Stock Code:6244

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Motech Industries Inc.
and Its Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

Address：6F, No. 248, Sec. 3, Pei-Shen Rd., Shen-Keng Dist., New Taipei City 222, Taiwan

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Motech Industries Inc. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Motech Industries Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Motech Industries Inc.
Chairman: Ping-Heng Chang
Date: March 19, 2018

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Independent Auditors' Report

To the Board of Directors of Motech Industries Inc.:

Opinion

We have audited the consolidated financial statements of Motech Industries Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Impairment of long-term non-financial assets (including goodwill)

   Please refer to Note 4(m) "Impairment of non-financial assets", Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", Note 6(g) "Property, plant and equipment", and Note 6(h) "Intangible assets" of the consolidated financial statements.

   The Group operates in an industry where it may experience volatility on sales price in response to the changes in the supply and demand of market and governments policies; and the recoverable amounts of the long term non-financial assets (including goodwill) have been determined based on discounted cash flow forecasted by the Group's management, which involved its professional judgments. This is one of the key matters when conducting our audit.

How the matter was addressed in our audit

Our principal audit procedures included: evaluating the adequacy of the Group's impairment model in measuring the recoverable amount and the accuracy of assumptions used in prior period estimates; reviewing both the calculation of the use value and the discount factors of the present value of the discounted cash flow forecasted from the impairment documents and performing the sensitivity analysis to understand the effect of the recoverable amounts from the changes in key assumptions; performing an inquiry from the management and identifying any event after the balance sheet date if it is able to affect the results of the impairment assessment.

2. Recognition of deferred tax assets

   Please refer to Note 4(s) "Income taxes", Note 5(b) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(p) "Income taxes" of the consolidated financial statements.

   The recognition of the deferred tax assets in respect of these temporary differences is based on judgment in respect of the timing and quantum of the expected future profits and the ability of the Group to offset any of its accumulated losses against these expected profits. This is one of the key matters when conducting our audit.

   How the matter was addressed in our audit

   Our principal audit procedures included: reviewing the process on the management's assessment on the recognition and measurement of the deferred tax assets; comparing consistency of the management's estimates for assumptions used in the future financial budget with future operation projection, and evaluating whether appropriate assumptions above are applied; assessing the recognition and measurement of the deferred tax assets.

3. Provision for impairment of trade receivables

   Please refer to Note 4(g) "Financial instruments", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(c) "Notes and accounts receivable, and other receivables" of the consolidated financial statements.

   Trade receivables of the Group were measured by their recoverability. The Group operates in an industry where it may experience volatility due to changing market conditions. There is uncertainty in obtaining sufficient appropriate audit evidence relative to the recoverability of trade receivables before the date of the auditors' report; impairment assessment requires management to exercise subjective judgment in making estimations for impairment allowance on accounts receivable. This is one of the key matters when conducting our audit.

   How the matter was addressed in our audit

   Our principal audit procedures included: examining the aging of trade receivables to verify the accuracy of the ageing period; performing comparison analysis on historical reliability of doubtful accounts of prior period to the current period in order to assess whether appropriate provision policies for doubtful accounts are applied by the management; assessing the appropriateness and adequacy of provision for doubtful accounts made by the management based on the historical trends of the probability of default, current economic and credit conditions of clients, and subsequent collection of account receivables.

Other Matter

Motech Industries Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Motech Industries Inc. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 9,007,745	30	9,230,459	31
1110	Current financial assets at fair value through profit or loss (note 6(b))	-	-	6	-
1170	Notes and accounts receivable, net (notes 6(c) and 8)	7,771,720	25	6,603,413	21
1200	Other receivables, net (note 6(c))	236,564	1	305,088	1
1220	Current tax assets	4,387	-	45,215	-
130x	Inventories (note 6(d))	2,053,707	7	2,124,151	7
1410	Prepayments (note 6(i))	732,751	3	585,033	2
1470	Other current assets (note 6(i))	453,506	1	349,254	1
1476	Other current financial assets (note 8)	716,749	3	407,037	1
	Total current assets	20,977,129	70	19,649,656	64
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(b))	85,880	-	131,889	-
1550	Investments accounted for using equity method (notes 6(e) and 6(f))	54,098	-	48,359	-
1600	Property, plant and equipment (notes 6(g), 6(v) and 14)	7,932,199	25	9,170,870	30
1780	Intangible assets (note 6(h))	522,079	2	558,118	2
1840	Deferred tax assets (note 6(p))	307,725	1	479,770	2
1900	Other non-current assets (notes 6(c), 6(i) and 6(o))	526,417	2	720,645	2
1980	Other non-current financial assets (note 8)	30,320	-	30,748	-
	Total non-current assets	9,458,718	30	11,140,399	36
	Total assets	$ 30,435,847	100	30,790,055	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(j) and 8)	$ 7,875,846	26	6,382,125	21
2110	Short-term notes and bills payable (note 6(k))	99,862	-	-	-
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	-	-	5,453	-
2170	Notes and accounts payable (note 8)	6,181,914	20	4,702,460	15
2200	Other payables	1,404,617	4	1,315,535	4
2230	Current tax liabilities	11,799	-	-	-
2250	Current provisions (note 6(m))	31,690	-	33,711	-
2300	Other current liabilities	224,180	1	303,631	1
2320	Long-term liabilities, current portion (note 6(l))	2,976,978	10	1,385,333	5
	Total current liabilities	18,806,886	61	14,128,248	46
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(l))	-	-	3,162,944	10
2550	Non-current provisions (note 6(m))	108,755	-	111,887	-
2570	Deferred tax liabilities (note 6(p))	54,281	-	68,656	-
2600	Other non-current liabilities	46,327	-	16,716	-
	Total non-current liabilities	209,363	-	3,360,203	10
	Total liabilities	19,016,249	61	17,488,451	56
	Equity attributable to owners of parent (notes 6(f), 6(p), 6(q), 6(r), 6(s) and 6(y)):				
3100	Ordinary share	5,397,909	18	4,883,199	16
3200	Capital surplus	9,264,924	31	9,463,351	31
3351	Accumulated deficit	(3,030,712)	(10)	(909,253)	(3)
3400	Other equity interest	(427,393)	(1)	(333,917)	(1)
3500	Treasury shares	(645)	-	(650)	-
	Total equity attributable to owners of parent	11,204,083	38	13,102,730	43
36xx	Non-controlling interests	215,515	1	198,874	1
	Total equity	11,419,598	39	13,301,604	44
	Total liabilities and equity	$ 30,435,847	100	30,790,055	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Motech Industries Inc. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2017		2016	
		Amount	%	Amount	%
	Operating Revenues:				
4100	Sales	$ 23,271,855	100	29,099,519	100
4170	Less: Sales returns	(62,547)	-	(122,415)	-
4190	Sales allowances	(20,694)	-	(14,212)	-
	Net operating revenue (note 6(t))	23,188,614	100	28,962,892	100
5000	**Operating costs (notes 6(d), 6(g), 6(h), 6(m), 6(n), 6(o), 6(r) and 9)**	(23,796,838)	(103)	(27,748,461)	(96)
	Gross profit (loss) from operations	(608,224)	(3)	1,214,431	4
	Operating expenses (notes 6(c), 6(g), 6(h), 6(n), 6(o), 6(r) and 7):				
6100	Selling expenses	(310,645)	(1)	(296,359)	(1)
6200	Administrative expenses	(773,714)	(3)	(779,488)	(2)
6300	Research and development expenses	(671,229)	(3)	(512,190)	(2)
	Total operating expenses	(1,755,588)	(7)	(1,588,037)	(5)
	Net operating loss	(2,363,812)	(10)	(373,606)	(1)
	Non-operating income and expenses:				
7010	Other income (note 6(v))	30,302	-	24,725	-
7020	Other gains and losses (notes 6(g), 6(v), 10 and 14)	(231,549)	(2)	66,867	-
7050	Finance costs (note 6(v))	(301,289)	(1)	(246,889)	(1)
7060	Share of profit of associates accounted for using equity method (note 6(e))	5,605	-	103	-
7671	**Total non-operating income and expenses**	(496,931)	(3)	(155,194)	(1)
	Loss before tax	(2,860,743)	(13)	(528,800)	(2)
7950	**Less: tax expense (note 6(p))**	(178,166)	(1)	(383,964)	(1)
	Loss	(3,038,909)	(14)	(912,764)	(3)
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss: (notes 6(o) and 6(p))**				
8311	Remeasurements of defined benefit plans	29	-	(4,520)	-
8349	Less: Income tax related to items that may not be reclassified subsequently to profit or loss	(5)	-	768	-
	Total items that may not be reclassified subsequently to profit or loss	24	-	(3,752)	-
8360	**Items that may be reclassified subsequently to profit or loss: (notes 6(p) and 6(q))**				
8361	Exchange differences on translation of foreign financial statements	(69,985)	-	(416,520)	(1)
8362	Available-for-sale financial assets	(45,236)	-	79,041	-
8399	Less: Income tax related to items that may be reclassified subsequently to profit or loss	6,785	-	(11,856)	-
	Total items that may be reclassified subsequently to profit or loss	(108,436)	-	(349,335)	(1)
8300	**Other comprehensive income**	(108,412)	-	(353,087)	(1)
	Total comprehensive income, net of tax	$ (3,147,321)	(14)	(1,265,851)	(4)
	Loss attributable to:				
8610	Owners of parent	$ (3,030,736)	(14)	(905,501)	(3)
8620	Non-controlling interests	(8,173)	-	(7,263)	-
		$ (3,038,909)	(14)	(912,764)	(3)
	Comprehensive income attributable to:				
8710	Owners of parent	$ (3,134,362)	(14)	(1,243,443)	(4)
8720	Non-controlling interests	(12,959)	-	(22,408)	-
		$ (3,147,321)	(14)	(1,265,851)	(4)
	Earnings per share (expressed in New Taiwan Dollars) (note 6(s))				
9750	**Basic earnings per share**	$ (5.92)		(1.86)	
9850	**Diluted earnings per share**	$ (5.92)		(1.86)	

See accompanying notes to consolidated financial statements.

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Motech Industries Inc. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
				Total other equity interest							
	Ordinary share	Capital surplus	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Other-unearned portion of restricted stock awards	Total	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2016	$ 4,866,924	10,056,205	(639,611)	24,962	-	(10,721)	14,241	(615)	14,297,144	225,659	14,522,803
Net loss in 2016	-	-	(905,501)	-	-	-	-	-	(905,501)	(7,263)	(912,764)
Other comprehensive income in 2016	-	-	(3,752)	(398,277)	64,087	-	(334,190)	-	(337,942)	(15,145)	(353,087)
Total comprehensive income in 2016	-	-	(909,253)	(398,277)	64,087	-	(334,190)	-	(1,243,443)	(22,408)	(1,265,851)
Capital surplus used to offset accumulated deficit	-	(639,611)	639,611	-	-	-	-	-	-	-	-
Recognized changes in an investor's ownership interest in investments accounted for using equity method	-	220	-	-	-	-	-	-	220	-	220
Difference between consideration and carrying amount of subsidiaries acquired or disposed (acquisition of ownership interests in subsidiaries from non-controlling interests)	-	(1,703)	-	-	-	-	-	-	(1,703)	(4,377)	(6,080)
Compensation cost arising from restricted shares of stock issued to employees	-	64,480	-	-	-	(13,968)	(13,968)	-	50,512	-	50,512
Issuance of restricted shares of stock for employees	20,200	(20,200)	-	-	-	-	-	-	-	-	-
Purchase and retirement of restricted shares of stock for employees	(3,925)	3,960	-	-	-	-	-	(35)	-	-	-
Balance as of December 31, 2016	4,883,199	9,463,351	(909,253)	(373,315)	64,087	(24,689)	(333,917)	(650)	13,102,730	198,874	13,301,604
Net loss in 2017	-	-	(3,030,736)	-	-	-	-	-	(3,030,736)	(8,173)	(3,038,909)
Other comprehensive income in 2017	-	-	24	(66,972)	(36,678)	-	(103,650)	-	(103,626)	(4,786)	(108,412)
Total comprehensive income in 2017	-	-	(3,030,712)	(66,972)	(36,678)	-	(103,650)	-	(3,134,362)	(12,959)	(3,147,321)
Capital surplus used to offset accumulated deficit	-	(909,253)	909,253	-	-	-	-	-	-	-	-
Issuance of shares	500,000	686,829	-	-	-	-	-	-	1,186,829	-	1,186,829
Recognized changes in an investor's ownership interest in investments accounted for using equity method	-	134	-	-	-	-	-	-	134	-	134
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	29,600	29,600
Share-based payments	-	3,764	-	-	-	-	-	-	3,764	-	3,764
Compensation cost arising from restricted shares of stock issued to employees	-	34,814	-	-	-	10,174	10,174	-	44,988	-	44,988
Issuance of restricted shares of stock for employees	20,000	(20,000)	-	-	-	-	-	-	-	-	-
Purchase and retirement of restricted shares of stock for employees	(5,290)	5,285	-	-	-	-	-	5	-	-	-
Balance as of December 31, 2017	$ 5,397,909	9,264,924	(3,030,712)	(440,287)	27,409	(14,515)	(427,393)	(645)	11,204,083	215,515	11,419,598

See accompanying notes to consolidated financial statements.

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Motech Industries Inc. and Its Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Loss before tax	$ (2,860,743)	(528,800)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,096,550	2,333,490
Amortization expense	67,832	65,573
Interest expense	301,289	246,889
Interest income	(30,302)	(24,725)
Compensation cost arising from restricted shares of stock and share-based payments	48,752	50,512
Unrealized exchange loss (gain) on short-term and long-term borrowings	(78,273)	22,299
Share of profit of subsidiaries and associates accounted for using equity method	(5,605)	(103)
Loss (gain) on disposal of property, plant and equipment	(36,026)	60,139
Property, plant and equipment and prepayments for equipment transferred to expense	13,831	23,437
Impairment loss on non-financial assets	368,654	216,325
Losses on machinery due to disaster	-	289,683
Total adjustments to reconcile profit (loss)	2,746,702	3,283,519
Changes in operating assets:		
Current financial assets at fair value through profit or loss	6	72
Notes and accounts receivable	(1,216,455)	31,633
Other receivables	70,052	237,694
Inventories	(53,101)	679,608
Prepaid expenses	(153,092)	(95,346)
Prepayments to suppliers	61,802	1,475,561
Other current assets	(106,674)	(302,552)
Long-term receivables	563	2,855
Net defined benefit assets	(2,538)	(2,839)
Total changes in operating assets	(1,399,437)	2,026,686
Changes in operating liabilities:		
Current financial liabilities at fair value through profit or loss	(5,453)	3,838
Notes and accounts payable	1,505,011	(501,896)
Other payables	61,950	(86,303)
Warranty provision	963	12,760
Other current liabilities and advance sales receipts	(50,742)	(18,612)
Total changes in operating liabilities	1,511,729	(590,213)
Cash inflow (outflow) generated from operations	(1,749)	4,191,192
Income taxes refund (paid)	35,737	(93,494)
Net cash flows from operating activities	33,988	4,097,698
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(806,504)	(526,364)
Proceeds from disposal of property, plant and equipment	44,638	33,260
Increase in refundable deposits	(10,135)	(9,554)
Increase in other financial assets	(310,872)	(173,435)
Acquisition of intangible assets	(31,634)	(18,335)
Increase in prepayments for equipment	(207,851)	(708,880)
Interest received	27,757	23,952
Net cash flows used in investing activities	(1,294,601)	(1,379,356)
Cash flows from (used in) financing activities:		
Increase in short-term notes and bills payable	99,862	-
Increase in short-term borrowings	14,540,388	9,821,050
Decrease in short-term borrowings	(12,944,628)	(7,939,692)
Proceeds from long-term debt	123,400	303,990
Principal repayments on long term borrowings	(1,702,593)	(2,529,808)
Increase in guarantee deposits received	29,367	1,631
Increase (decrease) in lease payable	28	(507)
Proceeds from issuance of shares	1,186,829	-
Acquisition of ownership interests in subsidiaries from non-controlling interest	-	(6,080)
Change in non-controlling interests	29,600	-
Interest paid	(288,740)	(239,077)
Net cash flows used in financing activities	1,073,513	(588,493)
Effect of exchange rate changes on cash and cash equivalents	(35,614)	(88,987)
Net increase (decrease) in cash and cash equivalents	(222,714)	2,040,862
Cash and cash equivalents at beginning of period	9,230,459	7,189,597
Cash and cash equivalents at end of period	$ 9,007,745	9,230,459

See accompanying notes to consolidated financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Motech Industries Inc. (the Company) was incorporated on June 3, 1981, as a company limited by shares and registered under the Ministry of Economic Affairs (MOEA) of the Republic of China (R.O.C.). The address of the Company's registered office is 6F, No. 248, Sec. 3, Pei-Shen Rd., Shen-Keng Dist., New Taipei City 222, Taiwan. The Company merged with the Topcell Solar International Co., Ltd. referred to as the TSi on June 1, 2015, the Company was remaining and TSi was liquidated. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interest in associates and jointly controlled entities.

The Group's major operating activities are the manufacturing, marketing, and sale of solar cells, silicon wafers, solar modules, photovoltaic inverters, the marketing, design, installation of solar electricity systems, and solar power generation.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issuance by the board of directors on March 19, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-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
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group assessed that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

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(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its initial assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis.

At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of $85,880 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The Group has completed an initial assessment of the adoption of the impairment regulation of IFRS 9 would not have any material impact on its consolidated financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(Continued)

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4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at January, 1 2018. The Company plans to use the practical expedient, for contracts that are completed at the date of the initial application (i.e. January 1, 2018) will not be restated.

The Group has completed an initial assessment of the adoption of IFRS 15 would not have any material impact on its consolidated financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group has completed an initial assessment of the adoption of Amendments to IAS 12 would not have any material impact on its consolidated financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

(Continued)

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Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies have been applied consistently to all periods presented in consolidated financial statements, except when otherwise indicated.

(a) Statement of compliance

These accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

Motech Industries Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments);

2) Available-for-sale financial assets are measured at fair value;

3) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars (TWD), which is the Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or haring the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions, balances and any other unrealized profit and loss between the Company and other subsidiaries are all eliminated while preparing the consolidated financial reports. Comprehensive income (loss) of subsidiaries belongs to the owner of the Company and the non-controlling interest respectively. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Financial reports of subsidiaries had been adjusted properly and the accounting policies used in subsidiaries are same to the Group's.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Differences between the amount paid or received from fair value and the adjustment of the non-controlling interest are directly realized to the equity and belong to the owners of the Company.

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Motech Industries Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2017	Shareholding December 31, 2016	Note
The Company	Power Islands Limited (Power Islands)	Holding company	100 %	100 %	
The Company	Think Global Enterprises Limited (Think Global)	Holding company	100 %	100 %	
The Company	Teco-Motech Co., Ltd. (Teco-Motech)	Solar power generation and selling	60 %	-	(Note 1)
The Company	Motech Energy System Co., Ltd. (MES)	Solar power generation and selling	91.5 %	-	(Note 1 and 2)
The Company	Motech Investment Limited Company (MILC)	General investment	100 %	-	(Note 1)
The Company	Taiwan Solar Module Manufacturing Corp. (TSMMC)	Manufacturing and trading solar modules	90 %	-	(Note 1)
MES	Motech Power One Co., Ltd. (MPO)	Solar power generation and selling	100 %	-	(Note 1)
MILC	Motech Energy System Co., Ltd. (MES)	Solar power generation and selling	8.5 %	-	(Note 1 and 2)
Power Islands	Motech (Suzhou) Renewable Energy Co., Ltd. (SNE)	Manufacturing and processing, solar cell and solar modules	95.39 %	95.39 %	
Power Islands	Cheer View Investment Limited (Cheer View)	Holding company	100 %	100 %	
Power Islands	Noble Town Holdings Co., Ltd. (Noble Town)	Holding company	100 %	100 %	
Think Global	Motech (Ma-Anshan) Energy Technologies Co., Ltd. (MASE)	Manufacturing and processing wafers	-	-	(Note 3)
Noble Town	Motech Americas, LLC (MA)	Solar module trading	100 %	100 %	
Noble Town	Motech Japan Inc. (MJ) (Original name: Itogumi Motech Inc.)	Solar module trading	100 %	100 %	
SNE	Motech (Xuzhou) Renewable Energy Co., Ltd. (XNE)	Manufacturing and processing solar cells	100 %	100 %	
SNE	Motech (Ma-Anshan) Renewable Energy Co., Ltd. (MAS)	Manufacturing and processing, solar cells and solar modules	100 %	100 %	
MAS	Motech (Ma-Anshan) Module Co., Ltd. (MASM)	Manufacturing and processing solar modules	-	-	(Note 3)

Note 1: Teco-Motech, MES, MPO, MILC and TSMMC were incorporated and registered in February 2017, March 2017, April 2017, September 2017 and November 2017, respectively.
Note 2: The Company and MILC held 100% shares of MES.
Note 3: MASM and MASE acquired their business license in October 2017 and December 2017, respectively. However, no capital injection had been made and the business had not been commenced as of December 31, 2017.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

Motech Industries Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising from the retranslation:

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(i) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in exchange differences on translation of foreign financial statements in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) If the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits with maturities of one year or less from the acquisition date that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group' s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

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

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss and are included in other gains and losses under non-operating income and expenses.

Investment in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale monetary items, are recognized in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss, and it is included in other gains and losses under non-operating income and expenses.

Investment in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized in profit or loss, and is included in other income under non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

The evidence of impairment for financial assets measured at amortized cost is considered at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses in the fair value reserve in equity to profit or loss. Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss, and included in the general and administrative expenses.

Impairment losses and recoveries of financial assets, excluding trade receivables, are recognized in profit or loss, and they are included in other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirely, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

(Continued)

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Interest related to a financial liability is recognized in profit or loss. On conversion of the financial liabilities is reclassified to equity, and the related profit or loss is not recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term and long-term borrowings, and trade and other payables, shall be measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

(Continued)

Motech Industries Inc. and Its Subsidiaries
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5) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(Continued)

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The Group recognized any changes, proportionately with the shareholding ratio under capital surplus, when an associate' s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group' s interest in the associate. Unrealized losses on transactions with an associate are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and the depreciation method of that significant part those of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a straight-line basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

(Continued)

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings and structures: 6 to 50 years

2) Machinery and equipment: 1 to 10 years

3) Office and other equipment: 1 to 20 years

Buildings and structures constitute mainly factories and solar electricity systems. Each such part depreciates based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in an accounting estimate.

(k) Leases

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under an operating lease, excluding insurance and maintenance expenses, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on remaining balance of the liability.

(l) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill is measured at the consideration transferred less amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value) at the acquisition date. If the amounts of net assets acquired or liabilities assumed exceeds the acquisition price, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the access.

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill. If there are any impairment losses recognized as a part of the carrying amount of the investment, such losses would not be allocated to goodwill or any other assets.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are available for use. The useful lives of intangible assets of the Group are as follows:

1) Computer software: 1 to 10 years

2) Expertise: 5 years

The residual value, amortization method, and amortization period for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment of non-financial assets

The Group measures whether impairment occurred in non-financial assets (except for inventories, deferred income tax assets, assets arising from employee benefits, and non-current assets held for sale) at the end of each reporting period, and estimates their recoverable amount. If it is not possible to determine the recoverable amount for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less, costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of current market on the time value of money and the assets or cash-generating unit.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction will be accounted as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer' s cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

If the carrying amount of the cash-generating unit exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset' s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of previously recognized impairment loss. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

(n) Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus – treasury share transactions; losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, capital surplus – share premiums and share capital should be debited proportionately. Gains on retirement of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on retirement of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings.

(p) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of sales contracts.

(ii) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(Continued)

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and also the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

When the Group issues new shares, the grant date of the new shares reserved for subscription by employees is the date to be confirmed the subscription numbers by employees.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, inclusive of employee stock options, employee bonus which had not been approved in the stockholders' meeting and could be settled in shares, and unvested restricted stock awards.

(u) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment is a component of an entity for which discrete financial information is available.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of long-term non-financial assets (including goodwill)

In the process of evaluating the potential impairment, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Please refer to notes 6(g) and 6(h) for further description of the key assumptions used to determine the recoverable amount.

(b) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management' s subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Please refer to note 6(p) for further description of the recognition of deferred tax assets.

(c) Provision for impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(c) for further description of the impairment of trade receivables.

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(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash	$ 2,419	3,393
Demand deposits	6,356,004	6,321,968
Time deposits	2,599,322	2,905,098
Cash equivalents	50,000	-
	$ 9,007,745	9,230,459

Please refer to note 6(w) for the interest rate risk and currency sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial instruments

(i) Financial instruments at fair value through profit or loss

The Group entered into derivative contracts to manage its exposures to the fluctuations of foreign exchange rates. These derivative contracts entered into by the Group did not meet the criteria for hedge accounting.

	December 31, 2016			
	Carrying amount	Nominal amount	Currency	Maturity date
Derivative financial assets—Forward exchange contracts sold	$ 6	USD 1,100,000	USD to TWD	2017.01.23
Derivative financial liabilities—Forward exchange contracts sold	$ 5,453	USD 20,230,000	USD to TWD	2017.01.05~2017.02.23

1) As of December 31, 2017, there was no such transaction.

2) Please refer to note 6(w) for the information on the Group's credit risk which related to financial instruments.

(ii) Non-current available-for-sale financial assets

	December 31, 2017	December 31, 2016
Unlisted stocks	$ 85,880	131,889

(iii) At the reporting date, the financial assets were not pledged.

(c) Notes and accounts receivable, and other receivables

The components were as follows:

	December 31, 2017	December 31, 2016
Notes receivable	$ 4,967,245	3,623,943
Accounts receivable	3,050,497	3,247,283
Other receivables	236,564	312,272
Long-term receivables (recorded as other non-current assets)	-	563
Less: Allowance for impairment – accounts receivable	(220,341)	(234,634)
Allowance for impairment – other receivables	-	(7,184)
Allowance for sales returns and discounts	(25,681)	(33,179)
	$ 8,008,284	6,909,064

The Group's aging analysis of notes and accounts receivable, and other receivables that were past due but not impaired was as follows:

	December 31, 2017	December 31, 2016
Past due within 90 days	$ 282,884	467,203
Past due 91~365 days	38,009	97,927
Past due more than 1 year	16,425	84
	$ 337,318	565,214

The impairment assessment of notes and accounts receivable, and other receivables was individually and collectively performed. In determining the recoverability of the notes and accounts receivable, the Group considered whether there were any changes in the credit quality of its customers from the credit offering date to the reporting date, and the recognition of allowance for impairment was estimated by the historical recovery experience and analysis of customers' financial position. Impairment loss recognized for individually assessed impairment is the difference between the carrying amount and the present value of estimated future cash flows. The Group does not hold any collateral for the collectible amounts.

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The movement in the allowance for impairment with respect to notes and accounts receivable, and other receivables was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Beginning balance as of January 1, 2017	$ 201,716	40,102	241,818
Impairment loss recognized (reversal)	1,395	(10,662)	(9,267)
Foreign exchange gains	(11,556)	(654)	(12,210)
Balance as of December 31, 2017	$ 191,555	28,786	220,341

	Individually assessed impairment	Collectively assessed impairment	Total
Beginning balance as of January 1, 2016	$ 205,386	4,509	209,895
Impairment loss recognized	-	37,580	37,580
Foreign exchange gains	(3,670)	(1,987)	(5,657)
Balance as of December 31, 2016	$ 201,716	40,102	241,818

Please refer to note 8 for the information on notes receivable and other receivables pledged as collateral for guarantees at the reporting date.

(d) Inventories

	December 31, 2017	December 31, 2016
Finished goods	$ 577,782	471,703
Work in progress	322,282	361,291
Raw materials and supplies	775,769	721,118
Merchandise	26,785	36,353
Raw materials in transit	351,089	533,686
	$ 2,053,707	2,124,151

Except for cost of goods sold and inventories recognized as expenses and the remaining gains or losses which were included in operating cost were as follows:

	2017	2016
Reversal of loss on valuation of inventories and obsolescence loss	(127,547)	(62,707)
Loss on disposal of inventories	5,588	17,601
Recognized of loss on idle capacity	576,628	463,880
	454,669	418,774

At the reporting date, the inventories were not pledged.

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(e) Investments accounted for using equity method

(i) Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group.

	December 31, 2017	December 31, 2016
Total equity of the individually insignificant investments in associates	$ 54,098	48,359

	2017	2016
Attributable to the Group:		
Net income	$ 5,605	103
Other comprehensive income	-	-
Total comprehensive income	$ 5,605	103

(ii) At the reporting date, the investments accounted for using the equity method were not pledged.

(f) The change of subsidiary ownership equity

(i) In 2016, Noble Town Holdings Co., Ltd. acquired 5% ownership of Itogumi Motech Inc. from non-controlling interests and renamed Itogumi Motech Inc. to Motech Japan Inc.. Therefore, the interest increased from 95% to 100%.

(ii) The impact of the changes in subsidiary ownership interest attributable to the parent company was as follows:

	2016
Capital surplus—differences between consideration and carrying amount of subsidiaries acquired or disposed	$ (1,703)

(g) Property, plant and equipment

(i) The movements were as follows:

	Land	Building and structure	Machinery and equipment	Office and other equipment	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:						
Beginning balance as of January 1, 2017	$ 86,345	2,908,827	16,885,505	4,197,643	281,539	24,359,859
Additions	-	1,146	504,442	192,235	195,992	893,815
Reclassification	-	939	(1,366,277)	166,259	(191,854)	(1,390,933)
Disposals	-	-	(391,099)	(214,734)	-	(605,833)
Effect of changes in exchange rate	-	(13,295)	(133,485)	(14,492)	87,921	(73,351)
Balance as of December 31, 2017	$ 86,345	2,897,617	15,499,086	4,326,911	373,598	23,183,557

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		Land	Building and structure	Machinery and equipment	Office and other equipment	Unfinished construction and equipment under acceptance	Total
Beginning balance as of January 1, 2016	$	105,217	3,041,753	17,521,801	4,106,852	22,029	24,797,652
Additions		-	-	344,171	83,243	434,477	861,891
Reclassification		-	(10,605)	35,759	300,765	(409,406)	(83,487)
Disposals		(20,567)	(41,572)	(411,113)	(267,671)	-	(740,923)
Effect of changes in exchange rate		1,695	(80,749)	(605,113)	(25,546)	234,439	(475,274)
Balance as of December 31, 2016	$	86,345	2,908,827	16,885,505	4,197,643	281,539	24,359,859
Depreciation and impairment loss:							
Beginning balance as of January 1, 2017	$	-	658,477	11,811,626	2,718,886	-	15,188,989
Depreciation expense		-	94,699	1,333,941	667,910	-	2,096,550
Impairment loss		-	-	159,622	209,032	-	368,654
Reclassification		-	-	(1,758,081)	(11,044)	-	(1,769,125)
Disposals		-	-	(382,800)	(214,420)	-	(597,220)
Effect of changes in exchange rate		-	(3,428)	(31,838)	(1,224)	-	(36,490)
Balance as of December 31, 2017	$	-	749,748	11,132,470	3,369,140	-	15,251,358
Beginning balance as of January 1, 2016	$	-	607,632	10,897,498	2,103,583	-	13,608,713
Depreciation expense		-	97,205	1,422,916	813,369	-	2,333,490
Impairment loss		-	-	211,342	4,983	-	216,325
Reclassification		-	(8,345)	(357,258)	(37,059)	-	(402,662)
Disposals		-	(14,480)	(149,125)	(157,775)	-	(321,380)
Effect of changes in exchange rate		-	(23,535)	(213,747)	(8,215)	-	(245,497)
Balance as of December 31, 2016	$	-	658,477	11,811,626	2,718,886	-	15,188,989
Carrying amounts:							
Balance as of December 31, 2017	$	86,345	2,147,869	4,366,616	957,771	373,598	7,932,199
Balance as of January 1, 2016	$	105,217	2,434,121	6,624,303	2,003,269	22,029	11,188,939
Balance as of December 31, 2016	$	86,345	2,250,350	5,073,879	1,478,757	281,539	9,170,870

(ii) Due to some replacements of the mechanical equipment and the stop of one of the production line, the Group recorded impairment losses of $368,654 and $216,325 in 2017 and 2016, respectively, which were recognized as other gains and losses– impairment loss of non-financial assets. The mechanical equipment replacement was attributed to the Solar Division. Relevant segment information please refer to note 14.

(iii) Please refer to note 6(h) for the impairment testing of long-term non-financial assets (including goodwill).

(iv) Prepayments for equipment and inventories transferred into property, plant and equipment and the transferring between associated entities were presented as reclassification.

(v) At the reporting date, property, plant and equipment were not pledged as collateral.

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(h) Intangible assets

(i) The movements were as follows:

		Computer software	Goodwill	Expertise	Total
Costs:					
Beginning balance as of January 1, 2017	$	40,421	388,191	225,326	653,938
Additions		31,634	-	-	31,634
Disposals		(13,947)	-	-	(13,947)
Effect of changes in exchange rate		129	-	-	129
Balance as of December 31, 2017	$	58,237	388,191	225,326	671,754
Beginning balance as of January 1, 2016	$	36,248	388,191	225,326	649,765
Additions		18,335	-	-	18,335
Reclassification		738	-	-	738
Disposals		(14,119)	-	-	(14,119)
Effect of changes in exchange rate		(781)	-	-	(781)
Balance as of December 31, 2016	$	40,421	388,191	225,326	653,938
Amortization and impairment loss:					
Beginning balance as of January 1, 2017	$	24,466	-	71,354	95,820
Amortization expenses		22,768	-	45,064	67,832
Disposals		(13,947)	-	-	(13,947)
Effect of changes in exchange rate		(30)	-	-	(30)
Balance as of December 31, 2017	$	33,257	-	116,418	149,675
Beginning balance as of January 1, 2016	$	18,577	-	26,289	44,866
Amortization expenses		20,508	-	45,065	65,573
Disposals		(14,119)	-	-	(14,119)
Effect of changes in exchange rate		(500)	-	-	(500)
Balance as of December 31, 2016	$	24,466	-	71,354	95,820
Carrying amounts:					
Balance as of December 31, 2017	$	24,980	388,191	108,908	522,079
Balance as of January 1, 2016	$	17,671	388,191	199,037	604,899
Balance as of December 31, 2016	$	15,955	388,191	153,972	558,118

(Continued)

(ii) Amortization expenses

The amortization expenses of intangible assets were included in the statement of comprehensive income as follows:

		2017	2016
Operating costs	$	46,459	48,499
Operating expenses		21,373	17,074
	$	67,832	65,573

(iii) Impairment testing of long-term non-financial assets (including goodwill)

For impairment testing, the aggregate carrying amounts of long-term non-financial assets (including goodwill) has been allocated to the Company's cash generating unit (CGU).

At the reporting date, the carrying amount of the CGU was determined to be higher than its book value.

The key assumptions used in the estimation of value in use were as follows:

	December 31, 2017	December 31, 2016
Discount rate	8 %	9 %
Growth rate (quantity)	1 %	3 %
Growth rate (price)	(1)%	(2)%
Budgeted EBITDA growth rate (average of next five years)	10 %	5 %

The discount rate was a pre-tax measure based on the rate of 10-yerar government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue. Revenue was projected taking into account the financial performance over the past one year and the estimated sales volume growth for the next five years, but the selling price may experience volatility due to changing market conditions.

(iv) Collateral

At the reporting date, the intangible assets were not pledged.

Motech Industries Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements

(i) Prepayments, other current and other non-current assets

(i) The components of prepayments were as follows:

	December 31, 2017	December 31, 2016
Prepaid expenses	$ 414,229	256,973
Prepayments to suppliers—current	318,522	328,060
	$ 732,751	585,033

(ii) The components of other current assets and other non-current assets were as follows:

	December 31, 2017	December 31, 2016
Offset against business tax payable	$ 215,293	250,299
Prepayments for equipment	284,958	435,147
Refundable deposits	62,011	52,042
Long-term receivables	-	563
Net defined benefit assets	16,807	14,240
Prepayments for rent	102,350	106,421
Prepayments to suppliers—non-current	60,291	112,232
Others	238,213	98,955
	$ 979,923	1,069,899

At the reporting date, the other current assets and other non-current assets were not pledged.

(j) Short-term borrowings

	December 31, 2017	December 31, 2016
Unsecured loans	$ 5,664,056	5,294,646
Secured loans	2,211,790	1,087,479
Total	$ 7,875,846	6,382,125
Unused credit lines for short-term borrowings	$ 6,751,370	8,780,418
Range of annual interest rates	1.2800%~6.3695%	1.300%~6.5745%

Please refer to note 8 for the information on pledge for short-term borrowings.

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(k) Short-term notes and bills payable

(i) The components were as follows:

	December 31, 2017			
	Guarantee or acceptance institution	Range of annual interest rates		Amount
Commercial paper payable	IBFC	1.188%	$	100,000
Less: Discount on short-term notes and bills payable				(138)
Total			$	99,862

(ii) As of December 31, 2016, there was no such transactions.

(iii) At the reporting date, there was no pledge for short-term notes and bills payable.

(l) Long-term borrowings

(i) The components were as follows:

	December 31, 2017				
	Currency	Range of annual interest rate	Maturity year		Amount
Unsecured Bank loans	TWD	2.1229%	2018	$	2,976,978
Less: Due within one year					(2,976,978)
Total				$	-
Unused credit lines for long-term borrowings				$	-

	December 31, 2016				
	Currency	Range of annual interest rate	Maturity year		Amount
Unsecured Bank loans	USD	2.9070%	2017~2018	$	193,500
Unsecured Bank loans	TWD	1.91%~2.0085%	2017~2018		4,354,777
Less: Due within one year					(1,385,333)
Total				$	3,162,944
Unused credit lines for long-term borrowings				$	1,732,500

(ii) Pledge for loan

At the reporting date, there was no pledge for long-term borrowings.

(iii) Syndicated loan borrowings

In August 2015, the Company entered into a triennium syndicated loan agreement with a group of banks to pay off the credit balance of its 2011 syndicated loan.

(Continued)

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The Company can extend its credit term (only for a single time) to two more years, within 24 to 30 months starting from the initial drawdown, through written application to the leading bank, provided it does not breach the financial covenant within three years (until September 2018) starting from the initial drawdown date.

(iv) The Company should comply with the following financial covenants in its second quarter and annual consolidated financial statements commencing from the consolidated financial statements for the year ended December 31, 2015:

1) Current ratio (current assets/current liabilities): no less than 100%.

2) Financial liability ratio (total financial liabilities/total tangible net assets): Not exceeding 120% (total financial liabilities = bank loans + bonds payable + other interest –financial liabilities bearing interest).

3) The interest coverage ratio [(pre-tax net profit + depreciation + amortization + interest expenses)/ interest expenses]: no less than 200%.

4) Net tangible assets (net assets minus intangible assets) should not be less than 11 billion.

In addition, the Company has signed an amendment on the loan agreement in the third quarter of 2016, and agreed to issue a capital increase by cash exceeding 1 billion within two years starting from the initial drawdown. The Company has issued a capital increase by cash in the third quarter of 2017.

If the Company initially fails to comply with the aforementioned covenants, it would not be regarded as breach of contract if it can provide the leading bank a financial improvement plan, and at the same time, its preceding second quarter or annual consolidated financial statements have to be in conformity with the covenants, and in addition to it, a compensation has to be paid. If the Company still fails to comply with the said covenant in its preceding consolidated financial statements, all its credit facilities stated in the contract will be considered invalid. Also, the leading bank can decide either to waive all or parts of the unused credit facilities without the approval of the participating banks, or it can demand the Company for an immediate payment on its obligations under this agreement. The Company did not comply with the aforementioned interest ratio and the amount of net tangible assets, in its second quarter and annual consolidated financial statement, all the credit facilities had been terminated.

(v) In January 2018, the Company entered into a triennium syndicated loan agreement with a group of banks to pay off the credit balance of its 2015 syndicated loan. The Company can extend its credit term (only for a single time) to two more years, within 24 to 30 months starting from the initial drawdown, through written application to the leading bank, provided it does not breach the financial covenant within three years starting from the initial drawdown date.

The Company should comply with the following financial covenants in its second quarter and annual consolidated financial statements commencing from the annual consolidated financial statements for the year ended December 31, 2017:

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1) Current ratio (current assets/current liabilities): no less than 100%.

2) Financial liability ratio (total financial liabilities/total tangible net assets): Not exceeding 120% (total financial liabilities = bank loans + bonds payable + other interest–financial liabilities bearing interest—solar power plant project financing loans).

3) The interest coverage ratio [(pre-tax net profit + depreciation + amortization + interest expenses)/ interest expenses]: no less than 200%. (applicable since 2018 annual consolidated financial statement)

4) Net tangible assets (net assets minus intangible assets) should not be less than 10 billion.

If the Company initially fails to comply with the aforementioned covenants, it would not be regarded as breach of contract if it can provide the leading bank a financial improvement plan, and at the same time, its preceding semi-annual or annual consolidated financial statements have to be in conformity with the covenants, and in addition to it, a compensation has to be paid. If the Company still fails to comply with the said covenant in its preceding consolidated financial statements, all its credit facilities stated in the contract will be considered invalid. Also, the leading bank can decide either to waive all or parts of the unused credit facilities without the approval of the participating banks, or it can demand the Company for an immediate payment on its obligations under this agreement. Except for the interest coverage ratio that will be applicable since 2018, the Company was in compliance with the aforementioned covenants in its 2017 annual consolidated financial statements.

(m) Provisions—current and non-current

	Warranty
Beginning balance as of January 1, 2017	$ 145,598
Provisions made	13,342
Provisions used	(12,346)
Effect of changes in exchange rate	(6,149)
Balance as of December 31, 2017	$ **140,445**
Beginning balance as of January 1, 2016	$ 135,688
Provisions made	23,223
Provisions used	(10,306)
Effect of changes in exchange rate	(3,007)
Balance as of December 31, 2016	$ **145,598**

Provision for warranties related mainly to solar modules and photovoltaic inverters sold. The provision is based on estimates made from historical warranty data associated with similar goods and services. The Group expected to settle the majority of the liability from over 1 year to 25 years after sales.

(Continued)

Motech Industries Inc. and Its Subsidiaries
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(n) Operating lease

Non-cancellable operating lease rentals were as follows:

		December 31, 2017	December 31, 2016
Within 1 year	$	60,792	109,185
2 to 5 years		146,855	173,640
More than 5 years		239,449	287,627
	$	447,096	570,452

The Group has operating lease contracts for land, factories and operating premises. The lease term is 1 to 20 years (to 2037). The Group has the option to renew the lease contracts at the end of the lease.

If the government adjusts the announced current land value in accordance with the R.O.C. Land Act, the aforementioned lease expenses will be adjusted in the month following this government announcement.

(o) Employee benefits

(i) Defined benefit plans

The movements in the present value of the defined benefit obligations and the fair value of plan assets were as follows:

		December 31, 2017	December 31, 2016
Total present value of benefit obligations	$	59,957	59,521
Fair value of plan assets		(76,764)	(73,761)
		(16,807)	(14,240)
The effects of limiting net defined benefit assets to assets ceiling		-	-
Net defined benefit assets (recorded as other non-current assets)	$	(16,807)	(14,240)

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. Minimum earnings on such funds shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

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The Group's labor pension reserve account balance in Bank of Taiwan amounted to $76,764 as of December 31, 2017. For information on utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs.

2) Movements in present value of the defined benefit obligations

		2017	2016
Defined benefit obligations as of January 1	$	59,521	54,867
Current service costs and interest		1,069	1,192
Actuarial losses (gains)		(633)	3,793
Pension payments		-	(331)
Defined benefit obligations as of December 31	$	59,957	59,521

3) Movements of defined benefit plan assets

		2017	2016
Fair value of plan assets as of January 1	$	73,761	70,789
Expected return on plan assets		1,126	1,352
Contributions from plan participants		2,481	2,678
Actuarial gains (losses)		(604)	(727)
Pension payments		-	(331)
Fair value of plan assets as of December 31	$	76,764	73,761
Actual return on assets	$	522	625

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2017 and 2016, there were no changes in the effect of plan assets ceiling.

5) Expenses (reversal) recognized in profit or loss

		2017	2016
Cost of services	$	176	163
Net interest on the net defined benefit assets or liability		(233)	(323)
	$	(57)	(160)
Operating costs	$	(34)	(93)
Operating expenses		(23)	(67)
	$	(57)	(160)

(Continued)

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6) The remeasurements of the net defined benefit liability (asset) actuarial gains and losses recognized in other comprehensive income.

		2017	2016
Cumulative amount as of January 1	$	3,596	8,116
Recognized during the period		(29)	(4,520)
Cumulative amount as of December 31	$	3,567	3,596

7) Actuarial assumptions

The following are the Group's principal actuarial assumptions (using the weighted-average method):

	December 31, 2017	December 31, 2016
Discount rate	1.750 %	1.500 %
Rate of salary increase	3.000 %	3.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date of 2017 is $534.

The weighted-average lifetime of the defined benefits plans is 22.86 years.

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
Balance as of December 31, 2017		
Discount rate	(2,661)	2,807
Rate of salary increase	2,730	(2,600)
Balance as of December 31, 2016		
Discount rate	(2,720)	2,884
Rate of salary increase	2,795	(2,664)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liability.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

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(ii) Defined contribution plans

The Group set aside 6% of each employee's monthly wages to contribute to the labor pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to contribute to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Group set aside $87,088 and $95,759 as pension costs under the defined contribution plans in 2017 and 2016, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income taxes

(i) The components were as follows:

		2017	2016
Current period	$	(13,391)	(7,432)
Adjustment for prior periods		(2,272)	-
Current tax expense		(15,663)	(7,432)
Deferred tax expense			
Origination and reversal of temporary differences		(162,503)	(376,532)
Tax expense	$	(178,166)	(383,964)

Reconciliation of tax expense and loss before tax was as follows:

		2017	2016
Loss before tax	$	(2,860,743)	(528,800)
Income tax using the Company's domestic tax rate	$	486,326	89,896
Effect of tax rates in foreign jurisdiction		8,856	2,252
Non-deductible expense		(4,372)	-
Deferred tax expense arising from the origination and write-down of a deferred tax asset relating to loss carryforwards		(677,217)	(492,117)
Estimated tax effect of prior periods		17,974	16,684
Others		(9,733)	(679)
	$	(178,166)	(383,964)

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(ii) The amounts of income tax benefit (expense) recognized in other comprehensive income were as follows:

	2017	2016
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	$ (5)	768
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains (losses) on available-for-sale financial assets	$ 6,785	(11,856)

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Details were as follows:

	December 31, 2017	December 31, 2016
Unrecognized deferred tax assets:		
Loss carryforwards	$ 1,179,901	1,314,667
Aggregate amount of temporary differences related to investments in subsidiaries	294,677	253,040
	$ 1,474,578	1,567,707

	December 31, 2017	December 31, 2016
Unrecognized deferred tax liabilities:		
Aggregate amount of temporary differences related to investments in subsidiaries	$ 8,216	8,008

According to the Income Tax Act, the operating loss as examined by the local tax authorities can be carried forward for use as a deduction from taxable income. As of December 31, 2017, the Group' s loss carryforwards recognized and unrecognized as deferred tax assets and their expiry year were as follows:

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Filing year	Loss carryforwards of unrecognized deferred tax assets	Expiry year
2013	303,028	2018
2014	1,013,876	2019
2015	200,808	2020, 2025
2016	335,439	2026
2017	2,532,123	2027
2010	215,334	2030
2011	326,651	2020, 2031
2012	170,274	2032
2013	133,487	2033
2014	80,352	2034
2015	120,883	2024, 2035
2016	97,572	2021, 2025, 2036
2017	360,177	2022, 2026, 2027, 2037
	5,890,004	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

	Loss on valuation of inventories	Allowance for impairment	Loss carryforwards	Others	Total
Deferred tax assets:					
Beginning balance as of January 1, 2017	$ 64,179	61,568	197,969	156,054	479,770
Recognized in profit or loss	(25,680)	(3,293)	(197,969)	54,897	(172,045)
Balance as of December 31, 2017	$ 38,499	58,275	-	210,951	307,725
Beginning balance as of January 1, 2016	$ 76,001	58,402	519,094	219,155	872,652
Recognized in profit or loss	(11,822)	3,166	(321,125)	(63,101)	(392,882)
Balance as of December 31, 2016	$ 64,179	61,568	197,969	156,054	479,770

(Continued)

Motech Industries Inc. and Its Subsidiaries
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	Defined benefit plans	Unrealized foreign exchange gains	Others	Total
Deferred tax liabilities:				
Beginning balance as of January 1, 2017	$ 2,421	46,922	19,313	68,656
Recognized in profit or loss	431	(9,594)	1,568	(7,595)
Recognized in other comprehensive income	5	-	(6,785)	(6,780)
Balance as of December 31, 2017	$ 2,857	37,328	14,096	54,281
Beginning balance as of January 1, 2016	$ 2,707	52,729	9,471	64,907
Recognized in profit or loss	482	(5,807)	(2,014)	(7,339)
Recognized in other comprehensive income	(768)	-	11,856	11,088
Balance as of January 1, 2016	$ 2,421	46,922	19,313	68,656

(iv) Examination and approval

The Company's income tax returns for the years through 2014 were examined and approved by the local tax authorities.

(v) Information related to the ICA is summarized as follows:

	December 31, 2017	December 31, 2016
Accumulated deficit after 1998	(Note)	(909,253)
Balance of imputation credit account (ICA)	(Note)	49,075
	2017 (estimated)	**2016 (actual)**
Creditable ratio for earnings distribution to R.O.C. residents	(Note)	- %

According to the announcement by the Ministry of Finance on October 17, 2013, under Decree No. 10204562810, the Company's integrated income tax information and imputation tax credit information should be disclosed in compliance with the Decree.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(q) Capital and other equity

As of December 31, 2017 and 2016, the Company's authorized ordinary share in corporate charter was $10,000,000, with par value of $10 (dollars) per share, and its issued and outstanding shares were 539,791 thousand shares, and 488,320 thousand shares, respectively.

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The Company has reserved 20,000 thousand authorized shares, for employee stock options, convertible preferred stock, and convertible bonds.

Reconciliations of shares outstanding were as follows:

(In thousands of shares)

	2017	2016
Beginning shares as of January 1	488,320	486,692
Issued for cash	50,000	-
Restricted shares of stock issued for employees	2,000	2,020
Retirement of restricted shares of stock for employees	(529)	(392)
Shares as of December 31	**539,791**	**488,320**

(i) Ordinary share

As of December 31, 2017 and 2016, the number of global depositary receipts issued by the Company on the Luxembourg Stock Exchange was 21,023 thousand units, each unit represents 1 common share of the Company.

A resolution was approved during the meeting of the board of directors held on January 20, 2017 for the issuance of 50,000 thousand new shares for cash, with par value of $10 (dollars) per share, amounting to $500,000. The Company has received approval from the FSC for this capital increase on June 8, 2017. In accordance with the resolution of Board of Directors meeting held on June 21, 2017, the issuance price was $24 dollars per share. In addition, all the proceeds has been received and was registered with the government authorities on July 20, 2017. After deducting the issuance cost, the net proceeds were $1,186,829.

The Company's shareholders' meeting held on June 13, 2016, approved a resolution to issue 2,000 thousand new restricted shares of stock for full-time and qualified employees. The Company had submitted the required document and obtained an effective registration, from the FSC. In accordance with the resolution of Board of Directors meeting hold on January 20, May 8 and August 7, 2017, the Company issued 2,000 thousand shares and was registered with the government authorities.

The Company's shareholders' meeting held on June 15, 2015, approved a resolution to issue 2,500 thousand new restricted shares of stock for full-time and qualified employees. The Company had submitted the required document and obtained an effective registration, from the FSC. In accordance with the resolution of Board of Directors meeting hold on February 3, April 25 and June 27, 2016, the Company issued 2,020 thousand shares and was registered with the government authorities.

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Notes to the Consolidated Financial Statements

(ii) Capital surplus

The components were as follows:

	December 31, 2017	December 31, 2016
Premium on issued stock	$ 9,049,021	9,224,928
Changes in equity of associates and subsidiaries accounted for using equity method	177,824	177,690
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,703)	(1,703)
Restricted shares of stock issued for employees	36,018	62,436
Employee share options	3,764	-
	$ 9,264,924	9,463,351

In accordance with the R.O.C. Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

According to the Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of share capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the share capital.

2) Special reserve

In accordance with Decree No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

In accordance with Decree No.1010051600 issued by securities and futures bureau on November 21, 2012, issued employee unearned compensation in restricted share of stock refer to unrealized income. The Company does not have to put out legal reserve.

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3) Earnings distribution

Under the Company' s revised articles of incorporation which was approved from shareholders' meeting on June 13, 2016, the Company' s current-period earnings are appropriated and distributed in the following order:

a) pay all taxes and duties;

b) cover prior years' accumulated deficit, if any;

c) of the remaining balance, 10% is set aside as legal reserve;

d) set aside a special reserve in accordance with the R.O.C. Securities and Exchange Act or as requested by the authorities in charge;

The balance, including the accumulated retained profits from the previous year, is the profit to be distributed. The Board of Directors shall propose the earnings distribution plan, in which the amount to be distributed cannot be less than 25% of the earnings available for distribution, in the shareholders' meeting for approval.

The Company's dividend policies are as follows:

a) Cash dividends and stock dividends are appropriated in consideration of the Company' s budget for capital expenditures, financial condition, and future operating cash flows.

b) No dividends are distributed if the Company has no unappropriated earnings. Earnings can be distributed as cash or share dividends, but stock dividends shall not exceed 50% of the total distribution.

c) If there are no unappropriated earnings, or if there are unappropriated earnings but they are very much less than the earnings distributed in the prior year, or in consideration of financial, business, and operating requirements, then all of the capital surplus or a portion of the legal reserve or capital surplus can be distributed according to the law or government regulations.

The shareholders of the Company resolved to use its additional paid-in capital of \$909,253 and \$639,611 to cover its accumulated deficits on May 26, 2017 and June 13, 2016, respectively. Relevant information can be inquired at market observation post system.

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(iv) Other equity interest, net of tax

		Exchange differences on translation of foreign financial statements	Unearned gains (losses) on available-for-sale financial assets	Unearned portion of restricted stock awards
Beginning balance as of January 1, 2017	$	(373,315)	64,087	(24,689)
Foreign exchange differences		(66,972)	-	-
Unearned gains (losses) on available-for-sale financial assets		-	(36,678)	-
Unearned portion of restricted stock awards		-	-	10,174
Balance as of December 31, 2017	$	(440,287)	27,409	(14,515)
Beginning balance as of January 1, 2016	$	24,962	-	(10,721)
Foreign exchange differences		(398,277)	-	-
Unrealized gains (losses) on available-for -sale financial assets		-	64,087	-
Unearned portion of restricted stock awards		-	-	(13,968)
Balance as of December 31, 2016	$	(373,315)	64,087	(24,689)

(v) Treasury stock

The Company recovered 528,500 and 396,000 shares, respectively, in 2017 and 2016 due to the resignation of its employees. The said shares had all been written off. On December 31, 2017 and 2016, the unretired shares were 64,500 shares and 65,000 shares, respectively.

(r) Share-based payment

In January 2017, the Board of Directors of the Company approved a resolution to issue new shares, and reserve 10% of new shares for subscription by employees of the Company, and the grant date was June 26, 2017. The compensation cost arising from new shares issuance was $3,764.

As of December 31, 2017, the share-based payment arrangements of the Group were as follows:

	Restricted stock for employees in 2016	Restricted stock for employees in 2015	Cash-settled share-based payment plan reserved for employees to subscribe
Grant date	2/2/2017, 6/6/2017 and 8/11/2017	2/4/2016, 4/26/2016 and 6/28/2016	6/26/2017
Granted units	2,000 thousand shares	2,020 thousand shares	1,394 thousand shares
Exercise price/share (dollars)	0.0	0.0	24.0
Contract period (years)	2	2	-
Recipients	Full-time employees of the Company	Full-time employees of the Company	Full-time employees of the Company
Vesting conditions	(Note)	(Note)	Immediately
Unvested-shares	1,617 thousand shares	710.5 thousand shares	-

Note: Employees of the company are entitled to purchase the restricted shares of stock at the price of $0, with the condition that these employees will continue to provide service to the Company for at least 1 year and 2 years (from the grant date) and conform to the Company's requirements. 50% of the restricted shares of stock for employees are vested in year 1 from the grant date, and the remaining 50% are vested in year 2 from the grant date. The restricted shares of stock for employees are kept by a trust, which is appointed by the Company, before they are vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and the cash and stock dividends on those unvested distributed during the vesting period will be given to the employees.

During their meeting on May 26, 2017, the Company's stockholders approved a resolution to issue 2,000 thousand new restricted Company shares of stock to those full-time employees who conform to the Company's requirements. These Company had submitted the required document and obtain an effective registration, from the FSC. In accordance with the resolution of Board of Directors meeting held on January 22, 2018, the Company issued 1,648 thousand shares and was registered with the government authorities.

Details of the new restricted shares of stock were as follows:

(In thousand shares)

	2017	2016
Outstanding shares as of January 1	2,233.5	1,877
Granted during the year	2,000	2,020
Vested during the year	(1,377.5)	(1,267.5)
Expired during the year	(528.5)	(396.0)
Outstanding shares as of December 31	2,327.5	2,233.5

Compensation costs of the Company in 2017 and 2016 arising from restricted shares of stock issued to employees were $44,988 and $50,512, respectively.

(s) Earnings per share ("EPS")

The calculation of the Company's basic earnings per share and diluted earnings per share were as follows:

(i) Basic EPS

	2017	2016
Loss attributable to ordinary shareholders of the Company	$ (3,030,736)	(905,501)
Weighted-average number of shares outstanding during the period (thousand shares)	512,357	486,072
Basic EPS (dollars)	$ (5.92)	(1.86)

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(ii) Diluted EPS

		2017	2016
Loss attributable to ordinary shareholders of the Company	$	(3,030,736)	(905,501)
Effect of potentially dilutive common stock		-	-
Loss attributable to ordinary shareholders of the Company (including the effect of potentially dilutive common stock)	$	(3,030,736)	(905,501)
Weighted-average number of shares outstanding during the period (thousand shares)		512,357	486,072
Diluted EPS (dollars)	$	(5.92)	(1.86)

(t) Revenue

		2017	2016
Sale of goods	$	23,181,238	28,875,428
Rendering of Services		1,187	87,464
Other		6,189	-
	$	23,188,614	28,962,892

(u) Employee compensation and directors' remuneration

In accordance with the Articles of incorporation, which amended on June, 13 2016, the Company should contribute no less than 1% of the profit as employee compensation and no more than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of directors and compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2017 and 2016, the Company was still made up for loss, so did not estimate and recognize employee compensation and directors' remuneration.

(v) Non-operating income and expenses

(i) Other income

		2017	2016
Interest income from bank deposits	$	30,302	24,725

(ii) Other gains and losses

		2017	2016
Foreign exchange gains (losses)	$	12,837	(16,237)
Gains (losses) on disposal of property, plant and equipment		36,026	(60,139)
Gains on financial instruments at fair value through profit or loss		26,507	20,249
Gains on insurance claim		54	831,216
Disaster losses		-	(535,772)
Impairment loss on non-financial assets		(368,654)	(216,325)
Others		61,681	43,875
	$	(231,549)	66,867

(iii) Finance costs

		2017	2016
Interest expense on bank borrowings	$	(301,289)	(246,889)

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

2) Circumstances of concentration of credit risk

As of December 31, 2017, the Group's notes and accounts receivable were not obviously concentrated on specific customers. As of December 31, 2016, the Group's notes and accounts receivable were obviously concentrated on 7 customers, whose accounts represented 54% of the total notes and accounts receivable. In order to reduce the credit risk on these accounts receivable, the Group continuously evaluates the financial status of these customers and requests collateral when necessary. The Group evaluates the possible loss on accounts receivable periodically and accrues an allowance for impairment, if necessary.

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(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
As of December 31, 2017							
Non-derivative financial liabilities							
Bank loans	$ 10,852,824	(10,923,803)	(10,203,300)	(720,503)	-	-	-
Short-term notes and bills payable	99,862	(100,000)	(100,000)	-	-	-	-
Accounts payable and other payables	7,443,589	(7,443,589)	(7,443,589)	-	-	-	-
	$ 18,396,275	(18,467,392)	(17,746,889)	(720,503)	-	-	-
As of December 31, 2016							
Non-derivative financial liabilities							
Bank loans	$ 10,930,402	(11,773,986)	(7,830,519)	(706,727)	(3,236,740)	-	-
Accounts payable and other payables	5,879,150	(5,879,150)	(5,879,150)	-	-	-	-
Derivative financial instruments:							
Forward exchange							
Outflow	5,453	(652,418)	(652,418)	-	-	-	-
Inflow	-	646,965	646,965	-	-	-	-
Total	$ 16,815,005	(17,658,589)	(13,715,122)	(706,727)	(3,236,740)	-	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 185,823	29.76	5,530,092	170,359	32.25	5,494,078
EUR	1,209	35.57	43,004	786	33.90	26,645
Non-monetary items						
USD	131,639	29.76	3,917,576	130,304	32.25	4,202,316
USD	8,343	30.287	252,685	12,856	30.127	387,315
JPY	113,373	0.2642	29,953	167,671	0.2756	46,210
CNY	843,174	4.5681	3,851,659	887,673	4.6358	4,115,076
Financial liabilities						
Monetary items						
USD	197,840	29.76	5,887,718	156,663	32.25	5,052,382
EUR	844	35.57	30,021	950	33.90	32,205
Non-monetary items						
USD	2,981	30.087	89,689	3,977	32.175	127,958

(Continued)

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. A 1% of appreciation (depreciation) of the TWD against the US Dollar (USD) and Euro (EUR) as of December 31, 2017 and 2016, would have increased (decreased) the net profit (loss) as follows. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017 and 2016.

	Impact on profit (loss)	
	Increase by 1%	Decrease by 1%
December 31, 2017	$ (3,446)	3,446
December 31, 2016	$ 4,361	(4,361)

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items were disclosed using the following total amounts:

	2017	2016
Foreign exchange gains (losses)	$ 12,837	(16,237)

(iv) Interest rate risk

Please refer to the notes on liquidity risk and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The departments of the Group's entities reported the increases/decreases in the interest rates and the exposure to changes in interest rates to the Group's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

The interest rate risk is mainly due to the Group's borrowing at floating rates. If the interest rate increases (decreases) by 1% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), the impaction on profit (loss) would be as follows:

	Impact on profit (loss)	
	Increase by 1%	Decreases by 1%
December 31, 2017	$ (108,528)	108,528
December 31, 2016	$ (109,304)	109,304

(Continued)

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(v) Fair value

1) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have quotation in active market and which fair value cannot be reasonably measured.

	December 31, 2017				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Loans and receivables:					
Cash and cash equivalents	$ 9,007,745	-	-	-	-
Notes receivable, accounts receivable and other receivables	8,008,284	-	-	-	-
Refundable deposits	62,011	-	-	-	-
Other financial assets	747,069	-	-	-	-
Subtotal	$ 17,825,109	-	-	-	-
Available-for-sale financial assets	$ 85,880	-	85,880	-	85,880
Financial liabilities at amortized cost:					
Bank loans	$ 10,852,824	-	-	-	-
Short-term notes and bills payable	99,862	-	-	-	-
Notes payable, accounts payable and other payables	7,443,589	-	-	-	-
Subtotal	$ 18,396,275	-	-	-	-

	December 31, 2016				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Non-hedging derivative financial assets	$ 6	-	6	-	6
Loans and receivables:					
Cash and cash equivalents	$ 9,230,459	-	-	-	-
Notes receivable, accounts receivable and other receivables	6,909,064	-	-	-	-
Refundable deposits	52,042	-	-	-	-
Other financial assets	437,785	-	-	-	-
Subtotal	$ 16,629,350	-	-	-	-
Available-for-sale financial assets	$ 131,889	-	131,889	-	131,889
Non-hedging derivative financial liabilities	$ 5,453	-	5,453	-	5,453
Financial liabilities at amortized cost:					
Bank loans	$ 10,930,402	-	-	-	-
Notes payable, accounts payable and other payables	5,879,150	-	-	-	-
Subtotal	$ 16,809,552	-	-	-	-

(Continued)

Motech Industries Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

If a financial instrument is regarded as being in an active market, quoted market prices may be indicative of the fair value of an instrument.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

The financial instruments without an active market held by the Group were as follows:

- Equity instruments without public quotations: the fair value was estimated by using the market comparable price. The assumption was based on a comparison of the market price of the comparable listed companies and their net assets per share, and adjusted the discount effect of the lack of market liquidity of the equity securities.

b) Non-hedging derivative financial instruments

The fair value of derivative instruments is based on quoted prices, for example, discounted method, option pricing model. Forward exchange contract is usually based on forward exchange rate.

3) Transfer between Level 1 and Level 2

There were no significant transfers of financial assets from level 1 to level 2 for the years ended December 31, 2017 and 2016.

4) Reconciliation of Level 3 fair values: none

The Group's beneficial and adverse change refers to the fluctuation of the fair value, and the fair value is calculated by parameters at any unobservable level and valuation technique. The above table only reflects the effect which results from the single parameter changes, and does not consider the correlation and variability between parameters, even if there is more than one parameter that would affect the fair value.

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(x) Financial risk management

(i) Overview

The Group is exposed to the nature and extent of the risks arising from financial instruments as below:

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Group's objective, policies and process for managing risks and methods used to measure the risk arising from financial instruments is found below.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Each responsible division is responsible for developing and monitoring the Group' s risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's Supervisor is assisted in this oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the Board of Directors.

The Company's Supervisor oversees how the management complies in monitoring the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet it contractual obligations and arises principally from the Group' s receivables from the customers and investments in securities.

1) Accounts receivable

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group' s standard payment and delivery terms and conditions are offered. Group' s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval; these limits are reviewed regularly. Customers that fail to meet the Group' s benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or an end-user customer, geographic location, industry, aging profile, maturity, and existence of previous financial difficulties. Accounts receivable and other receivables relate mainly to the Group's end-user customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and future sales are made on a prepayment basis.

As a result of environment fluctuation in 2017 and 2016, certain purchase limits have been redefined, particularly for customers operating in solar division. The Group will be monitoring and adjusting the limits continuously.

Goods are sold subject to a retention of title clause, so that in the event of non-payment the Group may have a secured claim. The Group otherwise does not require collateral in respect of trade and other receivables.

The allowance for impairment accounts is estimated to reflect the loss on notes and accounts receivable for those customers graded as "high risk". The allowance account reflects the specific loss based on customers' financial position, historical payment behavior, and asset pledge.

2) Investments

The Group limits their exposure to credit risk by investing only in securities with liquidity and good credit ratings. Management actively monitors credit ratings, and given that the Group has only invested in securities with high credit ratings, management does not expect any counterparty to fail to meet their obligations.

The credit risk exposure in the bank deposits and equity instruments is measured and monitored by the Group's finance department. Since the Group's transactions are with external parties with good credit standing, highly rated financial institutions, and publicly traded stock companies, or involved convertible bonds issued by publicly traded companies, there are no noncompliance issues and therefore no significant credit risk.

3) Guarantees

According to the Group' s management policy, the Group can only provide financial guarantees to certain entities which meet specific requirements. As of December 31, 2017 and 2016, the Group didn' t provide any guarantees or endorsements to other companies.

(iv) Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group' s approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities (other than payables) over the succeeding 60 to 90 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2017 and 2016, the Group had unused bank facilities for $6,751,370 and $10,512,918, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the management. Generally, hedge accounting is not applied in these circumstances, and the Group charges the changes in value to profit or loss.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the TWD, USD, China Yuan (CNY) and Japanese Yen (JPY). These transactions are denominated in TWD, EUR and USD.

At any point in time, the Group hedges its estimated foreign currency exposure with respect to its forecast sales and purchases over the following six months. The Group also hedges all trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at the maturity date.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily TWD, USD, CNY and JPY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalance.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

2) Interest rate risk

The Group's interest rate on borrowings was at a floating rate. The Group did not enter into and designate interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

In response to changes in interest rates, the Group assesses each currency lending rate of financial institutions and maintains good relationships with them, in order to obtain lower financing costs. This also strengthens the management of working capital, reduces dependence on bank borrowings, and lowers the risk of changes in interest rates.

(y) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors, and the market and to sustain future development of the business.

The Group uses the debt-to-equity ratio to manage its capital. This ratio uses the total net debt to be divided by the total capital. The total net debt from the balance sheet are derived from the total liabilities, less, cash and cash equivalent. The total capital and equity include share capital, capital surplus, retained earnings, other equity.

The Group's debt-to-equity ratio at the reporting date was as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 19,016,249	17,488,451
Less: cash and cash equivalents	(9,007,745)	(9,230,459)
Net liabilities	10,008,504	8,257,992
Total equity	$ 11,419,598	13,301,604
Debt-to-equity ratio	87.64 %	62.08 %

As of December 31, 2017, the debt-to-equity ratio had increased, mainly resulting from the fluctuations of supply and demand, the financial performance was not as expected and increasing in capital expenditure, which led to decrease in cash and cash equivalents and increase in net liabilities. The increase in net liabilities and the decrease in equity result in an increase in debt-to-equity ratio.

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(7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Key management personnel compensation

Key management personnel compensation comprised:

		2017	2016
Short-term employee benefits	$	26,830	30,704
Post-employment benefits		692	783
Other long-term benefits		-	-
Termination benefits		-	-
Share-based payments		9,588	11,980
	$	37,110	43,467

Please refer to note 6(r) for information on share-based payment.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2017	December 31, 2016
Notes receivable	Short-term borrowings	$	2,010,224	1,062,524
Notes receivable	Guarantees for banker's acceptance for purchase of material		100,498	94,518
Deposit (recorded as other current financial assets)	Guarantees for banker's acceptance and short-term borrowing		716,571	403,666
Deposits (recorded as other current financial assets)	Guarantees for engineering project		178	3,371
Deposit (recorded as other non-current financial assets)	Guarantees for electric power charge		22,841	23,179
Deposits (recorded as other non-current financial assets)	Guarantees for engineering project		930	930
Deposits (recorded as other non-current financial assets)	Guarantees for leased dormitory		6,549	6,639
		$	2,857,791	1,594,827

(9) Commitments and contingencies

(a) In addition to those in note 6(n), the Group also has contracts involving significant unrecognized commitments as follows:

(i) Unused letters of credit for the Group's purchases of raw materials, machinery and equipment were as follows:

	December 31, 2017	December 31, 2016
Unused letters of credit	$ 233,057	158,385

(ii) Bank performance guarantees for the Customs and the Science Development project of the Institute for Information Industry were as follows:

	December 31, 2017	December 31, 2016
Bank guarantees	$ 91,400	112,400

(iii) The status of agreements for the Group's expansion of the factory and purchases of machinery and equipment was as follows:

	December 31, 2017	December 31, 2016
Total contract price	$ 1,001,956	665,604
Unexecuted amount	$ 414,651	259,197

(b) To overcome the short supply of materials, the Group entered into long-term material supply contracts with some suppliers to purchase materials under which the purchase quantities are fixed and the prices will be adjustable based on changes in the material cost structure.

(c) The Group entered into long-term purchase contracts with suppliers to purchase nitrogen in bulk volume. Starting from the contract, if the actual consumed volume is less than basic volume usage, the Group should pay for the cost of the basic volume usage instead.

(10) Losses Due to Major Disasters

A fire incident occurred on the 3rd floor of the Company's Factory 5 located at Southern Taiwan Science Park on November 5, 2015. In 2016, the Company recognized related losses amounting to $420,000. The Company had insured its property insurance, therefore, the Company received the insurance claim amounting to $731,216 in 2016. Due to the above-mentioned incident, it recognized a net gain amounting to $311,216, which was recorded as other gains and losses.

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(11) Subsequent Events

(a) In January 2018, the Company entered into a triennium syndicated loan agreement with a group of banks to pay off the credit balance of its 2015 syndicated loan. The Company pledged its land, building and structure as collateral.

(b) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $31,037 and $8,599, respectively.

(12) Other

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function	2017			2016		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	2,050,386	447,838	2,498,224	2,008,389	319,407	2,327,796
Labor and health insurance	239,332	34,836	274,168	269,423	34,488	303,911
Pension	72,114	14,917	87,031	79,354	16,245	95,599
Others	127,668	21,750	149,418	133,196	69,195	202,391
Depreciation	2,010,870	85,680	2,096,550	2,215,270	118,220	2,333,490
Amortization	46,459	21,373	67,832	48,499	17,074	65,573

MOTECH INDUSTRIES INC. AND ITS SUBSIDIARIES
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(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the Regulations for the Group:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 1)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	MJ	3	Net worth x 20% 2,240,816	121,040	60,520	60,520	-	0.54 %	Net worth x 40% 4,481,633	Y	N	N
1	SNE	MAS	2	Net worth x 25% 1,008,890	1,001,330	1,001,330	192,555	-	24.81 %	Net worth x 40% 1,641,224	Y	N	Y

Note 1: The ending balance for the period represents the amounts approved by the Board of Directors.

Note 2: The ceiling of endorsement and guarantee for a single entity shall not exceed 20% of the net worth of the Company. In addition, the ceiling of aggregated endorsements and guarantees shall not exceed 40% of the net worth of the Company. The ceiling of endorsement and guarantee for a single entity shall not exceed 25% of the net worth of SNE. In addition, the ceiling of aggregated endorsements and guarantees shall not exceed 40% of the net worth of SNE.

Note 3: The amounts had been offset in the consolidated financial statements.

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
SNE	Jinzhou Solar Motech Equity	Director of the Company	Non-current available-for-sale financial assets	-	85,880	17.80 %	85,880	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	SNE	Subsidiary	Sale	133,786	0.89%	90 days	Non-significant difference	90 days	12,785	0.45%	
SNE	The Company	Parent company	Purchase	133,786	1.46%	90 days	Non-significant difference	90 days	12,785	0.50%	
The Company	MAS	Subsidiary	Sale	2,054,471	13.59%	90 days	Non-significant difference	90 days	1,417,973	50.26%	
MAS	The Company	Parent company	Purchase	2,054,471	31.09%	90 days	Non-significant difference	90 days	1,417,973	30.36%	
SNE	XNE	Subsidiary	Sale	1,394,212	13.89%	90 days	Non-significant difference	90 days	240,394	4.64%	
XNE	SNE	Parent company	Purchase	1,394,212	71.53%	90 days	Non-significant difference	90 days	240,394	47.36%	
XNE	SNE	Parent company	Sale	1,800,150	73.97%	90 days	Non-significant difference	90 days	75,728	12.42%	
SNE	XNE	Subsidiary	Purchase	1,800,150	19.60%	90 days	Non-significant difference	90 days	75,728	2.94%	
MAS	SNE	Parent company	Sale	2,099,657	31.18%	90 days	Non-significant difference	90 days	368,718	10.80%	
SNE	MAS	Subsidiary	Purchase	2,099,657	22.86%	90 days	Non-significant difference	90 days	368,718	14.31%	
MAS	The Company	Parent company	Sale	1,128,295	16.75%	90 days	Non-significant difference	90 days	266,821	7.82%	

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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	MAS	Subsidiary	Purchase	1,128,295	9.66%	90 days	Non-significant difference	90 days	266,821	10.34%	
SNE	MAS	Subsidiary	Sale	1,601,240	15.95%	90 days	Non-significant difference	90 days	1,096,114	21.18%	
MAS	SNE	Parent company	Purchase	1,601,240	24.23%	90 days	Non-significant difference	90 days	1,096,114	23.47%	
XNE	MAS	Subsidiary	Sale	614,978	25.27%	90 days	Non-significant difference	90 days	536,133	87.91%	
MAS	XNE	Subsidiary	Purchase	614,978	9.31%	90 days	Non-significant difference	90 days	536,133	11.48%	
MAS	XNE	Subsidiary	Sale	198,211	2.94%	90 days	Non-significant difference	90 days	140,801	4.12%	
XNE	MAS	Subsidiary	Purchase	198,211	10.17%	90 days	Non-significant difference	90 days	140,801	27.74%	

Note. The amounts had been offset in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	MAS	Subsidiary	1,569,299	-	328,157	Strengthen collection	651,360	-
SNE	MAS	Subsidiary	1,129,035	-	64,278	Strengthen collection	740,298	-
SNE	XNE	Parent company	247,851	-	3,205	Strengthen collection	247,851	-
XNE	MAS	Subsidiary	536,133	-	124,637	Strengthen collection	34,407	-
MAS	The Company	Parent company	266,821	-	10,815	Strengthen collection	178,921	-
MAS	SNE	Subsidiary	368,718	-	-	-	224,797	-
MAS	XNE	Subsidiary	140,801	-	-	-	-	-

Note: The amounts had been offset in the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	SNE	1	Sale	133,786	90 days	0.58%
0	The Company	MAS	1	Sale	2,054,471	90 days	8.86%
1	SNE	XNE	1	Sale	1,394,212	90 days	6.01%
1	SNE	MAS	1	Sale	1,601,240	90 days	6.91%
2	XNE	SNE	2	Sale	1,800,150	90 days	7.76%
2	XNE	MAS	3	Sale	614,978	90 days	2.65%
3	MAS	The Company	2	Sale	1,128,295	90 days	4.87%
3	MAS	SNE	2	Sale	2,099,657	90 days	9.05%
3	MAS	XNE	3	Sale	198,211	90 days	0.85%
3	MAS	XNE	3	Notes and accounts receivable	140,801	90 days	0.46%
0	The Company	MAS	1	Notes and accounts receivable	1,417,468	90 days	4.64%
1	SNE	MAS	1	Notes and accounts receivable	1,096,114	90 days	3.59%
1	SNE	XNE	1	Notes and accounts receivable	240,394	90 days	0.79%
2	XNE	MAS	3	Notes and accounts receivable	536,133	90 days	1.76%
3	MAS	The Company	2	Notes and accounts receivable	266,821	90 days	0.87%
3	MAS	SNE	2	Notes and accounts receivable	368,718	90 days	1.21%
0	The Company	MAS	1	Other receivables	151,326	90 days	0.50%
0	The Company	MAS	1	Machinery and equipment	169,212	90 days	0.55%

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Note 1: Company numbering is as follows:
Parent company 0
Subsidiary starts from 1
Note 2: Relationship with transaction party numbering is as follows:
Parent company to subsidiary 1
Subsidiary to parent company 2
Subsidiary to subsidiary 3
Note 3: The amounts had been offset in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of ownership	Carrying value				
The Company	Power Islands	Samoa	Holding Company	5,629,791	5,629,791	174,832,816	100.00 %	3,857,037	100.00 %	(184,494)	(184,494)	
The Company	Think Global	British Virgin Islands	Holding Company	333	333	10,000	100.00 %	44,879	100.00 %	1,225	1,225	
The Company	Inergy Technology Inc.	Taiwan	Product design	95,821	95,821	8,558,750	24.38 %	54,098	24.38 %	22,986	5,605	
The Company	Teco-Motech	Taiwan	Solar power generation and selling	14,400	-	1,440,000	60.00 %	14,477	60.00 %	128	77	
The Company	MES	Taiwan	Solar power generation and selling	366,000	-	36,600,000	91.50 %	347,318	91.50 %	(20,418)	(18,682)	
The Company	MILC	Taiwan	General investments	34,000	-	-	100.00 %	32,264	100.00 %	(1,682)	(1,736)	
The Company	TSMMC	Taiwan	Manufacturing and trading solar modules	180,000	-	18,000,000	90.00 %	178,405	90.00 %	(1,772)	(1,595)	
MILC	MES	Taiwan	Solar power generation and selling	34,000	-	3,400,000	8.50 %	32,264	8.50 %	(20,418)	(1,682)	
MES	MPO	Taiwan	Solar power generation and selling	250,000	-	25,000,000	100.00 %	249,997	100.00 %	(3)	(3)	
Power Islands	Cheer View	British Virgin Islands	Holding company	2,564,272	2,564,272	77,500,000	100.00 %	(52)	100.00 %	(56)	(56)	
Power Islands	Noble Town	Samoa	Holding Company	1,315,740	1,315,740	42,533,090	100.00 %	21,254	100.00 %	(17,906)	(17,906)	
Cheer view	AE Polysilicon Corporation	United States	Polysilicon manufacturing and selling	2,398,043	2,398,043	11,573,647	37.11 %	-	37.11 %	-	-	
Noble Town	MA	United States	Solar module trading	1,144,920	1,144,920	-	100.00 %	(8,650)	100.00 %	(3,096)	(3,096)	
Noble Town	MJ	Japan	Solar module trading	170,820	170,820	8,000	100.00 %	29,953	100.00 %	(14,767)	(14,767)	

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Highest Percentage of ownership	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
SNE	Manufacturing and processing, solar cells and solar modules	2,117,835	(Note 1)	1,723,275	-	-	1,723,275	(174,557)	- %	95.39 %	(166,500)	3,849,480	-
XNE	Manufacturing and processing solar cells	462,507 (CNY 93,844 thousand dollars) (Note 7)	(Note 2)	-	-	-	-	90,312	- %	95.39 %	86,149	388,360	-
MAS	Manufacturing and processing, solar cells and solar modules	1,392,817 (CNY 305,500 thousand dollars) (Note 7)	(Note 2)	-	-	-	-	(221,457)	- %	95.39 %	(211,248)	1,009,913	-
MASM	Manufacturing and processing solar modules	-	(Note 2)	-	-	-	-	-	- %	95.39 %	-	-	-
MASE	Manufacturing and processing wafers	-	(Note 1)	-	-	-	-	-	- %	100.00 %	-	-	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017 (Note 5)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)	Upper limit on investment (Note 6)
1,723,275 (USD 54,000,000)	2,589,120 (USD 87,000,000)	6,722,449

(Continued)

Note 1: The Company indirectly invested in the company in Mainland China through a third region.

Note 2: The Company indirectly invested in the company in Mainland China through a third region in the company in Mainland China.

Note 3: Amount was recognized based on audited financial statements.

Note 4: The amounts consist of investment gain or loss and carrying value as of December 31, 2017, recognized by the Company which indirectly invested through a third region.

Note 5: Investment in China including equipment investment is recorded at exchange rates prevailing at the transaction date. Equity in the earnings (losses) is translated into New Taiwan dollars at the average rates during each period of the year. Other amounts regarding foreign currency financial assets are translated at the rate of exchange at the balance sheet date, which was 29.76 New Taiwan dollars.

Note 6: Upper limitation would be 60% of the net worth of the Company.

Note 7: The amounts consist of investment in Mainland China were recorded at exchange rates into New Taiwan dollars.

(iii) Significant transactions:

For the significant transaction items (which had been offset in the consolidated statements) between the Group and direct or indirect investees in Mainland China in 2017, please refer to the explanation in note 13(a) "Information on significant transactions."

(14) Segment information

(a) General Information

The reporting segment in the Group is solar business. Solar business covers the manufacturing, marketing, and sale of solar cells, silicon wafers, and solar modules.

Other operating segments in the Group are related to the manufacturing, marketing, and sale of measurement instruments and photovoltaic inverters, installation of solar electricity systems, and design of ICs. As these segments do not reach the standard for disclosure, no separate disclosures were made thereon in 2017 and 2016.

(b) Profit or loss data of the reporting segment (including specific revenues and expenses), assets and liabilities of the segment, the basis of measurement, and the related eliminations.

No tax expenses or non-operating income and expenses are allocated to the reporting segment. In addition, the reporting segment does not include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in note 4. The Group evaluates performance of operating segment on the basis of operating income. The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group's operating segment information and reconciliation are as follows:

	2017			
	Solar	Other	Elimination	Total
Revenues:				
Revenues from external customers	$ 23,123,372	65,242	-	23,188,614
Revenues from parent and consolidated subsidiaries	113,566	-	(113,566)	-
Interest income	18,184	12,118	-	30,302
Total revenues	$ 23,255,122	77,360	(113,566)	23,218,916
Interest expense	$ (301,282)	(7)	-	(301,289)
Depreciation and amortization	$ 2,156,754	7,628	-	2,164,382
Impairment loss of non-financial assets	$ (368,654)	-	-	(368,654)
Share of gain (loss) of associates accounted for using equity method	$ 5,605	-	-	5,605
Segment income	$ (2,497,806)	134,496	(502)	(2,363,812)
Assets:				
Investment accounted for using equity method	$ 54,098	-	-	54,098
Capital expenditures for non-current assets	851,747	163,053	(445)	1,014,355
Segment assets (Note)	$ -	-	-	-
Segment liabilities (Note)	$ -	-	-	-

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	2016			
	Solar	Other	Elimination	Total
Revenues:				
Revenues from external customers	$ 28,934,610	28,282	-	28,962,892
Revenues from parent and consolidated subsidiaries	-	-	-	-
Interest income	24,725	-	-	24,725
Total revenues	$ 28,959,335	28,282	-	28,987,617
Interest expense	$ (246,889)	-	-	(246,889)
Depreciation and amortization	$ (2,391,538)	(7,525)	-	(2,399,063)
Impairment loss of non-financial assets	$ (216,325)	-	-	(216,325)
Share of gain (loss) of associates accounted for using equity method	$ 103	-	-	103
Segment income	$ (337,749)	(35,857)	-	(373,606)
Assets:				
Investment accounted for using equity method	$ 48,359	-	-	48,359
Capital expenditures for non-current assets	1,235,244	-	-	1,235,244
Segment assets (Note)	$ -	-	-	-
Segment liabilities (Note)	$ -	-	-	-

Note: The segments' assets and liabilities data were not reviewed by the entity's chief operating decision maker. Therefore, the amounts thereof were disclosed as zero.

In 2017 and 2016, included in the total reportable segment revenue was elimination of intersegment revenue of $113,566 and $0, respectively. The reporting segment's income and earnings before tax, after such elimination, were the same as those items listed under non-operating income and expenses of the consolidated statements of operations. Please refer to non-operating income and gains and non-operating expenses and losses in the accompanying consolidated statements of comprehensive income.

(c) Group-wide information

(i) Segment information by products and services

The reporting segment of the Group is presented by products and services. Revenue from external customers is disclosed in note 14(b), so the Group does not disclose segment information by products and services here.

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(ii) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Location		2017	2016
Revenue from external customers:			
Taiwan	$	740,658	911,903
China		13,530,311	14,129,782
Singapore		2,227,341	4,018,480
Canada		58,487	1,612,509
Japan		118,390	1,238,718
Others		6,513,427	7,051,500
	$	23,188,614	28,962,892

Location		2017	2016
Other non-current assets:			
Taiwan	$	5,917,472	7,337,631
Japan		2,191	1,796
China		3,043,530	3,125,748
United States		697	966
Total	$	8,963,890	10,466,141

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(iii) Information about revenue from major customers

		2017	2016
A Group	$	2,270,578	5,213,482
B Group		510,514	2,745,681
C Group		3,029,892	2,278,356
D Group		2,821,800	1,148,053
	$	8,632,784	11,385,572