 2	3	Other receivables	31,499	Note 2	–
		GES USA	3	Other receivables	1	Note 2	–
		Yong Zhou	3	Rental income	35	Note 2	–
			3	Other received in advance	35	Note 2	–
		GES JAPAN	3	Other receivables	177,860	Note 2	–
			3	Interest income	1,209	Note 2	–
		Abacus	3	Other receivables	82,501	Note 2	–
3	GES USA	ASSET ONE	3	Other receivables	172	Note 2	–
		ASSET TWO	3	Other receivables	50	Note 2	–
		Bulldog	3	Other receivables	188,972	Note 2	1%
		ET ENERGY	3	Interest income	93	Note 2	–
			3	Other receivables	22,813	Note 2	–
		MEGATWO	3	Other receivables	43,973	Note 2	–
		MEGAFOUR	3	Other receivables	154,930	Note 2	–
		TIPPING POINT	3	Interest income	48	Note 2	–
4	GES UK	NCH Solar 1	3	Other receivables	52,592	Note 2	–
5	GES Japan	GES FUKUSHIMA	3	Accrued expenses	93	Note 2	–
		Abacus	3	Other receivables	11,061	Note 2	–
For the six months ended June 30, 2016							
0	NSP	General Energy Solutions	1	Accounts receivable	$641,400	Note 2	2%
			1	Other receivables	106	Note 2	–
			1	Accrued expenses	644	Note 2	–
			1	Sales	249,848	Note 2	2%
		GES USA	1	Other receivables	322,860	Note 2	1%
			1	Interest income	1,458	Note 2	–
			1	Interest receivables	753	Note 2	–
		Prime Energy	1	Rental income	30	Note 2	–
		New Ray Investment	1	Rental income	30	Note 2	–
		V5 Technology	1	Other receivables	93	Note 2	–
			1	Rental income	483	Note 2	–
		BPS	1	Other receivables	16	Note 2	–
			1	Rental income	90	Note 2	–
		Hsin Jin Optoelectronics	1	Accounts receivable	15,771	Note 2	–
			1	Other receivables	24,133	Note 2	–
			1	Rental income	14	Note 2	–
		DelSolar Wu Jiang	1	Accounts receivable	116,455	Note 2	–
			1	Accounts payable	28,140	Note 2	–
			1	Estimated accrued expenses	130	Note 2	–
			1	Sales	208,489	Note 2	2%
			1	Purchase	408,345	Note 2	4%
			1	Indirect material expense	131	Note 2	–
			1	Other losses	4,090	Note 2	–
		DelSolar India	1	Other receivables	49,382	Note 2	–
			1	Refundable deposits	103	Note 2	–
		Delsolar US	1	Temporary prepayments-noncurrent	115,479	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
		NSP NEVADA	1	Temporary prepayments-noncurrent	23,924	Note 2	–
		USD1	1	Temporary prepayments-noncurrent	257,005	Note 2	1%
		CFR	1	Other receivables	19,375	Note 2	–
			1	Temporary prepayments-noncurrent	82,838	Note 2	–
			1	Refundable deposits	1,596	Note 2	–
		Hsin Jin Solar Energy	1	Accounts receivable	19,045	Note 2	–
			1	Other receivables	40,326	Note 2	–
			1	Rental income	14	Note 2	–
		Si One	1	Accounts receivable	24,561	Note 2	–
			1	Sales	23,391	Note 2	–
			1	Rental income	14	Note 2	–
		NSP System	1	Rental income	14	Note 2	–
		NSP Japan	1	Estimated accrued expenses	9	Note 2	–
			1	Commissions	5,643	Note 2	–
		NSP Germany	1	Temporary prepayments-noncurrent	3,659	Note 2	–
			1	Accrued expenses	152	Note 2	–
			1	Maintenance and repair charges	155	Note 2	–
		Da Li Energy	1	Other receivables	58,018	Note 2	–
		DelSolar HK	1	Purchase	82,097	Note 2	1%
			1	Payments in advance	26,512	Note 2	–
		NSP Nanchang	1	Payments in advance	65,380	Note 2	–
1	DelSolar Wu Jiang	V5 Technology	3	Other operating revenue	185	Note 2	–
		XYH Suzhou	3	Other receivables	111	Note 2	–
		NSP Nanchang	3	Other receivables	6,074	Note 2	–
2	DSS-RAL LLC	DelSolar Development	3	Other receivables	19,162	Note 2	–
3	DelSolar US	CFR	3	Prepayments for long-term investments in stocks	48,429	Note 2	–
4	NSP NEVADA	Livermore	3	Temporary prepayments-noncurrent	8,825	Note 2	–
			3	Other payables – other	1,211	Note 2	–
5	USD1	CFR	3	Other receivables	17,845	Note 2	–
6	General Energy Solutions	Yong Liang	3	Rental income	35	Note 2	–
			3	Interest income	319	Note 2	–
			3	Other receipts in advance	35	Note 2	–
		Yun Han	3	Rental income	35	Note 2	–
			3	Other receipts in advance	35	Note 2	–
		Yong Zhou	3	Rental income	35	Note 2	–
			3	Other receipts in advance	35	Note 2	–
		Yun Yeh	3	Rental income	35	Note 2	–
			3	Other receipts in advance	35	Note 2	–
		GES JAPAN	3	Interest income	732	Note 2	–
		Abacus	3	Sales	260,061	Note 2	2%
			3	Accounts receivable	258,584	Note 2	1%
			3	Other receivables	343,271	Note 2	1%

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions: Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
		GES UK	3	Other receivables	466	Note 2	–
			3	Interest income	474	Note 2	–
		JRC	3	Other receivables	79,131	Note 2	–
		GES Solar 2	3	Accrued expenses	6,530	Note 2	–
7	Yong Zhou	Yong Liang	3	Rental income	178	Note 2	–
		Yun Han	3	Rental income	89	Note 2	–
			3	Other receipts in advance	89	Note 2	–
8	GES JAPAN	GES FUKUSHIMA	3	Other income	10,669	Note 2	–
		Abacus	3	Other receivables	239,665	Note 2	1%
9	GES UK	NCH Solar 1	3	Other income	573	Note 2	–
			3	Accrued expenses	2,139	Note 2	–
		GES JAPAN	3	Other receivables	221,594	Note 2	1%
			3	Interest income	1,564	Note 2	–
		GES Solar 2	3	Other income	287	Note 2	–
			3	Other receivables	4,827	Note 2	–
		GES Solar 3	3	Other income	287	Note 2	–
		JRC	3	Other receivables	1,607,522	Note 2	4%
10	GES USA	TIPPING POINT	3	Other receivables	8,869	Note 2	–
		MEGATWO	3	Other receivables	46,030	Note 2	–
		MEGAFIVE	3	Other receivables	13,441	Note 2	–
		MEGASIX	3	Other receivables	37,140	Note 2	–
		MEGASEVEN	3	Other receivables	11,461	Note 2	–
		MEGAEIGHT	3	Other receivables	31,960	Note 2	–
		ASSET ONE	3	Other receivables	35,500	Note 2	–
		ASSET TWO	3	Other receivables	78	Note 2	–
		ASSET THREE	3	Other receivables	246	Note 2	–
		ASSET FOUR	3	Other receivables	62	Note 2	–
		SH4	3	Other receivables	149	Note 2	–
		CENERGY	3	Other receivables	57	Note 2	–
		Cedar Falls	3	Other receivables	114,766	Note 2	–
		Munisol	3	Other receivables	49,174	Note 2	–
		Inashika GK	3	Other receivables	43,766	Note 2	–
		Namegata GK	3	Other receivables	294	Note 2	–
		Shima's	3	Other receivables	5,301	Note 2	–
		Waimea	3	Other receivables	14,505	Note 2	–
		Honokawai	3	Other receivables	15,611	Note 2	–
		Eleele	3	Other receivables	16,802	Note 2	–
		Hanalei	3	Other receivables	7,707	Note 2	–
		Kappa	3	Other receivables	21,339	Note 2	–
		Koloa	3	Other receivables	15,183	Note 2	–
11	NCH Solar 1	GES Solar 2	3	Sales	6,359	Note 2	–
			3	Accounts receivable	5,052	Note 2	–
			3	Other receivables	13,060	Note 2	–
		GES Solar 3	3	Sales	4,093	Note 2	–
			3	Accounts receivable	3,981	Note 2	–
		JRC	3	Sales	47,507	Note 2	–
12	GES Solar2	GES Solar 3	3	Other receivables	22,746	Note 2	–
		JRC	3	Sales	63,074	Note 2	–

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
13	GES Solar3	JRC	3	Sales	24,557	Note 2	–
14	Namegata GK	Inashiki GK	3	Other receivables	17,104	Note 2	–
15	GES CANADA	JRC	3	Other receivables	69,000	Note 2	–

Note 1: No. 1 represents the transaction from parent company to subsidiary; No. 2 represents the transaction from subsidiaries to parent company; No. 3 represents the transactions between subsidiaries.

Note 2: At normal commercial prices and terms.

APPENDIX A — THE SECURITIES MARKETS OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser, the Trustee, the Principal Paying Agent, the Conversion Agent, the Transfer Agent, the Registrar or any of our respective affiliates or advisors in connection with this offering. References to the FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. On July 1, 2004, the ROC Securities and Futures Commission was renamed the ROC Securities and Futures Bureau ("**ROC SFB**") and was reassigned to the jurisdiction of a new regulatory body, namely the Financial Supervisory Commission, or the FSC.

The TWSE

In 1961, the ROC Securities and Exchange Commission, working together with private interests, established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage, dealing and underwriting) must be made through the TWSE.

The TWSE commenced operations in 1962 and during the remainder of the 1960's grew at a slow pace, largely due to lack of experience among issuers and investors and an unwillingness on the part of ROC businesses to offer their shares to the public. During the early 1980's, the ROC Securities and Exchange Commission more actively encouraged new listings on the TWSE and the number of listed companies grew from 119 in 1983 to 845 as of June 30, 2016. As of June 30, 2016, the total market value of shares listed on the TWSE was approximately NT$26.85 trillion.

Historically the ROC companies have listed only common shares and bonds. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issue of the ROC's first exchangeable bonds (such bonds being exchangeable at the option of the bondholders into shares of companies owned by the issuers). Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE and traded on the TPEx (see below).

The FSC has promulgated regulations that would permit foreign issuers to list their equity securities or Taiwan depositary receipts evidencing their equity securities on the TWSE. The TWSE has established specific requirements for listing mainly based on the number and distribution of a company's shareholders, years in existence, amount of paid-in capital and profitability. However, special listing criteria apply to technology companies and key business engaging in national economic development.

The following table shows for the periods indicated information relating to the TWSE Index.

Period ended December 31,	Number of Listed Companies at the Period End	Trading Values	Index High	Index Low	Index Period End
		NT$ (in billion)			
1990	199	19,031.3	12,495.34	2,560.47	4,530.16
1991	221	9,682.7	6,305.22	3,316.26	4,600.67
1992	256	5,917.1	5,391.63	3,327.67	3,377.06
1993	285	9,056.7	6,070.56	3,135.56	6,070.56
1994	313	18,812.1	7,183.75	5,194.63	7,124.66
1995	347	10,151.5	7,051.49	4,503.37	5,173.73
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.2	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	20,512.2	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.8	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014	854	21,898.5	9,569.17	8,264.48	9,307.26
2015	874	20,191.5	9,973.12	7,410.34	8,338.06
2016 (through September 30, 2016) . . .	883	1,430,007	9,284.62	8,902.30	9,166.85

Source: TWSE website (www.twse.com.tw)

As indicated above, the performance of the TWSE has in recent years been characterized by extreme price volatility.

The TPEx

To complement the TWSE, the TPEx was established in September 1982 on the initiative of the ROC Securities and Exchange Commission to encourage the trading of securities of companies who do not qualify for listing on the TWSE. As of September 30, 2016, the market capitalization of companies listed on the TPEx was approximately NT$2,917.6 trillion.

The TPEx has established specific requirements for trading securities on the TPEx based on the history of a company, the number and distribution of a company's shareholders, amount of capital and profitability.

Price Limits, Commissions, Transaction Tax and other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. Transactions that involve 500 or more trading lots, that is 500,000 shares, of one class of securities, or trading amount exceeding NT$15 million for one class of securities or securities of five or more different classes and trading amounts exceeding NT$15 million must be registered and executed under TWSE block trade guidelines. Except for initial publically offered shares within certain period of time as provided in accordance with the TWSE rules, fluctuations in the price of securities traded on the TWSE is restricted to 7.0% above and below the previous day's closing price in the case of equity securities, and 7.0% in the case of convertible bonds. However, the FSC has modified these restrictions from time to time based on market conditions.

Securities brokers may set the brokerage commission at any rate subject to reporting to the TWSE, and, if the rate is higher than 0.1425% of the transaction price, shall notify their customers of the rate in advance.

A securities transaction tax of 0.3% of the transaction price is payable by the seller of equity securities. This securities transaction tax is withheld at the time of the transaction. No securities transaction tax will be imposed on the transfer of corporate bonds until December 31, 2016.

Sales of shares of listed companies on the TWSE are generally sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in making these sales.

Regulation and Supervision

The FSC has extensive regulatory authority over companies listed on the TWSE, companies listed on the TPEx and unlisted public issuing companies generally. Such companies are generally required to obtain approval from, or register with, the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC is responsible for the establishment of standards for financial reporting and carries out licensing and supervision with respect to the other participants in the ROC securities market.

The FSC has responsibility for implementation of the Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issue and trading of securities. In addition, the Securities and Exchange Law specifically empowers the FSC to promulgate rules under certain circumstances.

The Securities and Exchange Law prohibits market manipulation. It permits an issuer to recover certain short-term trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) holding more than 10.0% of the issued shares of the issuer. The Securities and Exchange Law prohibits trading of equity or debt securities by "insiders" based on non-public information that materially affects the price movements of equity securities or the issuer's ability to repay the principal amount or interest of the debt securities prior to publication of such information and within 18 hours after publication of such information.

Pursuant to the Securities and Exchange Law, the term "insiders" includes:

- directors, supervisors, managerial personnel, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the outstanding shares of the issuer and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material, non-public information due to occupational or controlling relationship with the issuer;

- any person who has discharged from the status or position in the first and second bullet points for less than six months; and

- any person who has learned material, non-public information from any of the above.

Sanctions include prison terms. In addition, damages may be awarded to persons injured by the transaction. Notwithstanding these regulatory requirements, there have been recurring press reports on insider trading and manipulation of stock prices in the ROC.

The Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other evidentiary documents that are related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, the Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under the Securities and Exchange Law. Criminal actions may be pursued only by the district prosecutors located in the district where the defendant is domiciled or where the violation occurred. Under ROC law, civil actions may only be brought by plaintiffs who assert that they have suffered damage. The FSC is directly empowered to curb abuses and violations of applicable laws and regulations only through administrative measures such as the issuance of warnings, temporary suspension of operation, imposition of administrative fines and revocation of licenses.

In addition to providing a market for securities trading, the TWSE has primary responsibility for reviewing applications by ROC issuers to list securities on the TWSE. In addition, the FSC reviews all securities offerings by listed companies. If issuers of listed securities violate relevant laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser, the Trustee, the Agents or any of our respective affiliates or advisors in connection with this offering.

GENERAL

Historically, foreign investments in the securities market of Taiwan were restricted. However, beginning in 1983, the Taiwan government has from time to time enacted legislation and adopted regulations to make foreign investment in the Taiwan securities market possible.

Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals (the "**Foreign Regulations**"), which was approved by the Executive Yuan on May 26, 1983 and has been amended from time to time, and the Regulations Governing Mainland China Investors' Securities Investments and Futures Trading in Taiwan (the "**PRC Regulations**"), which was announced by the FSC on April 30, 2009, are two of the major regulations governing foreign investment in securities and future trading in Taiwan.

Under the Foreign Regulations, foreign investors (other than PRC persons) are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to invest in ROC securities after they register with the TWSE. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling as separately determined by the FSC after consultation with the CBC. The FSC had never determined a maximum investment ceiling. This rule regarding maximum investment was abolished in 2008. Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC.

On April 30, 2009, the FSC promulgated the PRC Regulations allowing PRC institutional investors that meet the qualifications imposed by PRC securities regulators for Qualified Domestic Institutional Investors ("**QDII**") and certain other PRC persons to invest in securities of ROC companies.

The Securities Investment Regulations for PRC Nationals promulgated in 2009 (as amended in 2010) allow PRC nationals and institutional investors to make investment in ROC securities, if they are qualified for any of the following categories: (i) qualified domestic institutional investors approved by the PRC government, also known as "QDIIs"; (ii) PRC residents who are employees of a TWSE-listed or TPEx listed company and thereupon granted securities; (iii) companies incorporated under the laws of PRC or PRC residents who are the stockholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or TPEx; or (iv) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below, a PRC investor may invest in TWSE-listed or TPEx-listed securities, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle, warrants and other securities as permitted by the FSC:

- PRC investors are required to appoint their agent or nominee in Taiwan for opening a securities trading account.

- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates related to securities.

- In exercising the voting rights of the shares of a TWSE-listed or TPEx-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantial control or effect the operation and management of the company.

- The amount of investment remittance for each QDII is capped at US$100 million, and the total amount remitted into Taiwan by all QDIIs shall not exceed US$500 million.

- The PRC investor may not exceed the PRC ownership limit imposed by the Taiwan competent authority.

The total investment amount allowed to be remitted into Taiwan by QDIIs cannot exceed US$500 million. The custodians of each QDII must apply with the TWSE for the remittance amount of the QDII, which cannot exceed US$100 million for each QDII. In addition, QDIIs are currently prohibited from investing in certain industries (including civil aviation industry that we currently operate), and their investment in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and relevant authorities and amended from time to time.

Foreign Investment Approval

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEx in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments, individually or aggregately, in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEx in certain industries on the Positive List, as promulgated by the Executive Yuan are required to submit an investment approval application to the Investment Commission of the MOEA or other government authority. The Investment Commission or such other government authority reviews investment approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the TPEx if the investment is less than 10% of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an investment approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC company's director or supervisor shall also submit an investment approval application to the Investment Commission of the MOEA or other government authority for approval.

Currently, foreign investors (other than PRC persons) are not allowed to hold in aggregate 50% or more of our issued shares. In addition, a foreign investor (other than a PRC person) cannot hold more than 25% of our issued shares. Chairman of our board of directors and more than half of our directors should be ROC nationals. Under current ROC law and regulation, PRC investors are not allowed to hold our shares.

Depositary Receipts

In April 1992, the ROC SFB began allowing Taiwan companies listed on the TWSE to sponsor the issuance and sale of depositary receipts evidencing shares of its capital stock. In December 1994, the ROC Ministry of Finance began allowing companies whose shares are traded on the TPEx also to sponsor the issuance and sale of depositary receipts evidencing depositary shares representing shares of its capital stock. Approvals for these issuances are still required. On October 24, 2002, the ROC SFB began allowing public companies that are not listed on the TWSE and the TPEx to sponsor the issuance and sale of depositary receipts by way of private placement outside the ROC.

Immediately after the issuance of a depositary receipt (if the deposited shares are existing shares) or after the shares are issued and delivered (if the deposited shares are new shares), a holder of the depositary receipt may request the depositary to cause the underlying shares to be sold in Taiwan and to distribute the proceeds of the sale to or to withdraw the shares and deliver the shares to the depositary receipt holder. A PRC holder of the depositary receipt may not withdraw shares unless (i) it is a QDII or (ii) if all the businesses of the issuer are in the Positive List promulgated by the Executive Yuan, the holder withdraws shares which accounts for 10% or more of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries (including civil aviation industry that we currently operate), and their investment in certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and relevant authorities and amended from time to time. In addition, there are restrictions on the remittance amount to or from Taiwan by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary or a holder of depositary receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including U.S. dollars, in respect of the following: (1) proceeds of the sale of shares represented by depositary receipts, (2) proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and (3) any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE or the TPEx securities, subject to relevant regulations.

Under current ROC laws, a non-ROC holder of depositary receipts, when withdrawing the shares underlying the depositary receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depositary receipts on behalf of and as an agent for such holder of depositary receipts. Any such holder of depositary receipts is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting the foregoing requirements, the withdrawing holder of depositary receipts would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Overseas Corporate Bonds

Since 1989, the FSC has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. The relevant regulations also permit public issuing companies to issue corporate debt in offerings outside the ROC. Under current ROC law, such overseas corporate bonds (i) can be converted by bondholders into shares of ROC companies or (ii) subject to FSC approval, may be converted into depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. A PRC holder of convertible or exchangeable bonds may not convert or exchange bonds into shares unless (i) it is a QDII or (ii) if all the businesses of the issuer are in the Positive List promulgated by the Executive Yuan, the shares converted from overseas convertible bonds which accounts for 10% or more of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries (including civil aviation industry that we currently operate), and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of the overseas corporate bonds who is a PRC person to be unable to convert or exchange the bonds and hold the shares.

Proceeds from the sale of the shares converted or exchanged from overseas convertible or exchangeable bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to relevant regulations.

Under current ROC law, a non-ROC converting or exchanging bondholder, when exercising his conversion or exchange right to convert or exchange bonds into common shares, is required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such converting or exchanging bondholder on behalf of and as an agent for such converting or exchanging bondholder. Also, any such converting or exchanging bondholder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such converting or exchanging bondholder is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting these requirements, the converting or exchanging holder would not be able to receive, hold, or subsequently sell or otherwise transfer the shares into which the overseas bonds may have been converted or exchanged on the TWSE or otherwise.

Unless otherwise limited by the CBC, an ROC company may, without obtaining further approvals from the CBC or any other government authority of the ROC, convert NT dollars to other non-ROC currencies, including U.S. dollars, for making payments in respect of redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting or exchanging bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of converted or exchanged common shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such common shares and, after becoming a shareholder, convert into NT dollars inward remittances of subscription payments in connection with a rights offering. However, a converting or exchanging bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued shares if the proceeds are in excess of US$100,000 per remittance.

Exchange Controls

Taiwan's Foreign Exchange Control Statute and related regulations provide that all foreign exchange transactions must be executed by banks designated to handle foreign exchange transactions by the FSC and by the CBC. Current regulations favor trade or services related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related or service-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US$50 million, or its equivalent, and US$5 million, or its equivalent, respectively, in each calendar year. These limits apply to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debt with the CBC. In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies.

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