Stock code: 6409

VOLTRONIC POWER TECHNOLOGY CORP.

ANNUAL REPORT 2016

Published on May 24, 2017

For more information of the Annual Report, please surf website at Market Observation Post System (MOPS): http: //mops.twse.com.tw

Website of Voltronic Power Technology Corp.:
www.voltronicpower.com

1. Company Spokesperson and Deputy Spokesperson
   Spokesperson
   Name: Wang Kuo-Chin
   Title: Financial Manager
   Tel: (02)2791-8296
   Exclusive line for investors: (02)2791-0054
   Email: investor@voltronic.com.tw

   Deputy Spokesperson
   Name: Wang Chia-Yi
   Title: Vice General Manager
   Tel: (02)2791-8296
   Exclusive line for investors: (02)2791-0054
   Email: investor@voltronic.com.tw

2. Address and Telephone of headquarters, branches and factories
   Headquarters: 5F., No.151, Xinhu 1st Rd., Neihu Dist., Taipei, Taiwan
   Tel: (02)2791-8296
   Factory: 4F., No.153, Xinhu 1st Rd., Neihu Dist., Taipei, Taiwan
   Tel: (02)2791-8296

3. Stock brokerage institution
   Title: Yuanta Securities Co., Ltd.
   Address: B1, No.210, Sec.3, Chengde Rd., Taipei, Taiwan
   Website: http://www.yuanta.com.tw
   Tel: (02)2586-5859

4. CPA for latest certified annual financial statements
   CPAs: Yu Cheng-Chuan, Chen Chung-Chen
   Name of CPA firm: Deloitte & Touche
   Address: 12F., No.156, Sec.3, Minsheng E. Rd., Taipei, Taiwan
   Website: www.deloitte.com.tw
   Tel: (02)2545-9988

5. Name of stock exchange for overseas listed securities and method for enquiry of overseas securities information: N/A

6. Company website: www.voltronicpower.com

Voltronic Power Technology Corp.

Table of Contents for Annual Report

Voltronic Power Technology Corp.
Managerial Philosophy

- To become the DMS(Design & Manufacturing Service) for uninterruptible power supplies (UPS) second to none throughout the world.
- To assure sustainable development and innovation of top quality products.
- Not to strive for own brand name, not to compete against customers.
- To be customers oriented to develop mutual trust and long-term cooperative ties with customers.
- To assure sound environmental protection and harmonious coexistence.

I. A Report to Shareholders

Ladies and gentlemen, our cherished shareholders:

First of all, we feel obliged to you all, our cherished shareholders, for your wholehearted support in the entire past year. We'd now like to take this opportunity to brief you about the fruits we accomplished in 2016 and future prospects in 2017:

1. Report on the fruits accomplished in our business performance:

   Our consolidated revenue totaled NT$ 8,120,220,000 in 2016, up 1.01% year-over-year. Our net income was NT$1,428,336,000, an increase of 0.82% from the previous year. Earnings per share stood at NT$ 18.25, up 0.61% from NT$ 18.14 in 2015. The comparison table for two terms is as below:

Unit: NT$ Thousand

	2016	2015	YoY %
Sales, net	8,120,220	8,039,323	1.01%
Cost of goods sold	5,634,608	5,602,291	0.58%
Gross profits	2,485,612	2,437,032	1.99%
Operating expenses	806,337	758,813	6.26%
Operating profits, net	1,679,275	1,678,219	0.06%
Non-operating income	42,946	82,452	-47.91%
Pre-tax earnings	1,722,221	1,760,671	-2.18%
Net earnings	1,428,336	1,416,710	0.82%

2. Research & Development
   1) R&D activities in 2016

      Off Line:
      (1) Figh-frequency standby power strip UPS models
      (2) Line-interactive economy models

      On Line 1~5KVA:
      (1) On line 1~3kVA standard, long-term models
      (2) On line 1~3kVA high-power, long-term models

      On Line 6~200KVA:
      (1) On line 6k/10k UPS new models
      (2) On line high-voltage, direct-current UPS and monitoring systems
      (3) On line 3/3 60k/80k high-power / high-efficiency / low-current harmonics for standard models
      (4) On line 3/3 160k/200kVA industrial UPS models
      (5) On line 3/1 10/20/30/40/60/80/100/120KVA industrial UPS models

      Inverter, Solar inverter, Charger Controller and Charger:
      (1) 2k to 12kW solar inverters
      (2) AC/DC power modules for direct-current charging poles
      (3) On-grid inverters for storage DC/DC converters
      (4) 5kW power modules

(5) Enhanced hybrid PV Inverter 3kW models

Viewpower monitoring software:
(1) Mini ATM version for ViewPower monitoring software
(2) GPRS cards

2) New products and technologies for 2017
Off Line:
(1) European-specs, high-frequency, standby power strip UPS models
(2) High-end line-interactive Rack/Tower models

On Line 1~5KVA:
(1) On line 1~3kVA structured models
(2) On line 1~3kVA digital models

On Line 6~200KVA:
(1) On line 3/3 6k/10k industrial UPS models
(2) On line 6k/10k double-busbar UPS models
(3) 6KVA Arena UPS models
(4) On line 3/3 10k/20kVA double-busbar UPS modules
(5) On line 3/3 50kW high-power and high-density UPS models
(5) On line 3/3 100k/120k/160k/200kVA high-power / high-efficiency / low-current harmonics for standard models
(6) On line 3/3 10/20/30/40/60/80/100/120KVA vector-control industrial UPS models

Inverter, Solar inverter, Charger Controller and Charger:
(1) Direct-current charging poles
(2) PV off-grid storage and inverters
(3) 50KW inverters

Viewpower monitoring software:
(1) 3G wireless communication cards
(2) 1G SNMP cards
(3) WiFi cards

Prospect for 2017:
Our revenue and profits were flat year-over-year in 2016, as a result of emerging market currency impacts, changes in political and economic environments and growth slowdown. However, some regions are seeing gradual economic recovery, and the demand from China and North America remain strong. We added capacity at the end of 2016 and began to build facilities in Zhongshan City, Guangdong, in preparation for our sustainable growth over the next five years. Looking forward, we expect the UPS industry to maintain steady growth in 2017 despite global economic uncertainty associated with the new administration in the U.S., exchange rate volatilities and rising commodity prices. We will continue to develop new clients and attract outsourcing orders, in an attempt to resume growth momentum in the year to come.

Voltronic Power Technology Corp.
Chairman: Hsieh Juor-Ming

II. Company profile

1. Founding date of Voltronic Power Technology Corp.

May 1, 2008.

2. Highlights in corporate development

(1) Fact of merger/acquisition (M&A), outward investment into affiliated enterprises, reorganization in the most recent year as of the Annual Report issuance date: Nil.

(2) Huge amount transfer or replacement in directors and supervisors or key shareholders holding over 10% shareholding, change of operation ownership, significant change in business operation manner or contents of business operation and other significant issues which would affect shareholders' equity in the most recent year as of the Annual Report issuance date: Nil.

(3) Other information concerned:

Year	Events
2008	1. Voltronic Power Technology Corp. was incorporated with NT$200.1 million founding capital. 2. Major venue of production: Voltronic Power Technology (Shen Zhen) Corp. (hereinafter referred to as Voltronic Power Technology) 3. Initially, we set up fundamental production lines of Off-line 600~2000VA and On-line 1~3KVA.
2009	1. Launched increment in cash NT$40 million, making the aggregate total paid-in capital at NT$240.1 million. 2. Relocated to the current venue at Xinhu 1st Road, Taipei City. 3. Successfully expanded Off-line production lines to TUV and UL safety decree markets. 4. Successfully developed Line-interactive sine wave models into the server markets. 5. Expanded the On-line model capacity to 20KVA to complete the solution to the entire line machine room frameworks. 6. Through autonomous research & development, we successfully accomplished full-scale multi-operation system Internet monitoring solution. 7. Voltronic Power Technology successfully passed ISO9001 and 14001 authentication.
2010	1. We converted earnings and bonus to employees into capital increase for NT$53.15 million to make the aggregate total paid-in capital after capital increase up to NT$293.25 million. 2. We launched increment in cash NT$25 million, to make the aggregate total capital after capital increase up to NT$318.25 million 3. Voltronic Power Technology set up its branch plant.

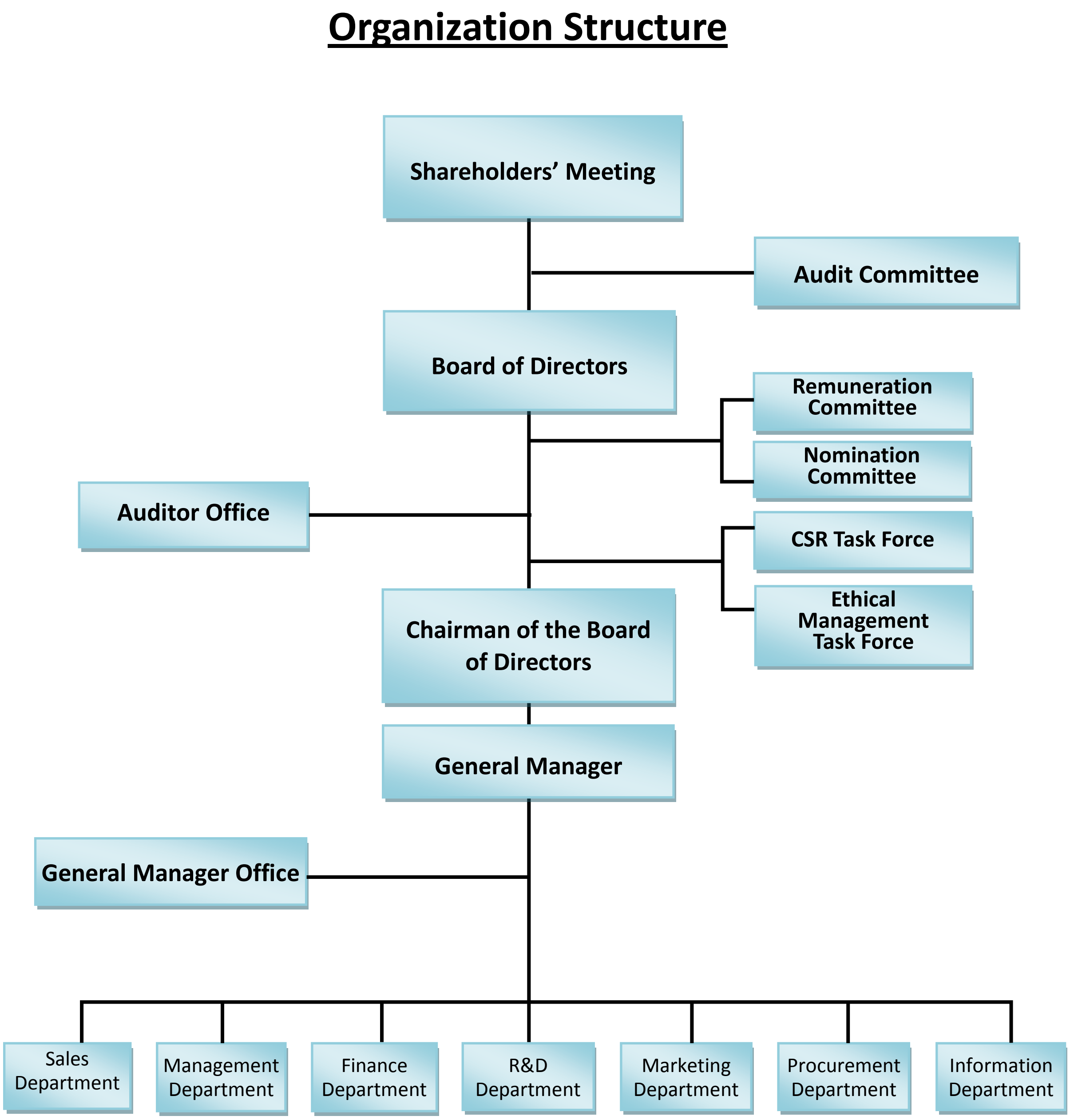
Year	Events
	4. Voltronic Power Technology successfully completed the development of standalone model, combined solar energy system.
	5. We successfully completed development of the high power density PF 0.9 On-line 1~3KVA UPS series.
2011	1. We converted earnings and bonus to employees into capital increase for NT$121.97 million, to make the aggregate total capital after capital increase up to NT$440.22 million.
	2. We launched increment in cash at NT$22 million, to make the aggregate total capital after capital increase up to NT$462.22 million.
	3. We completed establishment of Orchid Power (Shen Zhen) Manufacturing Company.
	4. We successfully developed Network 1K~5KW solar energy system.
	5. We launched three-phase 20K~80KVA high frequency On-line UPS products.
2012	1. We converted earnings and bonus to employees into capital increase for NT$81.25 million, to make the aggregate total paid-in capital after capital increase up to NT$543.48 million.
	2. We successfully launched the high power density of pf 0.9 On-line 6~20KVA production lines.
	3. We completed development of high power/household/industry oriented 1~5KVA sine wave Inverter.
	4. Our three-phase On-line UPS single unit capacity broke through 100KVA.
	5. Voltronic Power Technology successfully listed its stocks to public.
2013	1. January 8, 2013: Voltronic Power Technology got listed in emerging stocks (stock code: 6409) at the capital of NT$543 million.
	2. March 2013: Voltronic Power Technology issued new restricted employee shares, to make the aggregate total capital after capital increase up to NT$558 million.
	3. October 2013: Voltronic Power Technology launched increment in cash to issue NT$30 million new shares and converted earnings into capital increase for NT$27.92 million; to make the aggregate total capital after capital increase up to NT$616.4 million.
2014	1. March 2014: Voltronic Power Technology launched initial public offering (IPO) through Increment in cash to issue NT$58.3 million new shares, to make the aggregate total capital after capital increase up to NT$674,699,660.
	2. March 31, 2014: Voltronic Power Technology got listed for its stocks to public.
	3. August 31, 2014: Voltronic Power Technology converted earnings into capital increase for NT$33,735,000, to make the aggregate total capital

Year	Events
	after capital increase up to NT$708,434,660.
2015	1. June 30, 2015: Voltronic Power Technology launched new restricted employee shares to write off NT$300,000 capital decrease, to make the aggregate total capital after capital decrease at NT$708,134,660.
	2. August 31, 2015: Voltronic Power Technology converted earnings into capital increase at NT$35,421,740 to make the aggregate total capital after capital increase up to NT$743,556,400.
	3. Voltronic Power Technology got listed onto Medium Size 100 Index Shares in Taiwan.
2016	1. February 25, 2016: Voltronic Power Technology launched new restricted employee shares to write off capital decrease of NT$180,000, to make the aggregate total capital after capital decrease at NT$743,376,400.
	2. July 2016: Zhongshan Voltronic Power Electronic Limited was established.
	3. October 4, 2016: Voltronic Power Technology converted earnings into capital increase for NT$37,177,900 and issuance of new restricted employee shares for NT$6,500,000. Capital increased to NT$787,054,300 after these two capitalization events.
2017	1. April 2017: ranked top 5% by the Third Corporate Governance Evaluation of Listed Companies.

III. Report on Corporate Governance

1. Organization system

(1) Organization structure



(2) Principal business lines of major departments:

Departments	Major Responsibilities and powers
General Manager's Office	1. Map out the Company's managerial strategies, set operating targets, monitor and evaluate the implementation and performance of operating targets. 2. Set up functions and powers, duties and responsibilities of various departments of the Company, formulate and implement special programs and appoint heads for departments and projects. 3. Integrate, coordinate with and support all departments in implementation of business operation as well as special projects.
Audit Office	1. Audit and examine the Company's internal control system, managerial system to check and verify the soundness, rationality and put into effectiveness and, in turn, offer suggestion for rectification to safeguard sound business operation of the Company. 2. Investigate, evaluate all units about the plans, policies about the progress and efficiency. 3. Conduct routine audit, exert follow-up tracing efforts for rectification of abnormalities.
Sales Department	1. Work out performance and profit targets coordinate with the Company's policies and targets. 2. Implement promotion and sales programs based on the set targets. 3. Look into the market demand and technical development trends. 4. Implement pricing strategies, market feedback and customer needs and render support accordingly.
Management Department	1. Administrative & general affairs: Dominate and set up general affairs, fire prevention, public security, sanitation and such plans and implementation to provide optimal quality of working environments. 2. Non-production oriented procurement: Launch requisition, price inquiry, price negotiation, procurement, final acceptance inspection, asset management and such tasks. 3. Solicit human resources and take charge of personnel attendance.
Finance Department	1. Take charge of capital management, application for credit limit in banks, raise of working capital. 2. Take overall charge of financial management, financial statements and such sub-duties, dispatch and utilize of long-term and short-term funds. 3. Take overall charge of a variety of stock affairs, shareholder relationship. 4. Take charge of accounting affairs, payroll affairs, receivables, payables in overall management and follow-up tracing efforts.
Research & Development Department	1. Develop new technology & know-how and products. 2. Set up criteria for product development. 3. Transfer and training programs for technology & know-how inside. 4. Take charge of archiving management of a variety of technical papers, application for patents and technology & know-how and maintenance thereof.
Marketing Department	1. Design and update the Company's catalogs, websites. 2. Map out and arrange exhibitions in international community. 3. Apply for patents. 4. Set up customized merchandise and such data.
Procurement Department	1. Set up and manage integrated supply chains. 2. Assume the responsibility to procure materials for research & development, production and domestic projects for the entire Voltronic Power Technology Group. 3. Assume the responsibility to control procurement costs. 4. Watch changes and updates of raw materials & materiel in international community.
Information Department	1. Map out and implant the computerized system for the Company. 2. Set up, maintain and control networks. 3. Map out and implement information safety mechanism. 4. Map out and maintain computer software & hardware. 5. Map out and implement the overall computerization operation.

2. Information on the Directors, General Manager, Vice General Managers, Senior Managers and the Managers of Each Department and Branch

(1) Information on Directors:

April 17, 2017；Unit: share

Title	Nationality or the venue of registry	Name	Sex	Date of on Board (mm/dd/yy)	Term	Date of on Board for the First Time (mm/dd/yy)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Main Experience/Educational Background	Concurrent Positions in this Company and Other Companies at present	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Chairman cum General Manager	Taiwan, R.O.C.	Hsieh Juor-Ming (Note 1)	Male	06/30/2015	3	05/01/2008	9,392,468	13.26%	10,024,769	12.74%	2,729,807	3.47%	607,772 (Note 2)	0.77%	Department of Business Management, Tatung University Chairman cum General Manager of Centralion Industrial Inc. Director of Phoenixtec Power Co., Ltd.	Position served concurrently at this Company: General Manager Ming Fang International Investment Co., Ltd.- Chairman Voltronic International Corp., Voltronic International H.K. Corp. Limited, Potentia Technology Inc. Limited－director Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company, Zhongshan Voltronic Power Electronic Limited－legal representative	Director representative	Chen Tsui-Fang	Spouse
Director	Taiwan, R.O.C.	Open Great International Investment Limited Company	-	06/30/2015	3	05/01/2008	2,723,312	3.84%	3,002,546	3.81%	－	－	－	－	－	－	－	－	－
	Taiwan, R.O.C.	Representative: Chen Tsui-Fang	Female	06/30/2015	3	05/01/2008	1,581,453	2.23%	1,743,607	2.22%	11,010,969 (Note 1)	13.99%	－	－	Department of Public Finance and Taxation, Takming Junior College of Commerce	Position served concurrently at this Company: Special Assistant of General Manager Open great international investment limited company－Chairman	Chairman	Hsieh Juor-Ming	Spouse
Director	Italy	RPS S.P.A	-	06/30/2015	3	02/03/2009	6,287,957	8.88%	3,382,680	4.30%	－	－	－	－	－	－	－	－	－
	Italy	Representative: Roberto Facci	Male	06/30/2015	3	02/23/2009	－	－	－	－	－	－	－	－	Electrical Engineering, University of Padova, Italy Director, International Sales, RPS S.P.A	Position served concurrently at this Company: Nil Director, International Sales, RPS S.P.A	－	－	－
Director	Taiwan, R.O.C.	FSP Group	-	06/30/2015	3	05/01/2008	6,116,746	8.63%	5,685,916	7.22%	－	－	－	－	－	－	－	－	－
	Taiwan, R.O.C.	Representative: Cheng Ya-Jen	Male	06/30/2015	3	06/30/2015	－	－	－	－	－	－	－	－	Tatung University	Position served concurrently at this Company: Nil FSP Group-Chairman 3Y POWER TECHNOLOGY INC.-chairman 3Y POWER TECHNOLOGY INC.-responsible person AMACROX TECHNOLOGY CO., LTD.-director	－	－	－

Title	Nationality or the venue of registry	Name	Sex	Date of on Board (mm/dd/yy)	Term	Date of on Board for the First Time (mm/dd/yy)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Main Experience/Educational Background	Concurrent Positions in this Company and Other Companies at present	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
																AMACROX GMBH-responsible person FSP Technology Inc.(Wuxi Quanhan) - director FSP TECHNOLOGY INC.(Wuxi Zhonghan) - director FSP Technology Inc. (Shenzhen Zhonghan) - director FSP –Powerland Technology Inc. - director			
Independent director	Taiwan, R.O.C.	Lee Chien-Jan	Male	06/30/2015	3	12/10/2012	—	—	—	—	—	—	—	—	Master of Professional Accounting of National Chengchi University Ph.D. Program in Accountancy of National Chengchi University Chair of Department of Accountancy of National Taipei University (2009/8~2012/7) Director of Accounting Research and Development Foundation and committee member of Accounting Standards Board CPA of Financial Supervisory Commission Commission member of Public Functionary Disciplinary Sanction Commission Committee member of Securities Listing Review Committee Committee member of OTC Review Committee Committee member of Assessment and Review of R&D Result Management System of Council of Agriculture, Executive Yuan Chairman of Fei Yuan Accounting and Education Foundation Independent director of ACES Electronics Co., Ltd. Independent director of Copartner Technology Corporation Independent director of Fortune Semiconductor Corp. Independent director of Smart Ant Telecomm Co., Ltd. Independent director of AutoTools Group Co., Ltd	Position served concurrently at this Company: Nil Professor of Department of Accountancy of National Taipei University Director of Accounting Research and Development Foundation and committee member of Accounting Standards Board CPA of Financial Supervisory Commission Commission member of Public Functionary Disciplinary Sanction Commission	—	—	—

Title	Nationality or the venue of registry	Name	Sex	Date of on Board (mm/dd/yy)	Term	Date of on Board for the First Time (mm/dd/yy)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Main Experience/Educational Background	Concurrent Positions in this Company and Other Companies at present	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
															Independent supervisor of Taisol Electronics Co., Ltd.				
Independent director	Taiwan, R.O.C.	Hsu Chun-An	Male	06/30/2015	3	12/10/2012	–	–	–	–	–	–	–	–	Graduated from Department of Accounting of National Chung Hsing University Retired from the position of Director-General of National Taxation Bureau of the Southern Area, Ministry of Finance Independent director of Brighton-Best International (Taiwan) Inc.	Position served concurrently at this Company: Nil Director of De Lin Institute of Technology Independent director of Brighton-Best International (Taiwan) Inc. Independent director of ASUSTeK Computer Inc.	–	–	–
Independent director	Taiwan, R.O.C.	Yang Ching-Hsi	Male	06/30/2015	3	10/14/2013	–	–	–	–	–	–	–	–	Doctor of Commerce (major in Accounting), Keio University Adjunct Professor of Institute of Technology Management, National Tsing Hua University Supervisor of Taiwan Sugar Corporation: legal representative of Ministry of Economic Affairs (MOEA)	Position served concurrently at this Company: Nil Specially Appointed Associate Professor, Department of Accountancy of National Taipei University Independent director of Centralion Industrial Inc. Independent director of Podak Co., Ltd.	–	–	–

Note 1: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares.
Note 2: Ming Fang International Investment Co., Ltd.
Note 3: After the approval by the shareholders’ meeting on May 24, 2016 on the amendment to the Articles of Incorporation, we established Audit Committee in replace of supervisors.

1) Major Shareholders of Juristic Person Shareholders

March 31, 2017

Names of the Juristic Person Shareholders	Major Shareholders of Juristic Person Shareholders	Shareholding Ratio
FSP Group	Chuan Han Investment Co., Ltd.	7.28%
	Cheng Ya-Jen	6.33%
	Yang Fu-An	6.13%
	Wang Tsung-Shun	5.86%
	2K INDUSTRIES.INC.	3.53%
	Wang Guang Dong Investment Limited Company	3.10%
	Pai Chuang Investment Co., Ltd.	2.60%
	Bi Cheng Investment Consulting Limited Company	1.64%
	Chen Kuang-Chun	1.57%
	Yuanta Bank was delegated to take custody of specially designated (earmarked) account of Chu Hsiu-Ying in entrusted properties.	1.38%
RPS S.P.A	Riello Elettronica Spa	100.00%
Open Great International Investment Limited Company	Hsieh Juor-Ming	55.17%
	CTBC Bank Co. Ltd.(Note 1)	31.04%
	Chen Tsui-Fang	13.79%

Note 1: As trusted to CTBC Bank Co. Ltd.

2) As the key shareholders where the key shareholder was a juristic person.

March 31, 2017

Names of the Juristic Person Shareholders (Note 1)	Major Shareholders of Juristic Person Shareholders (Note 2)	Shareholding Ratio
Chuan Han Investment Co., Ltd.	Cheng Ya-Jen	30%
	Wang Tsung-Shun	30%
	Yang Fu-An	30%
2K INDUSTRIES INC.	ALTOS INTERNATIONAL CORPORATION	65.3%
	ETERNAL WELTH HOLDINGS LIMITED	34.7%
Wang Guang Dong Investment Limited Company	ALTOS INTERNATIONAL CORPORATION	100%
Pai Chuang Investment Co., Ltd.	Cheng Ya-Jen	33%
	Wang Tsung-Shun	33%
	Yang Fu-An	33%
Bi Cheng Investment Consulting Limited Company	Huang Hsiu-Chin	95%

Note 1: Please provide the names of the juristic persons for the juristic persons shareholders listed in Table 1.

Note 2: Please provide the names of the major shareholders of such the juristic persons (with 10% stakes or more) and the shareholding ratio of the legal entity concerned.

3) Whether the directors had accumulated more than 5-year hands-on experiences accumulated in commerce, law, finance or such experiences required by the Company and consistent with a situation falling within those enumerated below:

Terms / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Information (Note 1)										Number of the Other Public Companies in Which the Concerned Director Acts Concurrently as an Independent Director
	An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Hsieh Juor-Ming	—	—	✓	—	—	—	—	—	—	✓	—	✓	✓	Nil
Representative of Open great international investment limited company: Chen Tsui-Fang	—	—	✓	—	—	—	—	—	✓	✓	—	✓	—	Nil
Representative of RPS S.P.A: Roberto Facci	—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	Nil
Representative of FSP Group: Cheng Ya-Jen	—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	Nil
Lee Chien-Jan	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Hsu Chun-An	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yang Ching-Hsi	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1. Where the directors and supervisors were consistent with the conditions below in two years and during the employee's work prior to being elected, please check with "✓" in the box below.

1. Not an employee of the company or any of its affiliated enterprise.
2. Not a director or supervisor of the company or any of its affiliated enterprise. (However, it does not apply to the cases where the person is an independent director of the company, its parent company or any subsidiary in which the company has set up according to laws and regulations or local laws and regulations where it is domiciled.)
3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
4. Not a spouse, relative within the second-degree relatives, or lineal relative within the third degree, of any of the persons specified in the preceding three notes.
5. Not a director, supervisor, or employee of a juristic person shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or that holds shares ranked as top 5 in shareholding.
6. Not a director, supervisor, manager, or shareholder holding 5 percent or more of the shares, of a specific company or institution that has a financial or business relationship with the Company.
7. Not as a professional individual nor an owner, partner, director, supervisor, manager or their spouses of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliated enterprise; except a member of the Remuneration Committee who exercises powers, duties and responsibilities in accordance with Article VII of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Securities Dealers' Business Premises.
8. Not in a relationship as spouse or a relative within the second degree of kinship with any other directors.
9. Not been a person or any conditions defined in Article 30 of the Company Act.
10. Not under Article 27 of the Company Act with government, juristic person or the representative thereof successfully elected.

(2) Information on General Manager, Vice General Managers, Senior Managers and the Mangers of Each Department and Branch

April 17, 2017；Unit: share

Title	Nationality	Name	Sex	Date of on Board (mm/dd/yy)	Shareholding When on Board		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications / Experience	Concurrent Positions in this Company and Other Companies	Managers that have spousal relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
					Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Chairman cum General Manager	Taiwan, R.O.C.	Hsieh Juor-Ming	Male	05/01/2008	10,024,769	12.74%	2,729,807	3.47%	607,772 (Note 2)	0.77%	Department of Business Management, Tatung University Chairman cum General Manager of Centralion Industrial Inc Director of Phoenixtec Power Co., Ltd.	Ming Fang International Investment Co., Ltd.- chairman Voltronic International Corp., Voltronic International H.K. Corp. Limited, Potentia Technology Inc. Limited - director Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company, Zhongshan Voltronic Power Electronic Limited-legal representative	—	—	—
Vice General Manager (Note 3)	Taiwan, R.O.C.	Wang Chia-Yi	Female	05/01/2008	402,338	0.51%	—	—	—	—	Department of Spanish, Tamkang University Manager of Centralion Industrial Inc.	—	—	—	—
Vice General Manager (Note 3)	Taiwan, R.O.C.	Chin Chih-Hsin	Male	06/10/2008	645,344	0.82%	—	—	—	—	Graduate Institute of Electrical Engineering, National Taiwan University Manager of Phoenixtec Power Co., Ltd.	—	—	—	—
Senior Manager of R &D Department	Taiwan, R.O.C.	Lu Yu-Cheng	Male	03/19/2012	98,613	0.13%	—	—	—	—	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology Manager of Phoenixtec Power Co., Ltd.	—	—	—	—

Title	Nationality	Name	Sex	Date of on Board (mm/dd/yy)	Shareholding When on Board		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications / Experience	Concurrent Positions in this Company and Other Companies	Managers that have spousal relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
					Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Manager of R &D Department	Taiwan, R.O.C.	Feng Wen-Lin	Male	03/14/2011	85,271	0.11%	—	—	—	—	Department of Engineering Science, National Cheng Kung University Manager of Phoenixtec Power Co., Ltd.	—	—	—	—
Financial Manager	Taiwan, R.O.C.	Wang Kuo-Chin	Male	05/01/2008	117,070	0.15%	—	—	—	—	Double degree in Chinese and Accounting, Soochow University Assistant Financial Manager of DragonJet Corporation	—	—	—	—
Division Chief of Audit	Taiwan, R.O.C.	Yang Hui-Hua	Female	06/01/2011	17,640	0.02%	—	—	—	—	Department of Accounting, Tunghai University Assistant Manager of Undertaking Division, Horizon Securities Auditor of Uniwill Computer Corp	—	—	—	—

Note 1: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares.
Note 2: As Ming Fang International Investment Co., Ltd.
Note 3: Senior Managers Wang Chia-Yi and Chin Chih-Hsin were promoted to Vice General Managers on August 8, 2016.

3. Remuneration paid to directors, supervisors, general manager and vice general managers in the most recent year

(1) Remuneration paid to directors (including independent directors) in the most recent year(2016):

Unit: Thousand NTD

Title	Name	Compensation for Directors								Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax		Compensation Received by Concurrent Employees												Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 4)		Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		Compensation (A)		Pension (B)		Compensation from Earnings Distribution (C)		Fees for Performance of Business (D)				Wages, Bonus and Special Disbursement, etc. (E)		Pension (F)		Employee Bonus from Earnings Distribution (G)										
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company (Note 1)	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company (Note 2) Cash amount	This Company (Note 2) Cash amount	All Companies Specified in the Financial Statements Cash amount	All Companies Specified in the Financial Statements Cash amount					This Company	All Companies Specified in the Financial Statements	
Chairman	Hsieh Juor-Ming	1,200	1,200	-	-	15,762	15,762	-	-	1.18%	1.18%	9,818	9,818	-	-	14,382	-	14,382	-	-	-	-	-	2.88%	2.88%	-
Director	Open Great International Investment Limited Company																									
	Representative: Chen Tsui-Fang																									
Director	FSP Group																									
	Representative: Cheng Ya-Jen																									
Director	RPS S.P.A																									
	Representative: Roberto Facci																									
Independent director	Lee Chien-Jan																									
Independent director	Hsu Chun-An																									
Independent director	Yang Ching-Hsi																									

Note 1: The Company's board of directors resolved on February 24, 2017 to allocate to directors the remunerations totaling NT$17,325,000 (as the proposed amount) for 2016. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 16, 2017, before the distribution of the remunerations.

Note 2: The Company's board of directors resolved on February 24, 2017 to allocate to employees the remunerations totaling NT$75,000,000 (as the proposed amount) for 2016. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 16, 2017, before the distribution of the remunerations.

Note 3: The net profit after tax refers to the net profit after tax of the latest year in the past. If the Company has adopted the International Financial Reporting Standards (IFRS), the net profit after tax refers to the net profit after tax of the entity or the individual financial statements of the latest year in the past.

＊ The contents of remunerations in the Table differ from the concept of the Income Tax Act. To put it in more understandable terms, this Table is intended to disclose information instead of the purposes of taxation.

Remuneration Listed by Range

Range of the Remuneration Paid to this Company's Directors	Names of Directors			
	Aggregate Amount of A, B, C and D		Aggregate Amount of A, B, C, D, E, F and G	
	This Company	All Companies Specified in the Financial Statements (I)	This Company	All Companies Specified in the Financial Statements (J)
Below $2,000,000	Lee Chien-Jan Hsu Chun-An Yang Ching-Hsi	Lee Chien-Jan Hsu Chun-An Yang Ching-Hsi	Lee Chien-Jan Hsu Chun-An Yang Ching-Hsi	Lee Chien-Jan Hsu Chun-An Yang Ching-Hsi
$2,000,000 (inclusive)～$5,000,000 (exclusive)	Hsieh Juor-Ming Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci FSP Group Representative: Cheng Ya-Jen	Hsieh Juor-Ming Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci FSP Group Representative: Cheng Ya-Jen	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci FSP Group Representative: Cheng Ya-Jen	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci FSP Group Representative: Cheng Ya-Jen
$5,000,000 (inclusive)～$10,000,000 (exclusive)	—	—	—	—
$10,000,000 (inclusive)~ $15,000,000 (exclusive)	—	—	—	—
$15,000,000 (inclusive)~ $30,000,000 (exclusive)	—	—	Hsieh Juor-Ming	Hsieh Juor-Ming
$30,000,000 (inclusive)~ $50,000,000 (exclusive)	—	—	—	—
$50,000,000 (inclusive)~ $100,000,000 (exclusive)	—	—	—	—
Above $100,000,000	—	—	—	—
Total	7	7	7	7

(2) Remuneration to the supervisors in the most recent year (2016):

Unit: Thousand NTD

Title	Name	Remuneration to the supervisors						Ratio(%) of the Aggregate Amount of A, B, C and D to the Net Income After Tax		Whether Receiving Remuneration from any Companies Invested by this Company Other Than the Subsidiaries of this Company or Not
		Remuneration (A)		Remuneration (B)		Fees for Performance of Business (C)				
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	
Supervisor	Fu Feng Sheng Investment Co., Ltd. Representative: Lin Yu-Che	600	600	1,562	1,562	—	—	0.15%	0.15%	Nil
Supervisor	Liao Kuei-Fang									
Supervisor	Chen Yi									

Note 1: After the approval by the shareholders' meeting on May 24, 2016 on the amendment to the Articles of Incorporation, we established Audit Committee in replace of supervisors.

＊ The contents of remunerations in the Table differ from the concept of the Income Tax Act. To put it in more understandable terms, this Table is intended to disclose information instead of the purposes of taxation.

Remuneration Listed by Range

Range of the Remuneration Paid to this Company's supervisors	Names of Supervisors	
	Aggregate Amount of remuneration (A+B+C)	
	This Company	All Companies Specified in the Financial Statements D
Below $2,000,000	Liao Kuei-Fang Chen Yi Fu Feng Sheng Investment Co., Ltd. Representative: Lin Yu-Che	Liao Kuei-Fang Chen Yi Fu Feng Sheng Investment Co., Ltd. Representative: Lin Yu-Che
$2,000,000 (inclusive)～$5,000,000 (exclusive)	—	—
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	—	—
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	—	—
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	—	—
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	—	—
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	—	—
Above $100,000,000	—	–
Total	3	3

(3) Remuneration to the general manager and vice general managers in the most recent year (2016):

Unit: Thousand NTD; thousands of shares; %

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Amounts of remuneration to employees (D) (Note 1)				Ratio(%) of the Aggregate Amount of A, B, C and D to the Net Income After Tax		Whether Receiving Remuneration from any Companies Invested by this Company Other Than the Subsidiaries of this Company or Not
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
General Manager	Hsieh Juor-Ming	4,440	4,440	—	—	6,600	6,600	24,300	—	24,300	—	2.47%	2.47%	—
Vice General Manager (Note 2)	Chen Tzu-Hsiu													
Vice General Manager (Note 3)	Chin Chih-Hsin													
Vice General Manager (Note 3)	Wang Chia-Yi													

Note 1: The Company's board of directors resolved on February 24, 2017 to allocate to employees the remunerations totaling NT$75,000,000 (as the proposed amount) for 2016. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 16, 2017, before the distribution of the remunerations.

Note 2: Vice General Manager Chen Tzu-Hsiu retired on May 31, 2016.

Note 3: Senior Managers Wang Chia-Yi and Chin Chih-Hsin were promoted to Vice General Managers on August 8, 2016.

＊ The contents of remunerations in the Table differ from the concept of the Income Tax Act. To put it in more understandable terms, this Table is intended to disclose information instead of the purposes of taxation.

Remuneration Listed by Range

Range of the Remuneration Paid to this Company's General Managers and Vice General Managers	Names of General Managers and Vice General Managers	
	This Company	All Companies Specified in the Consolidated Financial Statements E
Below $2,000,000	—	—
$2,000,000 (inclusive)～$5,000,000 (exclusive)	Chen Tzu-Hsiu	Chen Tzu-Hsiu
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	Chin Chih-Hsin Wang Chia-Yi	Chin Chih-Hsin Wang Chia-Yi
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	—	—
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	Hsieh Juor-Ming	Hsieh Juor-Ming
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	—	—
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	—	—
Above $100,000,000	—	—
Total	4	4

(4) Names of managerial officers allocated with remuneration to employees and facts of allocation:

December 31, 2016

	Title	Name	Total Share Bonus (Thousand $)	Total Cash Bonus (Thousand $)	Total	Ratio of the Aggregate Amount to the Net Income After Tax (%)
Managers	General Manager	Hsieh Juor-Ming	—	29,520	29,520	2.07%
	Vice General Manager (Note 1)	Chen Tzu-Hsiu				
	Vice General Manager (Note 2)	Chin Chih-Hsin				
	Vice General Manager (Note 2)	Wang Chia-Yi				
	R&D Senior Manager	Lu Yu-Cheng				
	R&D Manager	Feng Wen-Lin				
	Financial Manager	Wang Kuo-Chin				

Note 1: Vice General Manager Chen Tzu-Hsiu retired on May 31, 2016.

Note 2: Senior Managers Wang Chia-Yi and Chin Chih-Hsin were promoted to Vice General Managers on August 8, 2016.

Note 3: The names and position titles should be disclosed. The profit allocation could be disclosed in an overall manner.

Note 4: The amounts of remuneration to employees for managers as resolved by the board of directors in the most recent year (including both stocks and cash). In the event that forecast was impossible, the amounts estimated for the present year should be calculated based on the actual allocations in the most recent year. The net profit after tax refers to the net profit after tax of the latest year in the past. If the Company has adopted the International Financial Reporting Standards (IFRS), the net profit after tax refers to the net profit after tax of the entity or the individual financial statements of the latest year in the past.

(5) Respectively compare and depict the analyses of the aggregate total remuneration paid to the Company's directors, supervisors, general manager and vice general managers to the net profit after tax over the past two years in the Company and all companies covered in the consolidated financial reports, and please explain the policies, criteria, portfolio of remuneration payment, procedures to fix remuneration, business performance and interrelationship to the future risks:

1) Analyses of the remuneration paid to the Company's directors, supervisors, general manager, vice general managers over the past two years to the net profit after tax:

Title	2015 Percentage of the aggregate total remuneration to the net earnings after tax (%)		2016 Percentage of the aggregate total remuneration to the net earnings after tax (%)	
	This Company	All Companies Specified in the Consolidated Financial Statements	This Company	All Companies Specified in the Consolidated Financial Statements
Director	1.27%	1.27%	1.18%	1.18%
Supervisor	0.35%	0.35%	0.15%	0.15%
General Manager and Vice General Managers	2.18%	2.18%	2.47%	2.47%

Note: The Company's board of directors resolved on February 24, 2017 to allocate to directors the remunerations totaling NT$17,325,000 (as the proposed amount) for 2016. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 16, 2017, before the distribution of the remunerations.

2) Policies, criteria and portfolio for remuneration payment, the procedures to fix the remuneration and the interrelationship between the business performance and future risks:

A. For the remuneration to directors and supervisors of the Company, pursuant to the Articles of Incorporation, the board of directors is authorized with full powers to fix in accordance with the extent of participation in the Company's operation, values of contribution of the directors and supervisors with reference to the rates prevalent in the horizontal trades. The criteria for remuneration to directors and supervisors shall be resolved by the board of directors, submitted to and resolved in accordance with the Articles of Incorporation.

B. The remuneration payable to the general manager and vice general managers include salaries, incentives and remuneration to employees based on their position titles, the responsibilities they assume and contribution to the Company, with reference to the rates prevalent in the horizontal trades.

C. The procedures for the remuneration were duly fixed with the powers authorized under the Articles of Incorporation.

D. In terms of remuneration paid by the Company to the directors, supervisors, general manager and vice general managers, the Company had taken into account the potential operating risks, the business performance in such positive interrelationship to assure balance between the sustainable business operation and risk control.

4. Performance in corporate governance

(1) Information of operation by the board of directors:

In the most recent year (2016), the board of directors convened a total of six board of directors meetings(A). Fact of participation by the directors is as below:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A)	Remarks
Chairman	Hsieh Juor-Ming	6	0	100%	—
Director	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	6	0	100%	—
Director	FSP Group Representative: Cheng Ya-Jen	6	0	100%	—
Director	Representative of RPS S.P.A: Roberto Facci	0	0	0%	—
Independent director	Lee Chien-Jan	6	0	100%	—
Independent director	Hsu Chun-An	6	0	100%	—
Independent director	Yang Ching-Hsi	6	0	100%	—

Other entries as required:

1) In the event of the following circumstances, dates, No. of board meetings, proposals, opinions from all independent directors and the company's response to the opinion of independent directors should be noted:
   i. Any issues listed in Article 14-3 of the Securities and Exchange Act

Date	Proposal	Opinions from all the independent directors and the company's response to such opinions
02/25/2016	1. Approval to the change in internal adjustment of CPAs by Deloitte Taiwan 2. Approval of the amendment to the operating procedures and management guidelines associated with Internal Control System 3. Approval of the amendment to the Procedures for the Acquisition or Disposal of Assets, Procedures for Loaning of Funds to Others, Procedures in Endorsement and Guarantee 4. Approval of the issuance of new restricted shares to employees	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
04/01/2016	Approval of the amendment to Internal Control System	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
12/26/2016	Approval of the fees to CPAs	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
02/24/2017	Approval of the amendment to the Procedures for the Acquisition or Disposal of Assets	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
05/04/2017	Approval of the loans to subsidiaries	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present

   ii. Other than the above items, other board meeting discussions that independent directors have expressed dissenting opinion or qualified opinion as recorded or stated in writing: None

2) Facts by directors in avoidance from conflict of interests: State the names of directors, contents of agenda, causes of avoidance, participation and resolutions:
   i. On February 25, 2016, Director Hsieh Juor-Ming and the Representative from Open Great International Investment Limited Company, Chen Tsui-Fang avoided the discussion and voting process for the first meeting on remunerations under the second board due to conflict of interests.
   ii. On November 7, 2016, the independent director Lee Chien-Jan avoided the discussion and voting process for the fourth meeting on remunerations under the second board due to conflict of interests.
   iii. On February 24, 2017, Director Hsieh Juor-Ming avoided the discussion and voting process for the fifth meeting on remunerations under the second board due to conflict of interests.

3) Efforts to strengthen the performance of the board of directors in the current year and the most recent year (e.g., establish the Audit Committee to promote transparency) and the facts of implementation:

i. Efforts to strengthen the performance of the board of directors:

(i) After the approval by the shareholders' annual meeting on May 24, 2016 on the amendment to the Articles of Incorporation, we established the Audit Committee in replace of supervisors.

(ii) There are three function committees under the board: the Audit Committee, the Remuneration Committee and the Nomination Committee, to assist the board in fulfilling its duties and responsibilities. Both the Audit Committee and the Remuneration Committee are comprised of the three independent directors. The Nomination Committee is composed of two independent directors and a committee member. All the functional committees report to the board of directors on a regular basis.

(iii) We were ranked as top 5% in 2016 by the Third Corporate Governance Evaluation among all the companies listed on the Taiwan Stock Exchange.

ii. Evaluation of the implementation:

In accordance with Article 37 of the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies", the Company duly enacted the "Regulations Governing Evaluation of Performance of Board of Directors". In 2016, the Company conducted self-evaluation on the composition and structure of the board of directors, election of directors and independent directors, organization and continued higher training programs for functional committees, extent of participate in the Company's business operation, corporate governance and corporate social responsibility, internal control system, business performance and the like. The self-evaluation results were submitted to the board of directors on February 24, 2017. The Regulations Governing Evaluation of Performance of Board of Directors and the evaluation results on the board's performance are disclosed at the section of Corporate Governance on our official website at http: http://www.voltronicpower.com.tw.

iii. Overall capabilities the board of directors should be equipped with

Diversity / Director's name	Sex	Compliance							
		Business judgement	Accounting and financial analysis	Business management	Crisis management	Industry knowledge	International outlook	Leadership	Decision-making capability
Hsieh Juor-Ming	Male	V	V	V	V	V	V	V	V
Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	Female	V	V	V	V	V	V	V	V

FSP Group Representative of RPS S.P.A: Roberto Facci	Male	V	V	V	V	V	V	V	V
Representative: Cheng Ya-Jen	Male	V	V	V	V	V	V	V	V
Lee Chien-Jan	Male	V	V	V	V	*	V	V	V
Hsu Chun-An	Male	V	V	V	V	*	V	V	V
Yang Ching-Hsi	Male	V	V	V	V	*	V	V	V

Note: * refers to partially equipped

(2) Functioning of the Audit Committee (or supervisors) in the operation of the board of directors:

1) Participation by supervisors in the three board of directors meetings (A) convened in the most recent year (2016):

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%)(B/A)	Remarks
Supervisor	Representative of Fu Feng Sheng Investment Co., Ltd.: Lin Yu-Che	3	0	100%	—
Supervisor	Liao Kuei-Fang	3	0	100%	—
Supervisor	Chen Yi	3	0	100%	—

Other entries as required:

1. Composition and responsibilities and powers of supervisors:
   (1) Pursuant to Article 15 of the Articles of Incorporation, 2~3 supervisors should be elected by the shareholders’ meeting. Those supervisors were duly elected in an overall reelection conducted in the shareholders' regular meeting convened on June 30, 2015.
   After the approval by the shareholders’ meeting on May 24, 2016, we established Audit Committee in replace of supervisors.
   (2) The responsibilities and powers of supervisors:
      1) The supervisors shall surveil implementation of the Company’s business operation, investigate into the Company’s business operation and financial conditions, audit books and documents and may request the board of directors or managerial officers to submit reports and may attend the board of directors meeting as non-voting (guest) participants to speak up opinions.
      2) Whenever the board of directors or a director breaches laws and ordinances concerned, Articles of Incorporation or decisions resolved in the shareholders’ meeting, the supervisors shall keep the board of directors informed and stop such acts forthwith.
      3) The supervisors shall audit a variety of books worked out by the board of directors and submitted to the shareholders’ meeting and shall submit report to the shareholders’ meeting.
      4) Whenever the supervisors consider it necessary for the Company’s interests, the supervisors may convene a shareholders’ meeting.
      5) The supervisor may exercise supervisory powers respectively.
      6) A supervisor who ignores his or her duties and, as a result, leads to an impairment to the Company shall indemnify the Company from the impairment so incurred.
      7) Where a supervisor becomes obliged to the Company or a third party for damage compensation where the director becomes responsible as well, that supervisor and the director shall become the joint debtors.
2. Where a supervisor participates in a board of directors meeting as a non-voting (guest) participant and speaks up his or her opinion, the date, term, contents of agenda of the board of directors meeting, outcome of the decision resolved in the board of directors meeting and acts taken in response to the opinions spoken by the supervisor: Nil.

2) Activities of the Audit Committee as follows:
The Audit Committee convened three meetings in 2016 (A). The attendance of independent directors was shown below:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual attendance ratio (%)(B/A)(Note)	Remark
Independent director	Lee Chien-Jan	3	0	100%	—
Independent director	Hsu Chun-An	3	0	100%	—
Independent director	Yang Ching-Hsi	3	0	100%	—

Note: After the approval by the shareholders’ meeting on May 24, 2016, we established Audit Committee in replace of supervisors.

Other entries as required:

1. In the event of the following circumstances, dates, No. of meetings, proposals, resolutions from the Audit Committee and the company's response to the opinion of the Audit Committee should be noted:

   (1) Any issues listed in Article 14-5 of the Securities and Exchange Act

Date	Proposal	Resolutions from the Audit Committee and the Company's response to such opinions of the Audit Committee
08/08/2016	Approval of the second quarterly financial reports of 2016	Resolutions from the Audit Committee: unanimous consent from all the committee members present on August 8, 2016 The Company's response to the opinion from the Audit Committee: consent from all the board directors present
11/07/2016	Approval of the third quarterly financial reports of 2016 Approval of 2017 Audit Plan	Resolutions from the Audit Committee: unanimous consent from all the committee members present on November 07, 2016 The Company Audit Committee: unanimous consent from al Committee: consent from all the board directors present
12/26/2016	Approval of 2017 fees to CPAs	Resolutions from the Audit Committee: unanimous consent from all the committee members present on December 26, 2016 The Company Audit Committee: unanimous from the Audit Committee: consent from all the board directors present
02/24/2017	Approval of self-evaluation results	Resolutions from the Audit Committee: unanimous consent from all the committee members present on February 24, 2017 The Company's response to the opinion from the Audit Committee: consent from all the board directors present

   (2) In addition to the above matters, other matters not approved by the Audit Committee but agreed by at least two thirds of the board: none

2. Please provide the names of the independent directors concerned, proposals, reasons to avoid discussion/voting and participation in voting for the issues the independent directors should avoid due to conflict of interest: none

3. Communication among independent directors, internal auditors and CPAs (including the issues associated with company financials and businesses, communication methods and results):

   (1) The Company Audit Committee and internal auditors maintain good communication. If any special circumstances arise, internal auditors report to the Audit Committee immediately. No special circumstances occurred in 2016.

   (2) The CPAs communicate with the Audit Committee in the quarterly meetings regarding

the auditing or reviewing of the quarterly financial reports, and the issues in relation to laws and regulations. If any special circumstances arise, CPAs report to the Audit Committee promptly. No special circumstances occurred in 2016.

Communication among independent directors, internal auditors and CFAs is shown as the following table:

Date	Key issues	Results
12/26/2016	CPAs explained the new form of audit reports. CPAs reported on the checklist of 2016 auditing and planning. Independent directors, CPAs and internal auditors discussed the checklist of audit issues.	CPAs discussed and explains the issues raised by meeting attendees. All the attendees agreed unanimously.
02/24/2017	Internal auditors explained the results of self-evaluations on internal audits.	All the attendees agreed unanimously.
05/04/2017	CPAs provided an update on the progress of the review of the first quarter financial reports in 2017. The company evaluated the independence of CPAs.	CPAs discussed and explains the issues raised by meeting attendees.

(3) Facts of performance in corporate governance and the status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
1. Does the company specify and disclose the corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The Company has established the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TESC/GTSM Listed Companies and posted them on the Market Observation Post System (MOPS) and our official website, available to shareholders.	No discrepancy
2. Corporate Equity Structure and Shareholders' Equity				
(1) Does the company specify internal operation procedures to dispose recommendations, doubts, disputes and lawsuit matters of shareholders, and implement in accordance with such procedures?	V		(1) The Company has appointed spokesman, deputy spokesman and stock affair specialists to deal with shareholders' suggestions or investment disputes.	No discrepancy
(2) Does the company master the major shareholders in actual control of the company and the name list of the final controllers of such major shareholders?	V		(2) The Company's major shareholders shall report changes in shareholding to the Company monthly, and the annual report shall contain the list of top ten shareholders.	No discrepancy
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprises?	V		(3) The Company has established Measures for Management of Business Group, Specific Firms and Related Party Transactions to specify personnel, assets and financial management with the affiliated companies.	No discrepancy
(4) Does the company establish internal specifications to prohibit the internal parties of the company from trading securities by taking advantage of the non-opened information in market?	V		(4) The Company has established Ethical Corporate Management Best Practice Principles and Guidelines for the Adoption of Codes of Ethical Conduct as well as the whistleblowing system to normalize members' avoidance of conflicts of interest related to their duties, and we have also set up the whistleblower mailbox to prevent the occurrence of insider trading.	No discrepancy
3. Organization and Functions of Board of Directors				
(1) Does the Board of Directors prepare diversified	V		(1) According to our Procedures for the Selection of Board Directors, the	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
guidelines in response to the organization of members and actualize the execution?			board members should be equipped with business judgment, accounting and financial analysis capability, business management capability, crisis management, industry knowledge, international outlook, leadership and decision-making capability in order to exercise their duties. Our board directors are specialists in different fields and they will all benefit the company's development and operations to a certain degree. At least one of the board directors is female. On November 12, 2015, our board approved the establishment of the Nomination Committee, in order to ensure the diversity of the nomination process and the board composition.	
(2) Does the company, besides establishing Remuneration Committee and Audit Committee in accordance with laws, also voluntarily establish other committees with similar functions?	V		(2) We have set up the Remuneration Committee comprised of all of our independent directors, according to relevant laws and regulations. In addition, we voluntarily established the Nomination Committee in November 2015 and the Audit Committee following the approval from the shareholders' meeting on May 24, 2016. The Nomination Committee consists of three members, including two being independent directors, so as to enhance the participation from shareholders in the nomination of board directors and other critical corporate governance issues. The Audit Committee is comprised of all the independent directors. A report on how different functional committees function has been uploaded to the Market Observation Post System (MOPS).	No discrepancy
(3) Does the company establish performance rules and evaluation methods of the Board of Directors, and periodically engages in performance evaluation every year?	V		(3) On February 25, 2016, we released the Guidelines for the Evaluation of Board Performances. According to these guidelines, we conduct performance reviews in the first quarter for the performance during the prior year. Our self-evaluations are based on: (1) board composition and structure; (2) the election of the board directors (including independent directors); (3) the composition and continued training & education of functional committees; (4) the participation in the company operations, corporate governance and corporate social responsibility; (5) internal control; (6) operating performances. The assessment reports are	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			forwarded to the board. The score for the board's performance in 2016 was 84.03, indicating good functioning of the board overall. The Nomination Committee presents to the board the performance review and evaluation method for the effectiveness of the board during the previous year.	
(4) Does the company periodically evaluate the independence of the certified public accountant?	V		(4) On February 25, 2016, we published the Guidelines for the Evaluation of Independence and Performance of CPAs. According to these guidelines, we conduct annual evaluations. The findings from our 2016 review of the independence and performance of CPAs were forwarded to the Audit Committee and acknowledged by the board on February 24, 2017. Both CPA Robert Yu and CPA Chung-Chen Chen from Deloitte Taiwan met our independence criteria and assessment standards. The assessment results are disclosed at the section for corporate governance at our company website http://www.voltronicpower.com.tw.	No discrepancy
4. Does the listed company has set up a division (or designated personnel) dedicated or also responsible for corporate governance matters, including but not limited to the preparation for information decks required by directors and supervisors, organization of board meetings and shareholders' meetings, company registrations or changes to registered details, production of minutes for board meetings and shareholders' meetings?	V		General Manager Office is tasked with the oversight of corporate governance issues, with key responsibilities as follows: (1) Planning and formation of the company systems and organizational structure to facilitate board independence, corporate transparency and legal compliance; (2) Agenda planning for board meetings and functional committee meetings; (3) Informing of the board directors and preparation of sufficient materials for any meetings at least seven days in advance, according to relevant laws and regulations; reminders to the parties with conflict of interest to avoid discussions; (4) Registration of shareholders' meeting dates each year before deadlines, and issuance of meeting notices with public announcements as required by laws; preparation of Meeting Handbooks, agenda materials, meeting minutes; amendments to the Articles of Incorporation and registration for any changes to the board composition;	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			(5) We internally evaluate the performance of the board each year. According to our Guidelines for the Evaluation of Board Performances, we commission external professional organizations or experts/scholars to evaluate the performance of the board at least once every three years.	
5. Does the company establish communication channels for stakeholders (including but not limited to shareholders, employees, customers and suppliers), and an exclusive section for stakeholders in the company's website, and properly respond to the issues of corporate social responsibility pertinent to stakeholders?	V		(1) The Company places importance on interested parties including employees, clients, investors and suppliers, keep channels for smooth communication and respect and maintain their legal rights by offering a complaint hotline +886-2-2791-0054. (2) All interested parties can instantly access to our information via Market Observation Post System (MOPS) and Interested Party Zone at our official website. The corporate social responsibility issues pertinent to stakeholders are listed on the corporate social responsibility section of our company website at http://www.voltronicpower.com.tw. (3) The Company has appointed a spokesman and a deputy spokesman responsible for the external communication. We have also set up the Interested Party Mailbox and the Whistleblower Mailbox (whistleblower@voltronic.com.tw) available to interested parties for smooth communication.	No discrepancy
6. Does the company appoint a professional stock affair handling agency to process the affairs of shareholders' meeting?	V		The Company has appointed a professional stock affairs agency – Stock Affairs Department of Yuanta Securities to deal with shareholder affairs and establish Measures Governing Stock Affairs Management to deal with related issues.	No discrepancy
7. Information Opening (1) Does the company set up a website to disclose the financial business and the corporate governance information?	V		(1) The Company announces the reports of financial business and corporate governance issues at the Market Observation Post System (MOPS) and Investor's Zone of our official website to disclose and updates the information about finance, operations, corporate governance and the shareholders' meetings. The information for stakeholders and our corporate social responsibility reports are available to investors.	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
(2) Does the company adopt other information disclosure methods (such as setting up an English website, designating exclusive personnel to be in charge of the corporate information collection and disclosure, actualizing the speaker system, institutional investor conference process placement in the company's website, etc.)?	V		(2) The Company has set up an English website and appointed a spokesman and a deputy spokesman to be responsible for information collection and disclosure, and related information will be published at Market Observation Post System (MOPS) or our official website.	No discrepancy
8. Does the company have other available important information helpful to understand the corporate governance and performance status (including but not limited to employee interests, employee concern, investor relationship, supplier relationship, rights of stakeholders, advanced study status of directors and supervisors, execution status of risk management policy and risk measurement standard, execution status of client policy, the status of purchasing liability insurance of the company for its directors and supervisors, etc.)?	V		(1) Employee rights and caring for the employees: The Company always places importance on employee equity, and we regularly convene labor-management meetings for both the management and labor representatives to communicate their opinions. The Company has also set up the Employee Welfare Committee to ensure employee rights; having attached importance to employees' physical and mental health, the Company regularly prepares budgets required for employee health examination and regulates the screening items for examination in addition to the prescribed items of examination. (2) Investor relations: The Company convenes the shareholder meeting annually to give shareholders opportunities to ask questions and make proposals. Since 2016, the shareholders' annual meeting has listed the use of electronic methods as one voting option. Meanwhile, we established a spokesperson system to deal with suggestions or inquiries from shareholders. Investors can visit Investor's Zone at our official website to access information related to the Company and are invited to our capital market day events organized by institutional investors on an ad-hoc basis. All these efforts aim to enhance information transparency. In accordance with the stipulations set forth by competent authorities, we have also made our disclosures and information available to investors. (3) Supplier relationships: Based on the internal control system of the Procurement and Payment Cycle and Measures for Procurement Management as the basis, we always uphold the principle of good faith,	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			we set up a well-managed supply chain after comparing prices, quality, adherence of delivery and term of payment. We attach importance to suppliers' commitment to observing laws and regulations, labor rights, environmental protection and CSR, and we ardently hope to work with suppliers to create better life environment and relationships jointly. (4) Rights of interested parties: As the Company places importance on interested parties, including employees, customers, investors and suppliers who are our stakeholders, we have maintained smooth communication channels and respected and protected their legal rights. We have also set up the Interested Party Zone and the Channel to File Complaints About A Loss of Rights at our official website. (5) Directors and supervisors' advanced study: The Company's directors, supervisors and independent directors who are those with professional backgrounds or practical experience have completed their study of corporate governance and securities regulations in accordance with related rules. The advanced study of our directors and supervisor during their tenure is disclosed in the Market Observation Post System (MOPS) (website at http://newmops.tse.com.tw/) or 2016 Advanced Study. Additional remarks which are given as below. (6) Implementation of risk management policy and risk measurement criteria: Having adhered to its stable operations as the principle, the Company focuses on its core business, establishes its operation strategies based on the controllable and bearable risks which are checked by the internal audit unit regularly or irregularly to reduce possible risks facing corporate operations. (7) Implementation of customer policy: The Company upholds the principle of "Customer First," designing and producing high-quality products to meet customer needs, regularly reviewing customer relationships and communicating with customers effectively to maintain long-term cooperation relationships. (8) Purchase of liability insurance for board directors: According to our	

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			Articles of Incorporation, we may purchase liability insurance for board directors, with the approval from the board. On May 4, 2017, the board agreed to extend the insurance policy with Cathay Century Insurance Co., Ltd. for coverage of $3 million from June 24, 2017 through June 24, 2018, in order to mitigate and diversify the potential losses incurred by the Company in the event of erroneous behavior of board directors. All the information regarding the liability insurance for board directors of our company has been disclosed in the Market Observation Post System (MOPS).	
9. Please provide explanations for the improvement made according to the results of the corporate governance evaluation by the Corporate Governance Center of Taiwan Stock Exchange during the most recent year, and details on the priority issues and measures for the areas yet to be improved (not applicable to the companies not evaluated).	V		We were ranked as top 5% in 2016 according the third year of corporate governance assessment. The areas yet to be addressed are the criteria for the independence of CPAs (key issues required), as explained below.	No discrepancy

Note 1: Whether selecting YES or NO for facts of performance shall be specified in the Description of Summary.

1) Directors' Advanced Study in 2016:

Title	Name	Date of Advanced Study (mm/dd/yy)	Name of Program	No. of study hour
Director	Hsieh Juor-Ming	Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6
Representative of juristic person director	Chen Tsui-Fang	Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6
Representative of juristic person director	Roberto Facci	Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6
Representative of juristic person director	Cheng Ya-Jen	June 8, 2016	Issues Concerning Global Anti-Tax Evasion and Taxation Agreement between Taiwan and China	3
		Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6
Independent director	Lee Chien-Jan	Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6
Independent director	Yang Ching-Hsi	Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6
Independent director	Hsu Chun-An	Nov. 7, 2016	2016 Annual Auditing Practices for Listed Companies in Taiwan in Response to New Format of Auditors' Report	6

2) Continued education for finance supervisors and auditors in 2016:

Title	Name	Date of Advanced Study (mm/dd/yy)	Name of Program	No. of study hour
Financial Manager	Wang Kuo-Chin	11/17~18/2016	Continued Education for Accounting Managers at Issuing Companies, Securities Firms and Stock Exchanges	12
Division Chief of Audit	Yang Hui-Hua	11/16/2016	Auditing Practice for Production Cycles	6
		11/21/2016	Auditing Practice in China – Procurement	6

3) Assessment Criteria for independence of CPAs (key items)

Evaluation of independence	Assessment
Has any of the company's Chairman, General Manager, financial or accounting managers during the most recent year worked in the CPA firm currently serving as our external auditors or its affiliates?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates have direct or major indirect financial interest with any of the board directors?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates engage in any financing or guarantee for our company or board directors?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates have close business ties with the company?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates have potential employment relationships with the company?	Compliance
Is any of the CPAs or the members of the auditing service team currently or has served as the company's board directors, supervisors, managers or any positions with significant influence on auditing undertakings during the past two years?	Compliance
Is any of the CPAs or the members of the auditing service team a spouse or a relative in the first or second degree with any of the company's board directors, supervisors, managers or any positions with significant influence on auditing undertakings?	Compliance

(4) If the Company has established the Remuneration Committee, its organizational structure, duties and facts of performance shall be disclosed:

1) Remuneration Committee

Information on Members of the Remuneration Committee

Position	Terms / Names	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Compliance with independence criteria(Note)								Number of the Other Public Companies in Which the Concerned Director Acts Concurrently as an Independent Director	Remarks
		An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8		
Independent Director	Lee Chien-Jan	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	Nil	N/A
Independent Director	Hsu Chun-An	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent Director	Yang Ching-Hsi	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A

Note: Please tick with √ mark in the boxes below where the Remuneration Committee members prove to have met with the conditions enumerated below in two years before being appointed and during their tenure of office

(1) Not an employee of the company or any of its affiliated enterprises.

(2) Not a director or supervisor of the company or any of its affiliated enterprises. However, this is not applicable to the role of independent directors for the company, its parent or subsidiaries set up according to local laws and regulations.

(3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.

(4) Not a spouse, relative within the second-degree relatives, or lineal relative within the third degree, of any of the persons specified in the preceding three notes.

(5) Not a director, supervisor, or employee of a juristic person shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranked as top 5 in shareholding.

(6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company.

(7) Not as a professional individual nor an owner, partner, director, supervisor, manager or their spouses of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliated enterprises.

(8) Not been a person or any conditions defined in Article 30 of the Company Act.

Information on Facts of Performance of the Remuneration Committee

1. The Remuneration Committee of the Company is comprised of three members.
2. Committee members' tenure of their current term: From June 30, 2015 to June 29, 2018, and the Remuneration Committee held four meetings in 2016, the most recent year, (A), and members' qualifications and their attendance are given as bellows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A)	Remarks
Convener / Commission member	Lee Chien-Jan	4	0	100%	—
Commission member	Hsu Chun-An	4	0	100%	—
Commission member	Yang Ching-Hsi	4	0	100%	—

Other matters to be noted in the meeting minutes:

1. If the board of directors refuses to accept of modify suggestions of the Remuneration Committee, the meeting date, session, agenda content, results resolved by the board of directors, and the Company's treatment of opinion of the Remuneration Committee should be clearly stated (such as the remuneration passed by the Board of Directors are superior to that suggested by the Remuneration Committee that the discrepancy and reasons shall be specified): Nil
2. If the members have opposite opinion or reservations against the resolution of the Remuneration Committee and the opinion or reservations have been recorded or documented, the meeting date, session, agenda content, the opinion of all members of the Remuneration Committee, and the treatment of the member's opinion should be clearly stated：Nil

2) Nomination Committee

Information on members of the Nomination Committee

Position	Terms / Names	Equipped with at least five years of relevant work experience and professional qualifications			Compliance with independence criteria (Note)							
		Lecturer in public/private college/university in business, law, finance, accounting of discipline required for company operations	Judge, district attorney, lawyer, accountant or other professional/technician with national qualifications in a discipline required for company operations	Work experience in business, law, finance, accounting or a discipline required for company operations	1	2	3	4	5	6	7	8
Independent Director	Lee Chien-Jan	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Hsu Chun-An	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓
Commission member	Liao Kuei-Fang	—	✓	—	✓	—	✓	✓	✓	✓	✓	✓

Note: Please tick with √ mark in the boxes below where the Nomination Committee members prove to have met with the conditions enumerated below in two years before being appointed and during their tenure of office

(1) Not an employee of the company or any of its affiliated enterprises.

(2) Not a director or supervisor of the company or any of its affiliated enterprises. However, this is not applicable to the role of independent directors for the company, its parent or subsidiaries set

up according to local laws and regulations.

(3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.

(4) Not a spouse, relative within the second degrees, or lineal relative within the third degree, of any of the persons specified in the preceding three notes.

(5) Not a director, supervisor, or employee of a juristic person shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranked as top 5 in shareholding.

(6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company.

(7) Not as a professional or an owner, partner, director, supervisor, manager or their spouse of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliated enterprises.

(8) Not a person or in any conditions defined in Article 30 of the Company Act.

Responsibilities of the Nomination Committee:

1. The Nomination Committee formulates the diversity and independence requirements for the professional knowledge, competences, experience and gender profile of the board members and senior managers, so that our company can identify, review and nominate the candidates for board directors and senior managers.
2. The Nomination Committee constructs and develops the organizational structure of the board and different functional committees, reviews the performance of the board, functional committees, board directors and senior managers, and evaluates the independence of independent directors.
3. The Nomination Committee establishes and regularly reviews the training and education programs for board directors and the succession plan for board directors and senior managers.

Functioning of the Nomination Committee

The Nomination Committee is comprised of three members. The tenure of this current term starts from November 12, 2015 and ends on June 29, 2018. The committee convened one meeting (A) in 2016. The list of the member's attendance is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A)	Remarks
Convener / Independent Director	Lee Chien-Jan	1	0	100%	—
Independent Director	Hsu Chun-An	1	0	100%	—
Commission member	Liao Kuei-Fang	1	0	100%	—

(5) Performance of social responsibility:

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
1. Actualization of Corporate Governance				
(1) Does the company specify and disclose the corporate governance practice rules in accordance with the “Corporate Governance Practices Rules of TWSE/GTSM-listed companies”?	V		(1) According to our “Best Practice Principles for CSR”, the division also responsible for corporate social responsibility shall regularly report to the board regarding the management indicators for the economic, environmental and social impacts of our CSR policies. The details of our CSR policies are available in our Corporate Social Responsibility Report, available at the section dedicated for corporate social responsibility at our company website at http://www.voltronicpower.com.tw.	No discrepancy
(2) Does the company hold education & training in social responsibility on a periodical basis?	V		(2) The Company promotes the business philosophy and corporate social responsibilities through meetings and orientation for new hires.	No discrepancy
(3) Does the company implement a full-time (part-time) sector to promote corporate social responsibility, and for the Board of Directors to authorize the high-level management level to take action and report the disposition status to the Board of Directors?	V		(3) General Manager Room (as appointed by the board of directors on November 12, 2015) assumes the responsibility for promoting corporate social responsibilities, ensuring the implementation of CSR policies, systems and management guidelines, the development of CSR plans and activities and the regular reports to the board.	No discrepancy
(4) Does the company establish reasonable wage compensation policies, and link the employee performance appraisal system with corporate social responsibility policies, and provide a clear and effective incentive and punishment system?	V		(4) The Company has set up the Remuneration Committee and the Nominating Committee. The Remuneration Committee is comprised of three independent directors evaluating of performance and reward of managers. The Nominating Committee audits the results of performance evaluation of the Board of Directors, each committee, and each director and executive manager. Additionally, the Employee Handbook and Measures for Employee Performance Incentive and Rewards explicitly govern issues of rewards and punishments that will make both our employees’ salaries and remuneration and our business operations grow together to be in compliance with	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
			CSR.	
2. Sustainable Environment for Development				
(1) Does the company endeavor to upgrade the utilization efficiency of various resources, and use the regenerated material with a low impact on environmental load?	V		(1) Our business philosophy is the pursuit of environmental protection and harmonious symbiosis. We strive to create and maintain a safe and clean environment, by ensuring our products are in compliance with international environmental laws and regulations. We spare no efforts to the protection of the green planet, by relentlessly enhancing the efficiency of resource utilization. As the recycling starts with end users, we pay attention to the reduction in material waste from the R&D and design phase. It is hoped that the packaging materials can be reused or recycled, to reduce the overall impact to the environment and meet with relevant laws and regulations. Meanwhile, we seek to achieve our goals of environmental protection and corporate sustainability through all members' participation and commitment.	No discrepancy
(2) Does the company establish a proper environmental management system in response to its industry characteristics?	V		(2) The Company is a committed a corporate citizen, striving to comply with environmental laws and regulations to ensure environmental protection. We adhere to all the laws and regulations in environmental protection. Our factories in China have obtained the IS014001, ISO9001 and OHSAS18001 certification.	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
(3) Does the company pay attention to the impact of climate change on operation activities, execute greenhouse gas examination, and establish corporate energy saving and carbon reduction as well as greenhouse gas volume reduction policies?	V		(3) As part of our corporate responsibility for environmental protection and sustainability, we endeavor to reduce carbon emissions and energy consumption and implement greenhouse gas management. We also dedicate to the development of green and energy efficient products and provide high-performance products/solutions to customers. The only source of greenhouse gas emissions from our day-to-day operations is the carbon emissions for the electricity we purchase. We are thus a low emission company as the electricity we procure only emits carbon dioxide. Nonetheless, we have formulated our policy in the reduction of energy, waste and consumption as follows: The expenses in relation to carbon emissions account for 0.62%, 0.54% and 0.62% of revenues in 2014, 2015 and 2016, respectively. As Voltronic Power Technology Corp. has set up the target for energy consumption and carbon reduction at 0.75% expense ratio measured by revenues, this target was met for the years 2014, 2015 and 2016. The expenses associated with carbon emissions account for 0.75%, 0.68% and 0.78% of the total operating costs in 2014, 2015 and 2016, respectively. This translates to an average of 0.74% expenses in carbon emissions as the percentage of total operating costs. As Voltronic Power Technology Corp. has set up the target for energy consumption and carbon reduction at 0.85% expense ratio measured by operating costs, this target was met for the years 2014, 2015 and 2016. The expenses in carbon emissions account for 3.69%, 2.58% and 3.00% of the net incomes in 2014, 2015 and 2016, respectively. This translates to an average of 3.02% expenses regarding carbon emissions as the percentage of net incomes. As Voltronic Power Technology Corp. has set up the target for energy	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
			consumption and carbon reduction at 3.85% expense ratio measured by net incomes, this target was met for the years 2014, 2015 and 2016. We encourage our employees to switch off LED energy efficient light bulbs whenever possible and maintain the temperature of air-conditioned rooms at 25-26 degrees Celsius. We advocate the importance of water conservation, energy consumption reduction and less paper for photocopying in order to reduce the impact of our operating activities on climate change. The details of our measures to reduce carbon emissions and energy consumptions and our policy in greenhouse gas reductions are available in our Corporate Social Responsibility Report, available at the section dedicated to corporate social responsibility at our company website http://www.voltronicpower.com.tw.	
3. Maintenance of Community Public Welfare				
(1) Does the company establish related management policies and procedures in accordance with related laws and international covenants on human right?	V		(1) In accordance with current labor laws, the Act of Gender Equality in Employment and related regulations, the Company has implemented employee policies and management measures to protect employees' rights. Our employment is not subject to the factors such as sex, age, religion, race and nationality. The company adheres to all the laws and regulations governing employment. We refuse to employ child or illegal labour. We also strictly prohibit sexual harassment in order to provide a safe and healthy work environment.	No discrepancy
(2) Does the company implement an employee appeal mechanism and channel, and take due actions?	V		(2) The Company has set up the employee complaint mailbox and regularly convened management-labor meetings to understand and meet their needs.	No discrepancy
(3) Does the company provide employees with a safe and healthy working environment, and implement safety and health education to employees on a	V		(3) The Company pays attention to the health and safety of our employees and work environment. We arrange health check-ups for employees at a standard better than required by the Labour	No discrepancy

Evaluation Items	Facts of performance(Note 1) Yes	No	Description of Summary(Note 2)	The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
periodical basis?			Standards Act. We also offer on-the-job education programs regarding health and safety, such as health management, respiratory infection and fire prevention. We also incorporate modules such as emergency responses and traffic safety, to enhance our employees' awareness in occupational health and safety. Our main facilities obtained the OHSAS 18001 certification.	
(4) Does the company establish a mechanism for periodical employee communication, and notify the employees of any operation change with potentially major impact on them in a reasonable manner?	V		(4) Meetings and regular management-labor meetings allow the Company to develop a deeper understanding of our colleagues' level of cognition of our business philosophy that they and the Company can grow together.	No discrepancy
(5) Does the company establish effective career competency development and training plans for employees?	V		(5) The Company's employees will be arranged to receive education training to enhance their development of professional competencies.	No discrepancy
(6) Does the company formulate related consumer welfare protection policies and appeal procedures concerning R&D, purchase, production, operation and service flows, etc.?	V		(6) As the Company's products are not sold to general consumers, we have not developed the policy to protect consumer rights nor made policy public. We have also established customer-oriented quality system and a customer complaint process to achieve the goal of sustainable development.	No discrepancy
(7) Does the company follow related laws and international standards concerning the marketing and identification of products and services?	V		(7) As the Company provides custom-made products, we observe laws and regulations of different regions and countries and international standards for our service marketing and indication.	No discrepancy
(8) Does the company evaluate if a supplier had any record with impacts on the environment and a community in the past before transactions with the company?	V		(8) Having placed importance on environmental and social protection, the Company adequately evaluates its suppliers' ability to comply with our requirements for environmental protection, good faith clauses and CSR.	No discrepancy
(9) Do the contracts between the company and its major suppliers include the policies concerning if a supplier is involved with any offense of its corporate social	V		(9) All of our suppliers shall adhere to our honest policy by not receiving cash gifts and kickbacks. We've established Guidelines of Ethical Conduct and Ethical Corporate Management Best	No discrepancy

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Facts of performance(Note 1)</th><th rowspan="2">The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy</th></tr>
<tr><th>Yes</th><th>No</th><th>Description of Summary(Note 2)</th></tr>
<tr><td>responsibility and in case a supplier incurs obvious impacts on the environment and community, such clauses of allowing terminating or cancelling a contract at any time?</td><td></td><td></td><td>Practice Principles in hopes that the Company and its suppliers can achieve the purpose of CSR jointly. Our procurement personnel are required to sign the Agreement for Ethical Standards for Procurement Staff.</td><td></td></tr>
<tr><td>4. Strengthen Information Disclosure
(1) Does the company disclose the related information to corporate social responsibility of key nature and reliability in its website and Market Observation Post Site, etc.?</td><td>V</td><td></td><td>(1) The Company has set up CSR Zone in our official website and we disclose CSR related information in annual report. In the meantime, we voluntarily prepare corporate social responsibility reports since 2014 and post it on our website and the Market Observation Post System (MOPS). We have also set up a whistleblower mailbox for stakeholders to report any corruption or violation of the code of ethics.</td><td>No discrepancy</td></tr>
<tr><td colspan="5">5. In case a company establishes its own Corporate Social Responsibility Best Practice Principles in accordance with “Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies”, please describe its operation and the deviation from the established Best Practice Principles:
The Company has established CSR Best Practice Principles and carries out our operations according to dimensions of corporate governance, sustainable environment and CSR information disclosure. For corporate governance, please refer to Chapter III Corporate Governance Report specified in the annual report.</td></tr>
<tr><td colspan="5">6. Other important information facilitating to understand the operation status of corporate social responsibility:
(1) In addition to focusing on our core business, we adhere to the concept of environmental protection and harmonious symbiosis.
(2) Our commitment to CSR: The Company observes international regulations as well as national and region laws and regulations, creates our company values for sustainable development to protect the rights of interested parties, promotes good corporate governance and abides by the rules and regulations.
(3) Pro bono activities: We make donations to charities from time to time care to support their efforts in disaster rescue and assistance to the disadvantaged people.
(4) We actively participate in the green energy exhibitions and lobbying for policy support for renewable in Taiwan and overseas. We are active in tradeshows such as CeBIT in Germany, Computex in Taipei and Renewable Energy India Expo.
(5) Employee benefits: The Employee Benefits Committee offer limited subsidies to educational initiatives or health management efforts by employees.</td></tr>
<tr><td colspan="5">7. In case the corporate social responsibility report of this company is approved through verification standards of related certification authorizes, it is required to be described:
(1) The Company has not passed related standards set by verifying agencies.
(2) The Company has voluntarily prepares CSR reports in accordance with the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) as the sample of instructions for core standard writing and disclosures.</td></tr>
</table>

(6) Facts about the Company's performance in ethical corporate management:

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
1. Establish Operation Policy and Scheme of Good Faith				
(1) Does the company expressly specify policy, practice of operation in good faith in its corporate statutes and bylaws and external documents, and do the Board of Directors and management level actively actualize the promise of operation policy?	V		(1) The Company has set up Ethical Corporate Management Best Practice Principles based on integrity and good faith. The business unit also responsible for the promotion of code of conduct is tasked with the design and implementation of the relevant policies and fraud prevention mechanism. Details regarding our corporate policies for business ethics and the commitment from the board to adhere to such policies are available on our annual reports and corporate social responsibility reports.	No discrepancy
(2) Does the company specify a scheme of preventing behaviors not in good faith, and expressly describe in each scheme the operation procedures, behavior guidelines, punishment of offense, and complaint system, and actualize the execution of them?	V		(2) The Company has set up and implemented Ethical Corporate Management Best Practice Principles, Standards of Moral Behavior and Whistleblower System accordingly.	No discrepancy
(3) Does the company apply preventive measures of the operation activities with rather high risk of behaviors not in good faith set forth in various items of Section 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies" or within other scopes of operation?	V		(3) The Company has established Guidelines for the Adoption of Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles to normalize our key personnel's behaviors, and our auditors also carry out regular audits to enhance the implementation of policy of corporate operations in good faith.	No discrepancy
2. Actualize Operation in Good Faith				
(1) Does the company evaluate the record of good faith of the transaction parties, and expressly specify clauses dealing with behaviors of good faith in the signed contracts of the transaction parties?	V		(1) The Company has established mechanisms for evaluating customers and suppliers. When entering into a contract, rights and obligations of both sides will be specified in the contract and be kept confidential.	No discrepancy
(2) Does the company establish a sector of exclusive	V		(2) The business unit responsible for the promotion of our code of	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
(concurrent) functions under the Board of Directors to promote corporate operation in good faith, and report to the Board of Directors its execution status on a periodical basis?			conducts regularly reports to the board regarding the compliance of different departments with the code of ethics in line with their job functions and business scope. To avoid conflict of interests and provide a whistleblowing channel, the company set up the Ethical Corporate Management Best Practice Principles.	
(3) Does the company stipulate a policy of preventing interest conflict, provide due statement channels, and actualize the execution?	V		(3) Our whistleblowing system allows stakeholders to file reports and maintains the confidentiality of the identity of the parties who submit reports and the details of the accounts.	No discrepancy
(4) Does the company for actualizing operation in good faith already establishes effective accounting system, internal control system and for the internal audit sector to perform periodical audit, or consign the account to execute audits?	V		(4) Our company has established an effective accounting system and a dedicated accounting department. Our internal audit department formulates annual audit plans and conduct audits according to risk assessments. The audit results and subsequent improvement measures are summarized and reported to the board and top management, in order to ensure the effectiveness of audits. We also conduct self-evaluations of internal control in order to maintain the effectiveness of the system design and implementation.	No discrepancy
(5) Does the company hold internal, external educational training for operation in good faith on a periodical basis?	V		(5) At any time, the Company's publicity unit promotes our colleagues' resolute commitment to observe norms governing the corporate operations in good faith during meetings and on the bulletin board for substantial implementation.	No discrepancy
3. Operation Status of Corporate Reporting System of an Offense (1) Does the company establish substantial offense reporting and incentive systems, and establish convenient offense reporting channels, and assign proper exclusively responsible personnel to accept the reported subject of an offense?	V		(1) The Company has established a reporting system by setting up a whistleblowing mailbox at our official site (whistleblower@voltronic.com.tw), human resources and audit unit that are available to whistleblowers who can also submit information to independent directors, managers, direct	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
			supervisors or other appropriate personnel; external whistleblowers can submit whistleblowing reports to the preceding whistleblower mailbox(mails will be automatically forwarded to the Company's independent directors and senior executives) or supervisors and related units in charge of our business group and organization, and whistleblowers' identity and the contents of whistleblowing shall be kept confidential to protect whistleblowers from improper dispositions. After receiving a whistleblowing report, we will appoint paid staff to receive reports and assist in handling cases and give a reply.	
(2) Does the company specify the investigation standard operation procedures of accepting offense reporting matters and a related confidentiality mechanism?	V		(2) The Company has maintained a rigorous attitude to keep the whistleblowing and subsequent investigation confidential, specified in the internal rules. We guarantee to keep complaints or a whistleblower's personal information and information offered by the whistleblower absolutely confidential according to Personal Information Protection Act.	No discrepancy
(3) Does the company take measures to protect an offense reporting party from suffering improper disposition due to an offense report?	V		(3) We guarantee that whistleblowers will never be punished.	No discrepancy
4. Strengthen Information Disclosure (1) Does the company disclose the content of operation principles of good faith and promotion performance in its website and Market Observation Post Site?	V		The Company discloses related information at Market Observation Post System and our official website according to related regulations. Besides, corporate operations in good faith related information has been disclosed in the annual report and CSR report.	No discrepancy
5. If the Company has established its Ethical Corporate Management Best Practice Principles in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, discrepancies between the operations and the established principles shall be illustrated: To foster a corporate culture of ethical management and sound development to strengthen its business operations, the Company has established Ethical Corporate Management Best Practice Principles to observe the principles in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies that shows no discrepancy.				
6. Other important information which can facilitate the understanding of the Company's operations in good faith: (such as the Company's review and of amendment of its Ethical				

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
Corporate Management Best Practice Principles)				
The Company observes the Company Act, Securities and Exchange Act, Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other regulations related to commercial activities to fulfill the principle of operations in good faith to create a business environment of sustainable development.				

(7) If the Company has established Corporate Governance Best Practice Principles and related regulations, the inquiry methods shall be disclosed at the Market Observation Post System (MOPS) and the Investor's Zone at its official website available to investors for reference, the website: http://www.voltronicpower.com.tw.

(8) Other important information which facilitates investors' understanding of the corporate governance practices should be disclosed:

1) To solidify and strengthen the Company's corporate governance, the Board of Directors of the Company on Nov. 12, 2015 passed the establishment of the Audit Committee Charter. The Audit Committee was established following the 2016 shareholders' annual meeting.
2) We were ranked as top 5% among listed companies by the third-year corporate governance evaluations conducted by the Taiwan Stock Exchange.

(9) The Performance in Internal Control System shall disclose items given as follows:

Voltronic Power Technology Corp.
Declaration of Internal Control System

Date: February 24, 2017

Over the Company's internal control system of Year 2016, based on the results of our self-evaluation, we'd hereby like to declare enumerated below:

1. Here at the Company, we confirm full awareness that implementation and maintenance of the internal control system are the inherent responsibility of the Company's board of directors and managers. The Company has duly set up such internal control system in an attempt to provide rational assurance of the effect and efficiency of the business operation (including profitability, performance and assurance of the safety of assets), reliability of reports, timeliness, transparency and accomplishment of the compliance targets on related requirements, laws and regulations.
2. Internal control system is subject to inherent restriction, disregarding how sound it has been designed. Effective internal control system could only provide rational assurance for accomplishment of the three aforementioned targets. Besides, in line with the changes in circumstances and environments, effectiveness of internal control system might change as well. For the Company's internal control system, nevertheless, we have set up sound self-superintendence mechanism. As soon as a defect is identified, the Company would take corrective action forthwith.
3. Exactly in accordance with the items of judgment for the effectiveness of the internal control system under "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Managerial Regulations"), we duly judge whether the internal control system is effective in design and implementation. The items adopted for aforementioned "Managerial Regulations" for judgment of internal control system are the process for management control. The internal control system is composed of five composition elements: 1. Circumstances of control, 2. Risk evaluation, 3. Control operation, 4. Information and communication, and 5. Superintendence. Each and every composing element includes a certain items. For more details regarding the aforementioned items, please refer to contents of the "Criteria".
4. Here at the Company, we have adopted the aforementioned items of judgment over internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
5. On the grounds of the results of evaluation in the preceding paragraph, we are confident that the Company's internal control system in design and implementation as of December 31, 2016 (including the superintendence and management over subsidiaries), including the understanding of the results and efficiency of business operation in accomplishment of the targets, reliability of reports, timeliness, transparency and compliance of the relevant laws and regulations are effective and would reasonably assure accomplishment of the aforementioned targets.
6. The Declaration will function as the key element of the Company's Annual Report and Prospectus and will be made public externally. In the event that the aforementioned made

public involve misrepresentation, concealment or such unlawful practice, the Company shall get involved in the legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7. This Declaration has been approved by the Company's board of directors on February 24, 2017. Seven (7) directors were in attendance, none kept objecting opinions, and all directors in attendance hereby state their agreement to the contents of this declaration.

Voltronic Power Technology Corp.

Chairman cum General Manager: Hsieh Juor-Ming

(10) In the most recent year and as of the printing date of this Annual Report, facts of penalty imposed upon the Company and its internal personnel for their violation of the regulations of the internal control system, the major defects and the corrective actions taken: there is no such situation.

(11) In the most recent year and as of the printing date of this Annual Report, the Key Resolutions resolved in the shareholders' meeting and board of directors are as below:

1) Significant decisions resolved in the regular shareholders meeting and the implementation thereof:

Date of the meeting	Key issues in summary	Outcome of resolution	Facts of implementation
May 24, 2016 (Shareholders' regular meeting)	Discussion (1): Amendment to the Articles of Incorporation	Discussion (1): Unanimous consent by all the attending shareholders	Discussion (1): Approval by the Ministry of Economic Affairs on June 15, 2016 and the amended Articles of Incorporation posted on the company website
	Acknowledgment: 1. 2015 Business report and Financial Statements	Acknowledgment: 1. Unanimous consent by all the attending shareholders	Acknowledgment: 1. Reports and statements distributed to shareholders according to relevant laws and regulations
	2. Distribution of 2015 earnings	2. Unanimous consent by all the attending shareholders	2. Earnings distributed accordingly, with the ex-dividend and ex-rights dates scheduled for August 30, 2016. Cash dividend issue date on October 14, 2016.
	Discussion: 1. Issuance of bonus shares with 2015 earnings	Discussion: 1. Unanimous consent by all the attending shareholders	Discussion: 1. Implemented as resolved by the shareholders' meeting, with the base date for the bonus issue on August 30, 2016, issue date on October 14, 2016. A total of NT$ 37,178,000 earnings were capitalized.
	2. Issuance of restricted new shares to employees	2. Unanimous consent by all the attending shareholders	2. Implemented as resolved by the shareholders' meeting, with the base date for the cash injection on August 30, 2016, issue date on October 14, 2016.
	3. Amendment to the Rules and Procedures of Shareholders' Meetings	3. Unanimous consent by all the attending shareholders	Amended and implemented accordingly
	4. Amendment to Election Procedures for Board Directors and Supervisors	4. Unanimous consent by all the attending shareholders	Amended and implemented accordingly
	5. Amendment to the Procedures for Asset Acquisitions / Disposals	5. Unanimous consent by all the attending shareholders	Amended and implemented accordingly
	6. Amendment to the Procedures of Lending to Other Parties	6. Unanimous consent by all the attending shareholders	Amended and implemented accordingly
	7. Amendment to the Procedures of Loan Endorsements and Guarantees	7. Unanimous consent by all the attending shareholders	Amended and implemented accordingly

2) Major decisions resolved in the board of directors

Date of the meeting	Key issues in summary
Feb. 25, 2016	1. The Company carried out Social Responsibility Implementation Report. 2. It was duly resolved about the Company's partial amendment to the "offense-reporting system" causes. 3. It was duly resolved about the Company's new restricted employee shares recovered for revocation with capital decrease of Year 2012. 4. It was duly resolved about the Company's key issues duly reviewed by the Remuneration Committee in the first meeting of Session Two. 5. It was duly resolved about the Company's allocation of remuneration to employees and remuneration to directors and supervisors of Year 2015. 6. It was duly resolved about the Company's Business Report and Financial Statements of Year 2015. 7. It was duly resolved about the Company's allocation of earnings in Year 2015. 8. It was duly resolved about the Company's earnings converted into capital increase for issuance of new shares in Year 2015. 9. It was duly resolved about the Company's issuance to issue new restricted employee shares. 10. It was duly resolved about the Company's business operation plans of Year 2016. 11. It was duly resolved about the Company's decision to reassign Certified Public Accountant in line with the internal adjustment of Deloitte & Touche. 12. It was duly resolved about the Company's "internal control system declaration "of year 2015. 13. It was duly resolved about the Company's partial amendment to the "internal control system" related operating procedures and managerial regulations. 14. It was duly resolved about the Company's partial amendment to the "Internal Control System". 15. It was duly resolved about the Company's partial amendment to the "Scope of Responsibilities and Powers for Independent Director", "Corporate Governance Best-Practice Principles", "Organizational Regulations for Nomination Committee", "Organizational Regulations for Remuneration Committee" and "Organizational Regulations for Audit Committee". 16. It was duly resolved about the Company's amendment to the "Power Limit List for Resolution: 17. It was duly resolved about the Company's amendment to the "Best-Practice Principles on Good Faith Management", "Rules Governing Code of Ethical Conduct", "Best-Practice Principles on Corporate Social Responsibility", "Procedure Rules for Board of Directors Meetings". 18. It was duly resolved about the Company's partial amendment to the "Procedure Rules for Shareholders' Meeting" 19. It was duly resolved about the Company's partial amendment to the "Procedures for Directors and Supervisors Election". 20. It was duly resolved about the Company's partial amendment to the "Procedures for the Acquisition or Disposal of Assets", "Regulations Governing Loaning of Funds to Others", "Procedures in Endorsement and Guarantee". 21. It was duly resolved about the Company's enactment of the "Regulations Governing Evaluation of Performance of Board of Directors" with self-evaluation of its performance in 2015. 22. It was duly resolved about the Company's enactment of "Regulations Governing Evaluation of Performance by the Certified Public Accountants in Independence and Performance" for Year 2015. 23. It was duly resolved about the Company's time and venue for shareholders' regular meeting of year 2016.
April 1, 2016	1. It was duly resolved about the Company's partial amendment to the Articles of Incorporation. 2. It was duly resolved about the Company's partial amendment to the Internal Control System.
May 6, 2016	1. It was duly resolved about the Company's first quarter financial reports in 2016. 2. It was duly resolved about the Company's application to financial institutions for an extension of the loans totaling NT$ 300 million. 3. It was duly resolved about the appointment of the directors, general manager and supervisors for the Company's subsidiaries. 4. It was duly resolved about the change of the Company's spokesperson and deputy spokesperson.
August 8, 2016	1. It was duly resolved by the Audit Committee about the report on the review of the second quarter financials in 2016. 2. It was duly resolved about the Company's bonus issue and cash dividends in 2016.

	3. It was duly resolved about the Company's new restricted employee shares. 4. It was duly resolved about the Company's intention to promote certain employees.
November 07, 2016	1. It was duly resolved by the Audit Committee about the report on the review of the third quarter financials in 2016. 2. It was duly resolved about the Company's 2017 Audit Plan. 3. It was duly resolved about the issues reviewed by the fourth meeting for the second term of the Remuneration Committee.
December 26, 2016	1. The report on the results of Company's corporate social responsibility initiatives has been filed. 2. It was duly resolved about the Company's 2017 fees to Certified Public Accountants. 3. It was duly resolved about the Company's partial amendment to the Audit Committee Charter. 4. It was duly resolved about the Company's partial amendment to the Guidelines Governing Personal Data Protection.
February 24, 2017	1. The results of the Company's self-assessment of internal control have been duly summarized. 2. The 2016 report on the independence and performance reviews of the Certified Public Accountants has been duly summarized. 3. It was duly resolved about the issues reviewed by the fifth meeting for the second term of the Remuneration Committee. 4. It was duly resolved about the Company's remunerations to directors and bonuses to employees for 2016. 5. It was duly resolved about the Company's 2016 Business Report and Financial Statements. 6. It was duly resolved about the Company's earnings distribution in 2016. 7. It was duly resolved about the Company's issue of cash dividends with additional paid-in capital. 8. It was duly resolved about the Company's 2017 Business Plan. 9. It was duly resolved about the Company's report on the effectiveness of 2016 internal control design and implementation, as well as the corresponding Statement on Internal Control System. 10. It was duly resolved about the Company's partial amendment to the Procedures for Asset Acquisitions/Disposals. 11. It was duly resolved about the Company's partial amendment to the Authorization Chart. 12. It was duly resolved about the Company's partial amendment to the Application Procedures for Trading Suspension and Resumption. 13. It was duly resolved about the Company's 2016 self-assessment on the performance of the board. 14. It was duly resolved about the Company's asset acquisitions/disposals with subsidiaries as part of the group's operating activities and business planning. 15. It was duly resolved about the Company's time, venue and agenda for the 2017 General Meeting for Shareholders.
May 4, 2017	1. It was duly resolved by the Audit Committee about the report on the review of the first quarter financials in 2017. 2. It was duly resolved about the Company's application to financial institutions for an extension of the loans totalling NT$ 300 million. 3. It was duly resolved about the Company's cancellation of new restricted shares to employees and the corresponding capital reduction in 2016. 4. It was duly resolved about the Company's asset acquisitions/disposals with subsidiaries as part of the group's operating activities and business planning. 5. It was duly resolved about the Company's purchase of liability insurance for directors and managers. 6. It was duly resolved about the Company's lending to subsidiaries.

(12) In the most recent year and as of the printing date of this Annual Report, different opinions posed by the directors to the Key Resolutions in the board of directors, as backed with written records or declaration in writing: None.

(13) In the most recent year and as of the printing date of this Annual Report, facts regarding the compilation for resignation, discharge of the chairman, general manager, chief accountant, financial head, principal internal auditor and research & development head: None

5. Information on Certified Public Accountant fees

(1) List of Range for Information on Certified Public Accountant fees

Name of CPA house	Name of CPA		Duration covered in the audit	Remarks
Deloitte & Touche	Yu Cheng-Chuan	Chen Chung-Chen	01/01/2016~ 12/31/2016	-

Note: Where the Company replaced Certified Public Accountant or Certified Public Accountant Office during the fiscal year, the Company should exceptional indicate the duration of audit, with remarks to explain the causes for replacement.

Amount Unit: Thousand NTD

Amount range	Fee Item	Audit fees	Non-audit fees	Total
1	Below $2,000 thousand			
2	$2,000 thousand (inclusive)～$4,000 thousand			
3	$4,000 thousand (inclusive)～$6,000 thousand	3,612	886	4,498
4	$6,000 thousand (inclusive)～$8,000 thousand			
5	$8,000 thousand (inclusive)～$10,000 thousand			
6	Above $10,000 thousand (inclusive)			

(2) Where the fees paid to the Certified Public Accountant, the Certified Public Accountant firm and the affiliated enterprise thereof as non-audit fee that accounts for over one quarter of the aggregate total of audit fee: Please disclose the contents of the audit fees, non-audit fees and non-audit services respectively.

Amount Unit: Thousand NTD

Name of CPA house	Name of CPA	Audit fees	Non-audit fees					Duration covered in the audit by CPAs	Remarks
			System design	Commercial registry	Human resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Yu Cheng-Chuan Chen Chung-Chen	3,612	-	60	-	826	886	01.01.2016~ 12.31.2016	The service fees for corporate governance evaluation 400, transfer of pricing report 210, convention of earnings into capital increase 200, for advance payment 16.

Note 1: Where the Company replaced Certified Public Accountant or Certified Public Accountant Office during the fiscal year, the Company should exceptional indicate the duration of audit, with remarks to explain the causes for replacement and shall disclose the information of the audit and non-audit fees by order.

Note 2: On non-audit fees, please enumerate based on the items of services. In case of "others" in non-audit fees which is up to 25% of the aggregate total, the Company should enumerate the contents of services in the box of remarks.

(3) Replacement of the Certified Public Accountant firm where the audit fee so paid reduced from the audit fee paid in the preceding year: Please elaborate on the amount so reduced, percentage and causes of reduction: Not applicable.

(4) Where the audit fee so paid reduced by over 15% from the audit fee paid in the preceding year: Please elaborate on the amount so reduced, percentage and causes of

reduction: Not applicable.

6. Information of a change in the Certified Public Accountants (CPAs)

(1) Information of the former CPAs:

1) The date and cause for replacement of the Certified Public Accountant, with explanation that the Certified Public Accountant took the initiative to terminate the retaining and would no longer accept the appointment; or the issuer took the initiative to terminate the appointment and not to continue the appointment:

<table>
<tr><td>Date of change</td><td colspan="4">Resolved by the board of directors on February 25, 2016</td></tr>
<tr><td>Cause and explanation of change</td><td colspan="4">In Fiscal 2016, the retained Certified Public Accountant Office reassigned internal service system. As a result, the auditing Certified Public Accountant was replaced from Certified Public Accountants Yu Cheng-Chuan and Chung Wei into Certified Public Accountants Yu Cheng-Chuan and Chen Chung-Chen.</td></tr>
<tr><td rowspan="3">Explanation about whether change resulted from termination or rejection by the Principal or the CPAs</td><td colspan="2">Parties concerned
Facts</td><td>By CPAs</td><td>By Principal</td></tr>
<tr><td colspan="2">Termination at discretion?</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td colspan="2">Rejection from acceptance (continued retaining)</td></tr>
<tr><td>Audit report with opinions other than unqualified (unreserved) opinion and the causes in the past two years</td><td colspan="4">Nil</td></tr>
<tr><td rowspan="7">Opinions different from the Issuer’s</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Scope or steps of audit</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>No</td><td colspan="3">N/A</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other facts of disclosure (Facts to be disclosed under Article 10, Paragraph 6, Subparagraph 1, Item 4 ~ 7 of the Regulations)</td><td colspan="4">Nil</td></tr>
</table>

2) In case the former Certified Public Accountant remarked Audit Report with unqualified (unreserved) opinions over the past two years, such unqualified (unreserved) opinions and the background causes: Nil.

3) The discrepancy in opinions existent by the Company and the Certified Public Accountant regarding the accounting principles and practices, disclosure of financial statements, scope of audit or steps: Nil.

4) In case the former Certified Public Accountant once notified that the Company lacked a sound Internal Control System, making the financial statements not trustworthy: Nil.

5) In case the former Certified Public Accountant once notified the interrelationship between their distrust of the Company’s declaration and their unwillingness to take charge of the Company’s financial statements: Nil.

6) In case the former Certified Public Accountant once notified the need to expand the scope of audit or that the information indicates the expanded scope of audit might impair the trustworthiness of the audited financial statements, but that

Certified Public Accountant did not expand the scope of audit due to replacement of Certified Public Accountant or other causes: Nil.

7) In case the former Certified Public Accountant once notified that on the grounds of already collected information, the trustworthy of audited financial statements might have been impaired, but that Certified Public Accountant did not take charge of the issue due to replacement of Certified Public Accountant or other causes. Nil.

(2) Facts about succeeding Certified Public Accountant: Nil.

(3) The reply by the former Certified Public Accountant in response to the three key points under Subparagraphs 1 and 2 of Paragraph 5, Article 10 lf "Regulations Governing Information to be Published in Annual Reports of Public Companies": Not applicable .

7. The Company's chairman, general manager, managers in charge of finance or accounting who have served with a Certified Public Accountant firm or the affiliated enterprise thereof over the past one year, please disclose the name, position title and the period served at the Certified Public Accountant firm or the affiliated enterprise thereof:

Not applicable.

8. In the most recent year and as of the printing date of this Annual Report, transfer of shares, pledge or change in equity by the directors, supervisors, managers and shareholders holding over 10% of the aggregate total:

Changes in directors, supervisors, managerial officers and key shareholders:

Unit: share

Title	Name	2016		As of April 30, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	Hsieh Juor-Ming (Note 1)	361,687	—	—	—
Director	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	143,011	—	—	—
Director	Representative of FSP Group: Cheng Ya-Jen	63,204	—	—	—
Director	Representative of RPS S.P.A: Roberto Facci	280,192	—	(2,500,000)	—
Independent Director	Lee Chien-Jan	—	—	—	—
Independent Director	Hsu Chun-An	—	—	—	—
Independent Director	Yang Ching-Hsi	—	—	—	—
Supervisor	Representative of Fu Feng Sheng Investment Co., Ltd.: Lin Yu-Che (Note 2)	(62,000)	—	—	—
Supervisor	Liao Kuei-Fang (Note 2)	—	—	—	—
Supervisor	Chen Yi (Note 2)	—	—	—	—
Vice General Manager	Chen Tzu-Hsiu (Note 3)	128,823	—	(16,000)	—
Senior Manager	Chin Chih-Hsin (Note 4)				
Senior Sales Manager	Wang Chia-Yi (Note 4)				
R&D Manager	Feng Wen-Lin (Note 4)				
Financial Manager	Wang Kuo-Chin (Note 4)				

Note 1: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares
Note 2: The Audit Committee was established after the shareholders' annual meeting on May 24, 2016.
Note 3: Retired on May 31, 2016.
Note 4: Including the part of the restricted shares to employees.

2) Where the transferee of equity transfer is a related party, the Company should disclose the name, his or her relationship with the Company, the Company's directors and supervisors, key shareholders holding over 10% shares and the number of shares held: Nil.

3) Where a pledge of equity is a related party, the statistical data from the latest date of suspension from share transfer till April 30, 2017: The Company has no shares pledged.

9. Information of the interrelationship as related party, spouse, blood relatives within the second degree of kinship among the top ten shareholders in shareholding

April 17, 2017；Unit: share; %

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names or Titles and Relations of Top 10 Shareholders who are related parties, Spousal Relationship or are within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Title	Relation	
Hsieh Juor-Ming (Note)	10,024,769	12.74%	2,729,807	3.47 %	607,772 (Note)	0.77%	Open Great International Investment Limited Company	The representative is the spouse.	—
							Hsieh Yi-Ling	The second degree of kinship	—
							Chen Tsui-Fang	Spouse	—
FSP Group	5,685,916	7.22%	—	—	—	—	—	—	—
Representative of RPS S.P.A: Roberto Facci	3,382,680	4.30%	—	—	—	—	—	—	—
Open Great International Investment Limited Company	3,002,546	3.81%	—	—	—	—	—	—	—
Hsieh Yi-Ling	2,904,462	3.69%	—	—	—	—	Hsieh Juor-Ming	The second degree of kinship	—
							Chen Tsui-Fang	The second degree of kinship	—
							Open great international investment limited company	The representative is the second degree of kinship.	—
The Sales Department of Standard Chartered Bank Limited delegated to take charge of custody of the investment specially	2,594,000	3.30%	—	—	—	—	—	—	—

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names or Titles and Relations of Top 10 Shareholders who are related parties, Spousal Relationship or are within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Title	Relation	
designated (earmarked) account of CARTICA capital partner master.									
The Sales Department of Standard Chartered Bank Limited delegated to take custody of CARTICA investors in the partnership specially designated (earmarked) account.	2,430,886	3.09%	—	—	—	—	—	—	—
The Sales Department of Standard Chartered Bank Limited delegated to take custody of PYRAMIS employees' trust: PYRAMID's Emerging Market Portfolio account.	2,281,068	2.90%	—	—	—	—	—	—	—
Citibank (Taiwan) delegated to take charge of investment specially designated (earmarked) account of Singaporean government.	2,208,627	2.81%	—	—	—	—	—	—	—
Cathay Life Insurance Company, Ltd.	2,025,141	2.57%	—	—	—	—	—	—	—

Note: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares; Ming Fang International Investment Co., Ltd.

10. The number of shares held by the Company

The number of shares held by the Company, the Company's directors, supervisors, managers and the businesses under control by the Company either directly or indirectly to the same re-investment business and consolidated shareholder percentages are combined and calculated:

Unit: thousands of shares, %

Reinvested companies (Note 1)	Investment by this Company		Investment by directors, supervisor, manager and directly or indirectly controlled company		Syndicated investment	
	Number of Shares	Shareholding rate	Number of Shares	Shareholding rate	Number of Shares	Shareholding rate
Voltronic International Corp.	20,100	100%	-	-	20,100	100%
Voltronic International H.K. Corp. Limited	155,845	100%	-	-	155,845	100%
Potentia Technology Inc. Limited	0	100%	-	-	0	100%
Voltronic Power Technology (Shen Zhen) Corp.	Note 2	100%			-	100%
Orchid Power (Shen Zhen) Manufacturing Company	Note 2	100%			-	100%
Zhongshan Voltronic Power Electronic Limited	Note 2	100%			-	100%

Note 1: As the long-term investment recognized in equity method.

Note 2: As a limited company, it did not issue share certificates.

IV. Facts of Capital Raising

1. Capital and shares

(1) Source of Capital

1. Process for the share capital to come into being:

March 31, 2017; Expressed in thousands of shares/thousands of New Taiwan Dollars

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid by property other than cash	Other
May 2008	10	25,000	250,000	20,010	200,100	Initiative founding capital	—	Fu-Chan-Ye-Shang-Zi No. 09784125510
Feb. 2009	10	25,000	250,000	24,010	240,100	Increment in cash 40,000,000	—	Fu-Chan-Ye-Shang-Zi No.09881961610
Jun. 2010	10	30,000	300,000	29,325	293,250	Bonus to shareholders and to employees converted into capital increase 53,150,000	—	Fu-Chan-Ye-Shang-Zi No.09985123100
Nov. 2010	50	36,000	360,000	31,825	318,250	Increment in cash 25,000,000	—	Fu-Chan-Ye-Shang-Zi No.09989627010
Jun. 2011	10	60,000	600,000	44,022	440,223	Bonus to shareholders and to employees converted into capital increase 121,973,000	—	Fu-Chan-Ye-Shang-Zi No.10085773700
Dec. 2011	60	60,000	600,000	46,222	462,223	Increment in cash 22,000,000	—	Fu-Chan-Ye-Shang-Zi No.10091161500
Jun. 2012	10	60,000	600,000	54,348	543,476	Bonus to shareholders and to employees converted into capital increase 81,253,000	—	Jing-Shou-Shang-Zi No.10101139360
Mar. 2013	81.41	60,000	600,000	55,848	558,476	New restricted employee shares 15,000,000	—	Jing-Shou-Shang-Zi No.10201043680
Jul. 2013	83.81	70,000	700,000	61,640	616,400	Bonus to shareholders converted into capital increase 27,924,000 Increment in cash 30,000,000	—	Jing-Shou-Shang-Zi No.10201143730
Mar. 2014	146	70,000	700,000	67,470	674,700	Increment in cash 58,300,000	—	Jing-Shou-Shang-Zi No.10301065990
Aug. 2014	10	80,000	800,000	70,843	708,435	Bonus to shareholders converted into capital increase 33,735,000	—	Jing-Shou-Shang-Zi No.10301194700
Jul. 2015	10	80,000	800,000	70,813	708,135	New restricted employee shares recovered for cancellation 300,000	—	Jing-Shou-Shang-Zi No.10401136300
Sept. 2015	10	80,000	800,000	74,355	743,557	Bonus to shareholders converted into capital increase 35,422,000	—	Jing-Shou-Shang-Zi No.10401193990
Mar. 2016	10	80,000	800,000	74,337	743,377	New restricted employee shares recovered for cancellation	—	Jing-Shou-Shang-Zi No.10501044770

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid by property other than cash	Other
						180,000		
Aug. 2016	10	100,000	1,000,000	78,705	787,054	Bonus to shareholders converted into capital increase 37,178,000 Issuance of new restricted shares to employees for NT$6,500,000	—	Jing-Shou-Shang-Zi No.10501222580

2. Categories of outstanding shares

Categories of shares	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common shares	78,705,430	21,294,570	100,000,000	Listed stocks

3. Information relevant to overall declaration system: Nil.

(2) Structure of shareholders April 17, 2017; unit: person; share

Type of Shareholder / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	2	4	37	1,105	252	1,400
Shares held	107,274	2,080,866	1,5114,653	21,084,173	40,318,464	78,705,430
Shareholding rate	0.14%	2.64%	19.20%	26.79%	51.23%	100%

(3) Facts of disperse of shareholding

1. Common shares

April 17, 2017

Shareholding grading		Number of shareholders	Number of shares held	Shareholding percentage %
1 to	999	562	55,889	0.07
1,000 to	5,000	523	899,684	1.14
5,001 to	10,000	60	439,231	0.56
10,001 to	15,000	24	299,014	0.38
15,001 to	20,000	25	429,369	0.55
20,001 to	30,000	23	548,491	0.70
30,001 to	40,000	18	653,970	0.83
40,001 to	50,000	17	780,779	0.99
50,001 to	100,000	35	2,632,740	3.35
100,001 to	200,000	43	5,576,566	7.09
200,001 to	400,000	26	7,173,835	9.11
400,001 to	600,000	18	9,068,001	11.52
600,001 to	800,000	7	4,654,829	5.91
800,001 to	1,000,000	4	3,625,299	4.61
Above 1,000,001		15	41,867,733	53.19
Total		1,400	78,705,430	100

2. Preferred shares: The Company does not issue preferred shares.

(4) List of key shareholders:
The names, shareholding number and percentages of shareholders holding over 5% or shareholders ranking among the top ten:

Shares / Names of Key shareholders	Number of shares held	Shareholding rate(%)
Hsieh Juor-Ming (Note)	10,024,769	12.74%
FSP Group	5,685,916	7.22%
RPS S.P.A	3,382,680	4.30%
Open great international investment limited company	3,002,546	3.81%
Hsieh Yi-Ling	2,904,462	3.69%
The Sales Department of Standard Chartered Bank Limited delegated to take charge of custody of the investment specially designated (earmarked) account of CARTICA capital partner master.	2,594,000	3.30%
The Sales Department of Standard Chartered Bank Limited delegated to take charge of custody of CARTICA investors in the partnership specially designated (earmarked) account.	2,430,886	3.09%
The Sales Department of Standard Chartered Bank Limited delegated to take custody of PYRAMIS employees' trust: PYRAMID's Emerging Market Portfolio account.	2,281,068	2.90%
Citibank (Taiwan) delegated to take charge of custody of investment specially designated (earmarked) account of Singaporean government.	2,208,627	2.81%
Cathay Life Insurance Company, Ltd.	2,025,141	2.57%

Note: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares.

(5) Market price per share, net value, earnings, dividends and other related information for the most recent 2 years:

Item		Year	2015	2016	As of March 31, 2017
Market price per share	Highest		520.00	564	470
	Lowest		253.50	395	400
	Average		381.68	480.52	431.02
Net Value per share	Before distribution		54.71	54.48	-
	After distribution		39.71	(Note 2)	-
Earnings per share	Weighted average shares		74,370 thousand shares	78,278 thousand shares	-
	Earnings per share	Before retrospective adjustment	19.05	18.25	-
		After retrospective adjustment	18.14	(Note 2)	-
Dividends per share	Cash dividends		15.00	20.00	-
	Stock dividends	From retained earnings	0.50	-	-
		From capital surplus	-	-	-
	Retained dividends		-	-	-
ROI	PER		20.04	26.33	-
	Price-dividend ratio		25.44	24.03	-
	Cash dividends yield		3.93	4.16	-

Note 1: Net worth per share, Earnings per share (EPS): The Company should fill up the data duly audited (reviewed) by the Certified Public Accountant of the latest quarter as of the Annual Report issuance date.

Note 2: The Company’s allocation of earnings in 2016 was officially resolved by the board of directors on February 24, 2017 and is not yet resolved by the shareholders’ meeting.

(6) The Company’s dividend policies and facts of implementation:

1) The dividend policy as set forth under the Articles of Incorporation:

According to the Articles of Incorporation, the Company should allocate 3.75%-11.5% of pre-tax profits (prior the allocation of bonuses to employees and remunerations to directors) as bonuses to employees and no more than 3.75% of the pre-tax profits (prior the allocation of bonuses to employees and remunerations to directors) as remunerations to directors. In case of cumulative losses (including the earnings adjusted but not yet distributed), the priority should be given to the offsetting of the cumulative losses.

In case of any post-tax net earnings for the current period, the funds should be used first to make up the prior losses (including the earnings adjusted but not yet distributed), followed with the allocation of 10% as legal reserve. However, this is not applicable to the situation where cumulative legal reserve has reached the same amount as paid-in capital. Any additional earnings shall then be appropriated as or converted into additional surplus as required by laws or competent authorities. Finally, the earnings remaining, together with the earnings adjusted but not yet distributed, shall be subject to the allocation proposed by the board and distributed as dividends once resolved by the shareholders' meeting.

Our dividend policy is formulated according to our current and future development plans, the investment environment, funding requirements and competitive landscape in Taiwan and overseas, and with a view to the best interest of shareholders. We may allocate no less than 20% of the earnings available for distributions each year as dividends, in cash or in stock. To maintain the stability of our dividend streams, our policy dictates that cash dividends shall not fall below 10% of the total dividends. However, if the dividend is lower than NT$ 0.3 per share, the board may decide not to distribute earnings, subject to the resolution from the shareholders' meeting.

Where the Company allocates bonus to employees in stocks, the payees may include the employees of the Company's auxiliaries who satisfy the specified requirements. The terms of allocation shall be resolved by the chairman. Where the Company operates at no earnings, no dividend and bonus shall be allocated. Given consideration of the Company's finance, business and operating environments, the Company may allocate the legal reserve and capital reserve either in whole or in part according to laws or requirements of the competent authority.

2) Allocation of dividend for the year having been proposed:

The Company's board of directors already resolved on February 24, 2017 the allocation of earnings of Year 2016:

Expressed in New Taiwan Dollars

Descriptions	Amount
Net profit after tax 2016	1,428,336,229
Less: Appropriation of legal earnings reserve	(142,833,623)
Less: Appropriation of special earnings reserve	(102,342,443)
Allocable earnings 2016	1,183,160,163
Add: Previous unappropriated retained earnings	335,186,028
Cancellation of shares with restricted employee rights and reversal of retained earnings	937,800
Accumulated allocable earnings	1,519,283,991
Items of allocation: Bonus to shareholders: Cash dividend-NT$15 per share	(1,180,581,450)
Unappropriated retained earnings at end of the term	338,702,541

Pursuant to Article 241 of the Company Act, the board on February 24, 2017 decided to cash dividends with a total of NT$ 393,527,150 funded with the additional paid-in capital (i.e. the premium over the par value of ordinary shares issued). This translates to NT$ 5 per share according to the number of shares held by shareholders on the base date. This is pending the resolution from the shareholders' annual meeting.

(7) The impact of the bonus share grants proposed by the present shareholders' meeting upon the Company's business performance and earnings per share (EPS): Not applicable.

(8) The remuneration to employees and remuneration to directors:

1) The percentage and scopes of the remuneration to employees and remuneration to directors as set forth under the Articles of Incorporation:

As expressly provided for in the Company's current Articles of Incorporation, where the Company proves to operate at a profit (which means the profit before tax before deduction of the remuneration to employees and remuneration to directors and supervisors), a sum 3.75%~11.5% of the balance shall be the remuneration to employees and 3.75% maximum shall be the remuneration to directors and supervisors. Before the Company's Audit Committee came into being, the remuneration to the supervisors along with the remuneration to the directors shall be allocated within 3.75% of the profit made by the Company in the year.

2) The accounting process in case of a discrepancy among the grounds to estimate the remuneration to employees and remuneration to directors this term, the grounds to calculated the stock bonus from the amounts estimated:

According to the relevant laws, the Company estimated the remuneration to employees and remuneration to directors for 2016 in amounts of NT$75,000,000 and NT$17,325,000 respectively. The aforementioned the remuneration to employees and remuneration to directors were calculated on the grounds of the previous experiences and allocable amounts. As resolved in the board of directors meeting convened on February 24, 2017, the aforementioned remunerations should be allocated in cash. This is pending the resolution by the shareholders by the board of June 16, 2017. In case of any material changes to amounts before the release of the annual consolidated financial reports, as resolved by the board, the change shall be accompanied with the adjustment to the originally recognized annual expenses. In case of any material changes to amounts after the release of the annual consolidated financials, such changes should be treated as changes of accounting estimates, and adjustments shall be made accordingly for the subsequent year.

3) Information of the remuneration to employees proposed and resolved by the board of directors:

(1) The total amount of remuneration to employees: NT$92,325,000.

(2) The percentage of stock bonus to employees as proposed to the aggregate total to the net profit after tax of the entity or the individual financial statements and the bonus to employees: Nil.

4) Allocation of remuneration to employees, directors and supervisors in the preceding year with significant discrepancy of the acknowledgement of bonus to employees and remuneration to directors and supervisors, the causes and countermeasures:

In terms of remuneration to employees, directors and supervisors in the Year 2016, both the estimate and the actual allocation amounted to NT$108,000,000 , without any discrepancy.

(9) The Company’s repurchase of its own shares: Not applicable.

2. Facts about the corporate bonds

(1) Acts on corporate bonds: Nil

(2) Data of convertible corporate bonds: Nil

(3) Data of exchange corporate bonds: Nil.

(4) Aggregate total declaration of corporate bonds: Nil.

(5) Data of issuance of the preferred shares with warrants: Nil.

3. Acts on preferred shares

Nil.

4. Acts on global depositary receipts (GDR)

Nil.

5. Acts on employee stock option certificates

Nil.

6. Acts on new restricted employee shares:

March 26, 2016

Categories of new restricted employee shares	The first new restricted employee shares of Year 2012
Date when the declaration became effective	January 3, 2013
Date of issue (Base (reference) date of capital increase)	February 26, 2013
Number of new restricted employee shares having been issued	1,500,000 shares
Price of issue	Issue gratuitously
Percentage of the number of shares of new restricted employee shares to the aggregate total outstanding shares	2.69%
Acquired conditions for the new restricted employee shares	An employee who, after being allocated with the new restricted employee shares, shall be released from the restriction to accept new shares based on the time schedule enumerated below: One year of continued employment after being allocated: 20% Two years of continued employment after being allocated: :20% Three years of continued employment after being allocated: :60%
Restrictions of the new restricted employee shares	Rights subject to restriction for the new shares accepted before satisfaction to the specified conditions: (1) After an employee is allocated restriction for the new shares under these Regulations before satisfaction to the specified conditions, he or she shall submit all the shares into trust custody by the Company or an institution designated by the Company and shall sign all required documents based on the specified procedures. (2) Other than the restriction for trust custody set forth under the preceding Paragraph, for the new restricted employee shares an employee is allocated, such employee shall not sell, pledge, transfer, donate, mortgage or dispose in any other means such shares. (3) After an employee is allocated restriction for the new shares under these Regulations before satisfaction to the specified conditions, other rights of the shares, including but not limited to rights to accept dividend, bonus, capital reserve, share subscription warrant and voting power and increment in cash are exactly same as those for the Company's common shares. (4) Before satisfaction to the specified conditions, all acts by such holding employee in proposal, taking the floor, voting and other issues related to shareholders' equity shall only be conducted by the delegated trust custodian.
Custody of the new restricted employee shares	The specially designated (earmarked) account for trust custodian properties of CTBC Bank Co., Ltd.
The manners to deal with the event after an employee is allocated such new restricted employee shares but fails to live up to the specified conditions	Where an employee fails to live up to the specified requirements or develops inheritance, such employee shall take the following acts: 1. Severance: An employee who quits, retires or is laid off before satisfaction to the conditions required for the new

	restricted employee shares shall forfeit the qualifications to receive the shares starting from the date when such fact becomes effective. At such an event, the Company will retrieve and revoke his or her shares according to law. 2. In case of natural death: Where an employee dies as a result of factor other than occupation-oriented calamity, such employee forfeits from the date of death the qualifications to claim the new restricted employee shares for which he or she has not accomplished the required conditions. The Company will retrieve and cancel such shares according to law without compensation. 3. Where an employee becomes handicapped as a result of occupation-oriented calamity: Where an employee becomes handicapped physically as a result of occupation-oriented calamity and, as a result, unable to work and quits, he or she is deemed to have automatically accomplished the required conditions starting from the date on which his or her quit becomes effective though he or she has not accomplished the required conditions for the new restricted employee shares. 4. In case of death resulting from a occupation-oriented calamity: Where an employee dies as a result of factor of occupation-oriented calamity, such employee is deemed to have automatically accomplished the required conditions starting from the date of his or her death though he or she has not accomplished the required conditions for the new restricted employee shares. 5. Prolonged leave without pay: Where an employee is specifically approved of prolonged leave without pay, the time schedule for his or her acquirement of new restricted employee shares for which he or she has not accomplished the required qualifications shall be extended with the period starting from the date when the period of leave without pay becomes effective until the day on which he or she resumes employment. For the new restricted employee shares for which an employee has accomplished the qualification requirements to acquire, either the employee or his or her inheritor(s) may retrieve through trust accord according to Paragraph 1, Article 6. Where the Company, due to a need of business operation, calls for an employee or his or her inheritor(s) to coordinate with the retrieval process, the or his or her inheritor(s) shall complete the retrieval procedures within one(1) year starting from receipt of the notification served in accordance with these Regulations. In the event that his or her inheritor(s) fail(s) to retrieve within the specified time limit, his or her inheritor(s) shall be deemed to have refused to retrieve and the Company is entitled to retrieve such new restricted employee shares without compensation and cancel them.
The number of the new restricted	48,000 shares

employee shares having been retrieved or repurchased	
The number of the new restricted employee shares having been lifted from restriction	1,452,000 shares
The number of the new restricted employee shares having not been lifted from restriction	0 share
The percentage taken by the number of the new restricted employee shares having not been lifted from restriction to the aggregate total outstanding shares (%)	0%
Impact upon the shareholders' equity	In the present issuance, the number of new restricted employee shares comes to 1,500,000 shares, at 2.76% of the aggregate total outstanding shares before capital increase. The new restricted employee shares shall not be transferred until the qualification requirements are reached. The amount as the expense for the present issuance does not affect shareholders' equity seriously.

Names and facts of acquirement of managerial officers and top ten employees who have obtained the new restricted employee shares

March 26, 2016

	Title	Name	Number of the new restricted employee shares acquired.	The percentage of the new restricted employee shares acquired to the aggregate total outstanding shares (Note 9)	Having been lifted from restriction				Having not been lifted from restriction			
					Number of the new restricted employee shares acquired having been lifted from restriction	Price of issue	Amount of issue	The percentage of the new restricted employee shares having been lifted from restriction to the aggregate total outstanding shares	Number of the new restricted employee shares having not been lifted from restriction	Price of issue	Amount of issue	The percentage of the new restricted employee shares having not been lifted from restriction to the aggregate total outstanding shares
Managers	Vice General Manager (Note 6)	Chen Tzu-Hsiu	580,000 shares	0.78%	580,000 shares	Issuance without compensation	—	0.78%	0 share	Issuance without compensation	—	0%
	Vice General Manager (Note 7)	Chin Chih-Hsin										
	Vice General Manager (Note 7)	Wang Chia-Yi										
	Manager of R&D Department	Feng Wen-Lin										
	Financial Manager	Wang Kuo-Chin										
Employees	Manager of R&D Department	Chen Ming-Hsien	715,000 shares	0.96%	715,000 shares	Issuance without compensation	—	0.96%	0 share	Issuance without compensation	—	0%
	Senior Manager of R&D Department (Note 8)	Lu Yu-Cheng										
	Manager of R&D Department	Yen Kun-Lung										
	Manager of Product Department	Huang Nien-Yang										
	Manager of Quality Assurance Department	Lee Chin-Chieh										
	Manager of Sales Department	Chen Yi-Hua (Note 5)										
	Section Chief of Management Department	Chen Tsui-Ling										
	Section Chief of R&D Department	Yeh Cheng-Hsin (Note 4)										
	Manager of Marketing Department	Ke Ai-Chen										
	Specialist of General Manager Office	Chen Wen-Pin										

Notes:
(1) An employee may obtain 20% of the shares upon accomplishment of one-year period for the required conditions. The date to lift the restrictions: March 5, 2014.
(2) An employee may obtain 20% of the shares upon accomplishment of two-year period for the required conditions. The date to lift the restrictions: March 20, 2015.
(3) An employee may obtain 60% of the shares upon accomplishment of three-year period for the required conditions. The date to lift the restrictions: March 26, 2016.
(4) Quitting in May 2015.
(5) Quitting in August 2016.
(6) Retired in May 2016.
(7) Senior Managers Wang Chia-Yi and Chin Chih- Hsin were promoted to Vice General Managers in August 2016.
(8) Manager Lu Yu-Cheng was promoted to Senior Manager in August 2016.
(9) The total number of shares issued refers to the number of shares issued as updated with the registration to the Ministry of Economic Affairs.

March 31, 2017

Categories of new restricted employee shares	New shares to employees with restricted rights issued in 2016
Date when the declaration became effective	July 20, 2016
Date of issue (Base (reference) date of capital increase)	August 30, 2016
Number of new restricted employee shares having been issued	650,000 shares
Price of issue	Issue gratuitously
Percentage of the number of shares of new restricted employee shares to the aggregate total outstanding shares	0.87%
Acquired conditions for the new restricted employee shares	An employee who, after being allocated with the new restricted employee shares, shall be released from the restriction to accept new shares based on the time schedule enumerated below: One year of continued employment after being allocated: 20% Two years of continued employment after being allocated: 20% Three years of continued employment after being allocated: 60%
Restrictions of the new restricted employee shares	Rights subject to restriction for the new shares accepted before satisfaction to the specified conditions: (1) After an employee is allocated restriction for the new shares under these Regulations before satisfaction to the specified conditions, he or she shall submit all the shares into trust custody by the Company or an institution designated by the Company and shall sign all required documents based on the specified procedures. (2) Other than the restriction for trust custody set forth under the preceding Paragraph, for the new restricted employee shares an employee is allocated, such employee shall not sell, pledge, transfer, donate, mortgage or dispose in any other means such shares. (3) These shares are held by a trust and do not have the rights for attending shareholders' meeting, making proposals and comments or voting. (4) The employees with the shares of limited rights may participate in the distribution of stock dividends, cash dividends and bonus shares, and subscribe to new shares. All else rights of these shares are the same as ordinary shares.
Custody of the new restricted employee shares	The specially designated (earmarked) account for trust custodian properties of CTBC Bank Co., Ltd.
The manners to deal with the event after an employee is allocated such new restricted employee shares but fails to live up to the specified conditions	Where an employee fails to live up to the specified requirements or develops inheritance, such employee shall take the following acts: 1. Severance: An employee who quits, retires or is laid off before satisfaction to the conditions required for the new restricted employee shares shall forfeit the qualifications to receive the shares starting from the date when such fact becomes effective. At such an event, the Company will retrieve and revoke his or her shares according to law. 2. In case of natural death:

	Where an employee dies as a result of factor other than occupation-oriented calamity, such employee forfeits from the date of death the qualifications to claim the new restricted employee shares for which he or she has not accomplished the required conditions. The Company will retrieve and cancel such shares according to law without compensation. 3. Where an employee becomes handicapped as a result of occupation-oriented calamity: Where an employee becomes handicapped physically as a result of occupation-oriented calamity and, as a result, unable to work and quits, he or she is deemed to have automatically accomplished the required conditions starting from the date on which his or her quit becomes effective though he or she has not accomplished the required conditions for the new restricted employee shares. 4. In case of death resulting from a occupation-oriented calamity: Where an employee dies as a result of factor of occupation-oriented calamity, such employee is deemed to have automatically accomplished the required conditions starting from the date of his or her death though he or she has not accomplished the required conditions for the new restricted employee shares. 5. Prolonged leave without pay: Where an employee is specifically approved of prolonged leave without pay, the time schedule for his or her acquirement of new restricted employee shares for which he or she has not accomplished the required qualifications shall be extended with the period starting from the date when the period of leave without pay becomes effective until the day on which he or she resumes employment. 6. If any employee violates the terms and conditions of the labour contract or work rules post the granting of shares with limited rights, the Company reserves the right to recall and cancel the new shares to employees with limited rights for those whose conditions are not met. For the new restricted employee shares for which an employee has accomplished the qualification requirements to acquire, either the employee or his or her inheritor(s) may retrieve through trust accord according to Paragraph 1, Article 6. Where the Company, due to a need of business operation, calls for an employee or his or her inheritor(s) to coordinate with the retrieval process, the or his or her inheritor(s) shall complete the retrieval procedures within one(1) year starting from receipt of the notification served in accordance with these Regulations. In the event that his or her inheritor(s) fail(s) to retrieve within the specified time limit, his or her inheritor(s) shall be deemed to have refused to retrieve and the Company is entitled to retrieve such new restricted employee shares without compensation and cancel them.
The number of the new restricted	0 share

employee shares having been retrieved or repurchased	
The number of the new restricted employee shares having been lifted from restriction	0 share
The number of the new restricted employee shares having not been lifted from restriction	650,000 shares
The percentage taken by the number of the new restricted employee shares having not been lifted from restriction to the aggregate total outstanding shares (%)	0.87%
Impact upon the shareholders' equity	The present issuance is for a total of 650,000 shares with restricted employee interests, equivalent to 0.87% of the 74,355,640 shares outstanding as of February 27, 2016 and before the capital increase. The new restricted employee shares shall not be transferred until the qualification requirements are reached. The amount of the likely expense for the present issuance does not materially affect shareholders' equity.

Names and facts of acquirement of managerial officers and top ten employees who have obtained the new restricted employee shares

March 31, 2017

	Title (Note 1)	Name	Number of the new restricted employee shares acquired	The percentage of the new restricted employee shares acquired to the aggregate total outstanding shares (Note 3)	Having been lifted from restriction				Having not been lifted from restriction			
					Number of the new restricted employee shares acquired having been lifted from restriction	Price of issue	Amount of issue	The percentage of the new restricted employee shares having been lifted from restriction to the aggregate total outstanding shares	Number of the new restricted employee shares having not been lifted from restriction	Price of issue	Amount of issue	The percentage of the new restricted employee shares having not been lifted from restriction to the aggregate total outstanding shares
Managers	Vice General Manager	Chin Chih-Hsin	264,000 shares	0.36%	0 share	Issuance without compensation	—	0%	264,000 shares	Issuance without compensation	—	0.36%
	Vice General Manager	Wang Chia-Yi										
	Senior Manager of R&D Department	Lu Yu-Cheng										
	Senior Manager of R&D Department	Chen Ming-Hsien										
	Manager of R&D Department	Feng Wen-Lin										
	Financial Manager	Wang Kuo-Chin										
Employees (Note 2)	Manager of R&D Department	Yen Kun-Lung	298,000 shares	0.40%	0 share	Issuance without compensation	—	0%	298,000 shares	Issuance without compensation	—	0.40%
	Manager of Product Department	Huang Nien-Yang										
	Manager of Quality Assurance Department	Lee Chin-Chieh										
	Section Chief of Management Department	Chen Tsui-Ling										
	Manager of Marketing Department	Ke Ai-Chen										
	Specialist of General Manager Office	Chen Wen-Pin										
	Manager of Sales Department	Lin Hsiu-Chen										
	Manager of Sales Department	Wang Wan										
	Manager of Product Department	Lin Chih-Chien										
	Section Chief of Sales Department	Chang Chia-Pang										

Note: (1) This refers to both managers and employees (including those who have left or deceased, to be noted). The names and job titles should be separately disclosed but the allocations or subscriptions may be summarized in disclosure.
(2) This refers to the employees, not managers, vested with the top 10 positions of the new shares with restricted employee interests.
(3) The number of shares issued refers to the number of shares issued as updated with the registration to the Ministry of Economic Affairs.

7. Facts of merger/acquisition (M&A) or inward transfer of outstanding new shares from another company

Nil.

8. Facts of implementation in utilization of working capital

As of the quarter preceding the deadline of the Annual Report, the facts of negotiable securities in the previous issuances or privately placed securities had not been accomplished or had been accomplished within the past three years with the effectiveness not yet emerged.

V. Operations Overview

1. Business content

(1) Scope of business

1) The Company shall engage in the following business lines:
   1. F113050 Wholesale of computing and business machinery equipment
   2. F118010 Wholesale of computer software
   3. F119010 Wholesale of electronic materials
   4. F401010 International trade
   5. IG03010 Energy Technical Services
   6. E605010 Computing Equipments Installation
   7. E603050 Cybernation Equipment Construction
   8. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
   9. I501010 Product designing
   10. I599990 Other designing
   11. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2) Business Proportion

Unit: Thousand NTD

Year / Product	2015		2016	
	Amount of operating income	Proportion (%)	Amount of operating income	Proportion (%)
Off-Line UPS	2,821,686	35.10	3,063,375	37.72
On-Line UPS	3,024,664	37.62	3,283,552	40.44
Others	2,192,973	27.28	1,773,293	21.84
Total	8,039,323	100.00	8,120,220	100.00

3) Current products of The Company

The Company's primary business is the production and sales of UPS (Uninterruptible Power System). Additionally, the Company offers professional ODM design and manufacturing of power converters (also known as inverter), AVR (automatic voltage regulator), PV inverter. The main products are indicated as the following:

A. UPS
   (A) Off-line UPS: 400VA – 2000VA
   (B) On-line UPS: 1KVA – 210KVA

B. Inverter/AVR: 600VA – 10KVA

C. ACCESSORY:
   (A) SNMP Card
   (B) MODBUS Card
   (C) PDU & MAINTENANCE Bypass Switch

D. SOLAR Inverter: 1KVA – 10KVA

4) Development plan of new products

R & D projects	Main features / Specifications
6kVA-10Kva high performance UPS	Equipment power protection
Distributed module UPS	Energy saving and flexible adjustment according to requirement
On-grid inverter converted to energy storage application	Solar power energy storage equipment

(2) Business overview

1) Current situation and development of industry

The Company is a DMS (Design & Manufacturing Service) supplier for UPS, inverter, and PV inverters. Its primary business is to perform the design and manufacturing services for clients of various world brands, our products are primarily for export sales. In the past three years, export exceeded 90% of the sales values. The Company upholds the principles of developing innovative and high quality products continuously, and to avoid competing with clients, it insists on not making its own brands, and it provides customized products and services to meet clients' needs, thus maintaining excellent cooperative relationships with clients.

The Company is a DMS (Design & Manufacturing Service) for UPS and other electronic products such as inverters, and PV inverters. In the recent three years, the revenues from UPS averaged between 70 to 80 percent of sales, and have become the primary source of revenues. In addition, The Company is optimistic about the market potential of PV Inverter, also continues to invest in the R&D capacity. The industry overview of UPS and PV Inverter is explained below.

A. UPS Industry

(A) Overview of product development

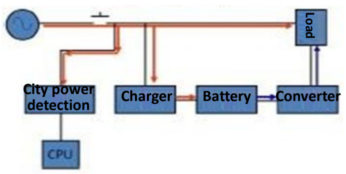
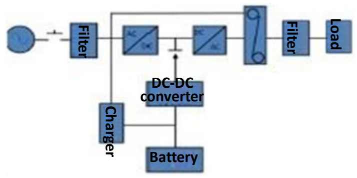
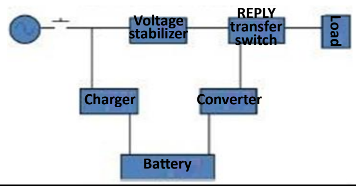
When there are electrical problems such as power outages or unstable voltages, UPS can switch the electrical source to internal batteries automatically, it continues to supply power to PC or peripherals for a short period. When power source problems occurred, PC and peripherals utilize the power provided by UPS to shut down the operating systems, so the systems could stop operating in a safe manner. In today's world, we are heavily dependent upon electronic products, the values of UPS appears in situations of abnormal power supplies, (e.g., power outage, unstable current) it can still provide stable current to electronic products. Thus, to avoid the loss generated by interruption in operation, UPS is often used to maintain a stable operation of business computer systems, communication equipment, and precision instruments.

The origin of UPS can be traced back to the time before World War II, at beginning, it was used in communication products via vacuum tube multivibrator, its primary function at that time was to maintain a stable voltage. It was later developed as flywheel UPS (also called rotary UPS), it utilized the inertia of a flywheel to generate power continuously, but the system was bulky, the power quality was poor, it had a poor efficiency and it was hard to operate, it was later converted to UPS with lead acid batteries as the current mainstream. Due to the rise of environmental conscience in recent years, some suppliers started using lithium-iron battery as the power source. However, due to the higher costs, its current market share is still low.

Current UPS with lead acid battery primarily consists of battery, power semiconductors, transformers, power converters, resistors capacitors and other related components. Its theory to supply power is when the city power is normal, the machine converts the AC from city power into DC, and charges the batteries. But, when UPS detects a power outage or abnormal voltage from city power, it converts the battery-stored DC into AC, and provides it to equipment continuously, thus achieving the function of uninterrupted power supply. In general, UPS can be classified based on their design categories:

a. Off-Line UPS: Standby UPS and Line-interactive UPS
b. On-Line UPS

The pros and cons of off-line and on-line UPS and their application products are summarized in the following table:

	Offline type	Online type	Online interactive type
			
Advantages	Simple construction, small footprint, light weight, lowest price.	It's able to provide pure AC output, and poor power quality is able to improve this situation.	Able to improve portion of poor power quality, price between online and off-line types.
Disadvantages	City power not treated, unable to improve poor power quality, long time to convert, lowest protection.	Expensive, converter continues to operate, complex construction, highest cost, malfunction probability higher than off-line UPS.	Complicated controls, complex construction, high cost.
Applications	PC, mostly used by personal applications.	Large telecom equipment, hospitals, etc.	Enterprise servers.

Source: Industrial Technology Research Institute IEK(2011/12)

The development of human society was advanced by technical progress, industrialization, and automation. There were all kinds of electronic products introduced continuously, they totally changed the pace of development and outlook of society, human society is moving into the information age. However, as the economy grows, the energy and power shortage started to appear, power failures occurred more frequently, each failure could shut down equipment, create data loss, interrupted work, sometimes it could damage the entire electrical equipment and precision instrument, causing economic loss that is hard to estimate, and the major function of UPS is to constantly monitor the condition of power supply. Whenever there is a power outage or when the power quality is poor, UPS can, within a very short time, switch power supply to the batteries within UPS, to ensure the backend equipment can continue to operate normally, or to be able to gain sufficient time for managers to start the appropriate contingency measures in respond to the needs of equipment.

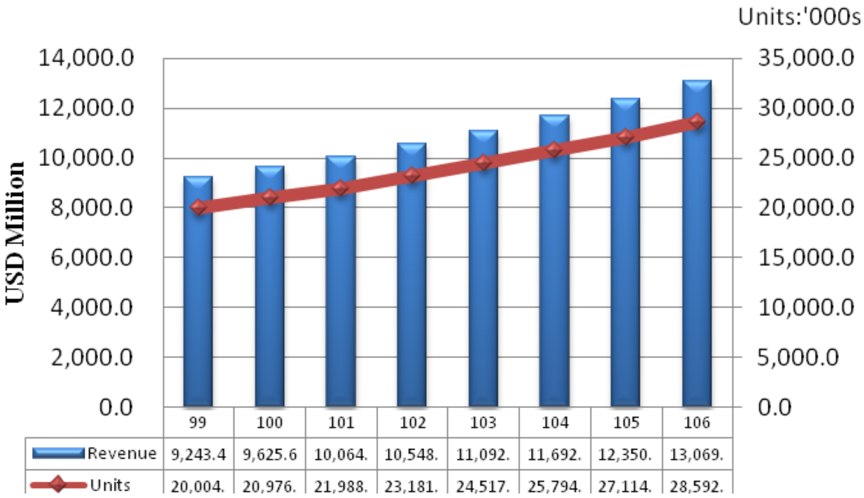
Therefore, the pursuit of stability of electrical energy quality, the reliability of equipment power, data security, became the biggest driving forces of UPS product upgrade and technical innovation. In the meantime, as industrialization of society and the degree of IT applications continue to deepen, UPS demand in international market maintains a momentum of rapid growth.

(B) Overview of UPS industry

a. Stable growth of market size

According to the 2012 research report by Frost & Sullivan, as shown in the following figure, production values and volumes of global UPS market continued to show a growth trend since 2010, the CAGR of production values and production volumes from 2010 through 2017 are 5.04% and 5.24% respectively. In general, the UPS industry is a market with a stable growth, its global market value was estimated to be $12.35 billion in 2016, and it's predicted that it will continue to grow in the future, its global market values is estimated to be $13.07 billion by 2017.

Fig: Global UPS market size, 2010-2017



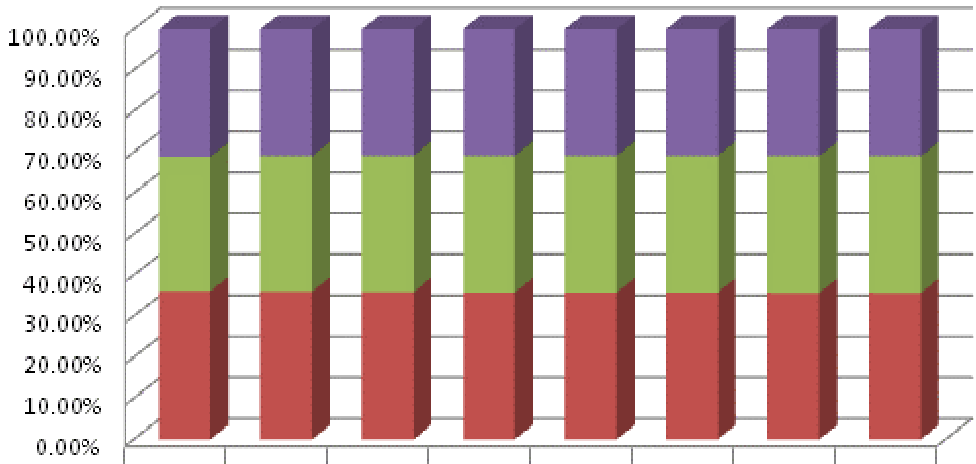
Source: Frost & Sullivan (2012)

b. Even distribution in sales regions

As technology advances, electronic products are taking an indispensable role in people's daily living, as individual consumer and enterprise users increased their usage and deepened their dependency, because UPS products can provide power within a short period, to ensure the normal operation of equipment and to protect the functions of electronic products, making UPS more important. According to the 2012 research report by Frost & Sullivan, in recent years, UPS distribution by sales regions has been fairly even. There is no significant difference in the proportion of production values in the three big markets of the Americas, Asia Pacific, and Europe/Middle East and Africa.

Due to the highly developed industry in developed nations, server workstations of enterprise users, construction of large equipment room and data center derived from the cloud opportunities, those markets already developed the basic concept with UPS as mandatory equipment. Due to the incomplete development in basic infrastructure and facilities of power supply, markets in developing and emerging nations have even a greater demand for UPS products. In general, because UPS products can offer protection to electronic products and machinery equipment, there is a demand regardless of a market location.

Fig: UPS products, distribution of major sales regions



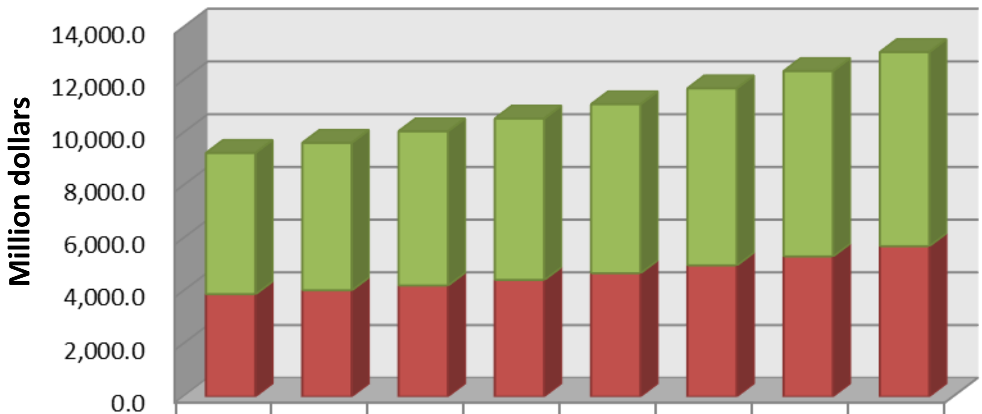
	99	100	101	102	103	104	105	106
Europe, Middle-East and Africa	31.10%	30.90%	30.80%	30.80%	30.80%	30.80%	30.90%	30.90%
Asia-Pacific Region	32.80%	33.10%	33.30%	33.40%	33.40%	33.40%	33.40%	33.40%
The Americas	36.10%	36.00%	35.90%	35.80%	35.80%	35.80%	35.70%	35.70%

Source: Frost & Sullivan (2012)

c. The majority was small to mid-sized UPS products

The UPS specifications vary according to their application products, it's primarily based on the products' unit of capacity KVA (kilo-volt-ampere). Presently, there are UPS products for less than 1KVA to over 200KVA. Because the product specifications are too complex, so simply separate them by 20 KVA, they're called large capacity products if greater than 20 KVA, mid- and small capacity products if less than 20 KVA. It can be seen in the 2012 research report by Frost & Sullivan, mid- and small capacity UPS are the major global market contributor since 2010. In 2014, the mid- and small UPS production values was $6.41 billion, it exceeded over half of the production values in global markets, and it will continue to grow to an estimated $7.36 billion by 2017.

Fig: Proportion of production value by spec, global UPS products



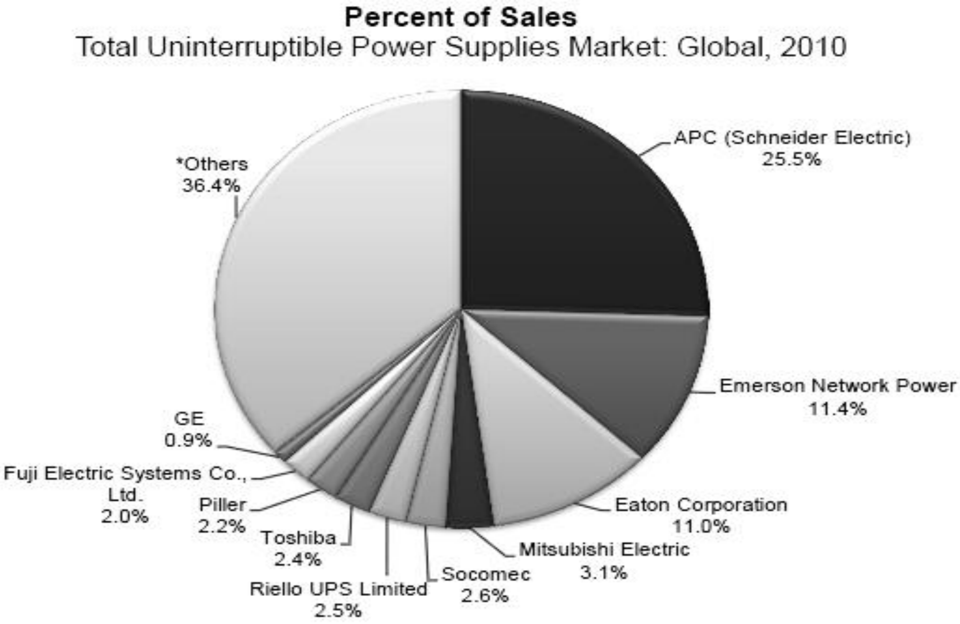
	2010	2011	2012	2013	2014	2015	2016	2017
< 20 KVA	5,355.5	5,588.9	5,847.4	6,117.9	6,406.2	6,710.6	7,026.4	7,358.9
≧ 20 KVA	3,887.9	4,036.7	4,217.1	4,430.2	4,686.2	4,982.3	5,324.0	5,710.8

Source: Frost & Sullivan (2012)

d. Intense market competition

Although UPS is a mature industry with a stable growth, there are over 100 firms competing in this market globally. According to the 2012 research report by Frost & Sullivan, the top three global firms APC、Emerson, and Eaton had a combined production values of 47.9% of global output. The remaining suppliers' production value market share was all less than 5%. Even though in the recent 10 years, the top three firms continued to expand market share via merger, UPS products involve the power supply condition in various regions, the product design must meet the needs of a local requirement. Therefore, the regional suppliers that are familiar with their local markets and power environment had the advantage to occupy a share in the market. In general, the global UPS industry experiences a fierce competition.

Fig: Market share of global UPS industry

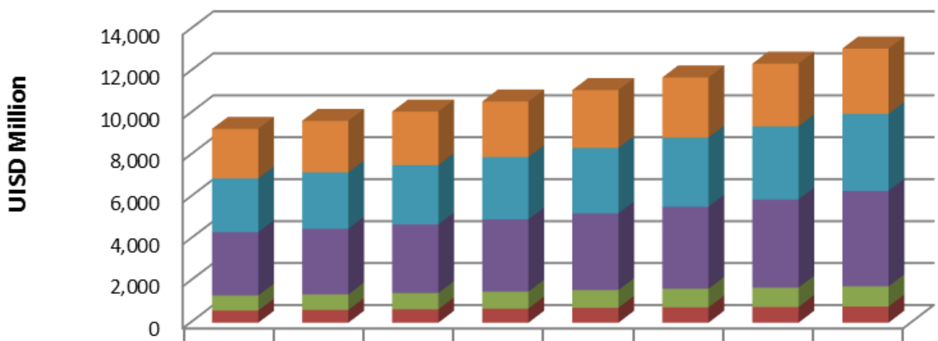


Source: Frost & Sullivan (2012)

(C) Market overview of terminal application products

The market size of terminal application products was key to drive the global UPS production values, according to the 2012 research report by Frost & Sullivan, from the viewpoint of production values of UPS application products, the two major application levels are enterprise infrastructure (the majority was servers) and data center, as depicted in the following figure. In 2016, enterprise server and data center values were $6.47 and $4.21 billion, respectively. They were above 80% of the total production values.

Fig: Market size of UPS terminal application products



	2010	2011	2012	2013	2014	2015	2016	2017
Public Infrastructure	2,366	2,457	2,554	2,649	2,751	2,865	2,985	3,113
Commercial	2,561	2,688	2,826	2,972	3,129	3,303	3,485	3,675
Data Center	3,019	3,132	3,272	3,444	3,654	3,909	4,208	4,552
Industrial	719	740	772	808	848	887	924	963
Healthcare	579	609	642	675	711	729	749	768

Source: Frost & Sullivan (2012)

According to the viewpoint in the Information Industry Yearbook published by MIC of Institute for Information Industry (Taiwan), looking at the industry trend of global information and communication, cloud computing has become a development priority in the next 10 years. Looking from the supply side of the market, suppliers that involve in the cloud concept such as software, hardware, services, and applications are all optimistic about the market opportunities brought by the cloud concept. They're committed to conducting product R&D of related applications and controlling market orders.

As to the market demand affected by the cloud opportunities, with the rapid development in cloud computing, many enterprises considered reducing cost to set up IT system, have started to move enterprise IT applications toward cloud development, the market requirement includes many companies due to consideration of internal data security and chose to establish their private cloud computer room, larger enterprise represents this sector. And the pattern of server suppliers is responsible for setting up infrastructure, offering it to be rented by small to mid-size enterprises.

As to the apparent benefits brought by cloud computing to the UPS industry, that would be the hardware equipment requirement for enterprise to develop cloud applications, it primarily includes the safety consideration of a stable power source as required by servers and data centers computer rooms, UPS products have become mandatory standard equipment.

In addition, the constantly improving cloud computing also drove related application services, social media website Facebook is the most famous in related application services, Facebook grew rapidly and gathered over 1.6 billion users, because it has a large number of users globally, the past servers rooms and data centers gradually become unable to meet its needs, Facebook then started to increase building its own data centers to meet the needs to process enormous amount of data. Other large enterprises also experienced the increased applications of cloud computing, they also followed Facebook's approach to increase building servers rooms and data centers, and mall and mid-size enterprises were limited to economy of scale and switched to adopt the solution offered by large data centers, driving the overall increase in market demand. The market overview of servers and data centers are briefly described below:

a. Servers

The growth in commerce and business is the driver of the shipment for enterprise servers and workstations. According to the data from Market Intelligence Center (MIC) of the Institute for Information Industry (Taiwan), the global IT system shipment totals 453 million units in 2016, down 8.3% year-over-year. In 2016, the global server market was approximately 10.6 million units, up 5.4% from 2015. The market is expected to reach 1.11 million units in 2017, another 5.4% year-over-year.

Capital expenditures on IT hardware are the driver of the global server market. The growth momentum is mainly from the infrastructure requirements in emerging markets such as China, Africa, the Middle East and Asia Pacific except Japan. Although the growth in the BRIC countries (i.e. Brazil, Russia, India and China) is slowing down, the demand remains robust. The main source of growth comes from network operators, search engines, digital content providers online and the projects supported by governments and industries. Although the global server market during the past two years was affected by macroeconomic and currency fluctuations in different countries, the market is expected to continue expanding at a steady pace.

b. Data centers

In recent year, the cloud trend drove the growth and establishment of global data centers, especially many large data centers came with the rise of cloud service providers and network giants, this brought a new looks to the development in global data centers. The construction of data centers overturned the patterns of enterprises building and using its own equipment, data centers for service lease or cloud services started to appear. They included flexible data center architecture that allows enterprises that must adjust to rapidly changing environment, and even to meet the various needs by enterprises, through mixing different models of data centers to satisfy enterprise goals. For example, an enterprise based on its IT development needs, through integrating own data center to become private cloud, it also introduced certain public cloud services, even integrated the past IT outsourcing data center model, and it carried out integration planning according to the confidentiality or cost requirement etc. of the enterprise.

According to a research report by ITRI's IEK, from 2010 through 2016, the whole market of global data centers will continue to grow with a compound annual growth rate of 6%, but, looking from the equipment expenditure of IT hardware, global data centers drove by the continuous growth, the investment in various IT hardware still shows a growth trend. TechNavio also forecasts the global data center market to grow at a CAGR of 8.32% in 2017-2021.

c. PC sector

The statistics from Gartner (an international research institute) suggest that the global shipment of personal computers totaled 269.7 million in 2016, down 6.2% from 2015. According to the forecast by Market Intelligence Centre of the Institute for Information Industry, the global shipment of desktops is likely to drop 2.3% year-over-year to 102 million in 2017, and the global shipment of notebooks is expected to decline by 1.8% from 152 million units in 2016 to 149 million in 2017. The global demand for tablets will remain in the doldrums, likely to decrease 8.5% from 176 million units in 2016 to 161 million units in 2017. Thus, the UPS that was used with personal computers, will be affected by the decline in global PC markets, it's estimated to drop gradually in the future. But, the mid- to large UPS required more and more by enterprise users' internal computer rooms, server rooms, data centers and bank ATMs will grow gradually.

B. Industry overview of PV inverters

Broadly speaking, PV inverter's construction and operation are all similar to UPS, thus, PV inverter is also a category in the UPS products, Voltronic Power is a specialized DMS firm, it provides clients complete services and it's optimistic about the growth potential, and it invested in the R&D and manufacturing of PV inverters. Product evolution and industry overview of PV inverters are explained below:

(A) Product overview

Because the energy generated by solar power is direct current, and direct current must be converted to alternating current before it can then be transmitted in a city's power grid, and to be used by general household appliances, business and industrial equipment, and the function of PV inverter in a solar system is to convert direct to alternating current. Thus, the performance of PV inverters significantly affects the power generation efficiency of a solar system.

PV inverters can be classified by circuit architecture and output power: they can be categorized into 3 types: High power central (Conventional) inverter, Mid-power string inverter, and low power micro inverter. Their product features and applications are analyzed and organized as below:

Fig: Product features and applications of PV inverter

	Low power (Micro inverter)	Mid power (String inverter, Multi-string inverter)	High power (Central inverter, Multi- string inverter)
AC output range	50W~400W	1~20KW	21KW~2MW
Application markets	Residential, commercial	Residential, commercial	Commercial, public utilities
Unit cost	High	Mid	Low
Installation costs	Low	Mid	High
Reliability	High	Mid	Low

Product applications			

Source: ITRI IEK (2012/12)

Because price of solar energy system continues to drop reducing the cost to generate power, causing an increase in the number of solar power stations, driving the market demand of high power PV inverter. In addition, the micro inverter that can increase overall solar power system and the introduction of power optimizer, are gradually becoming popular in the U.S. markets. Their sales volumes are gradually growing. But, the European markets focus on the development of application products of high energy string inverters. Therefore, the PV inverter market originally designed for residential and small commercial applications, will become bigger and smaller at the same time.

(B) Industry overview

PV inverter is a key component in a solar energy system, it's sales varies directly to the global installation volumes of solar energy systems, according to the research report by Topology Research Institute, since 2010, the installation of solar energy grew significantly, driving the annual shipment growth of PV Inverter by 168%. However, after the eruption of the European debt crisis in 2011, most European countries tried to avoid debt and reduced expenditures further, the subsidy for solar energy was reduced significantly causing market to shrink accordingly, causing in 2012, the demand for solar energy system dropped, PV inverter shipment stayed at the same level.

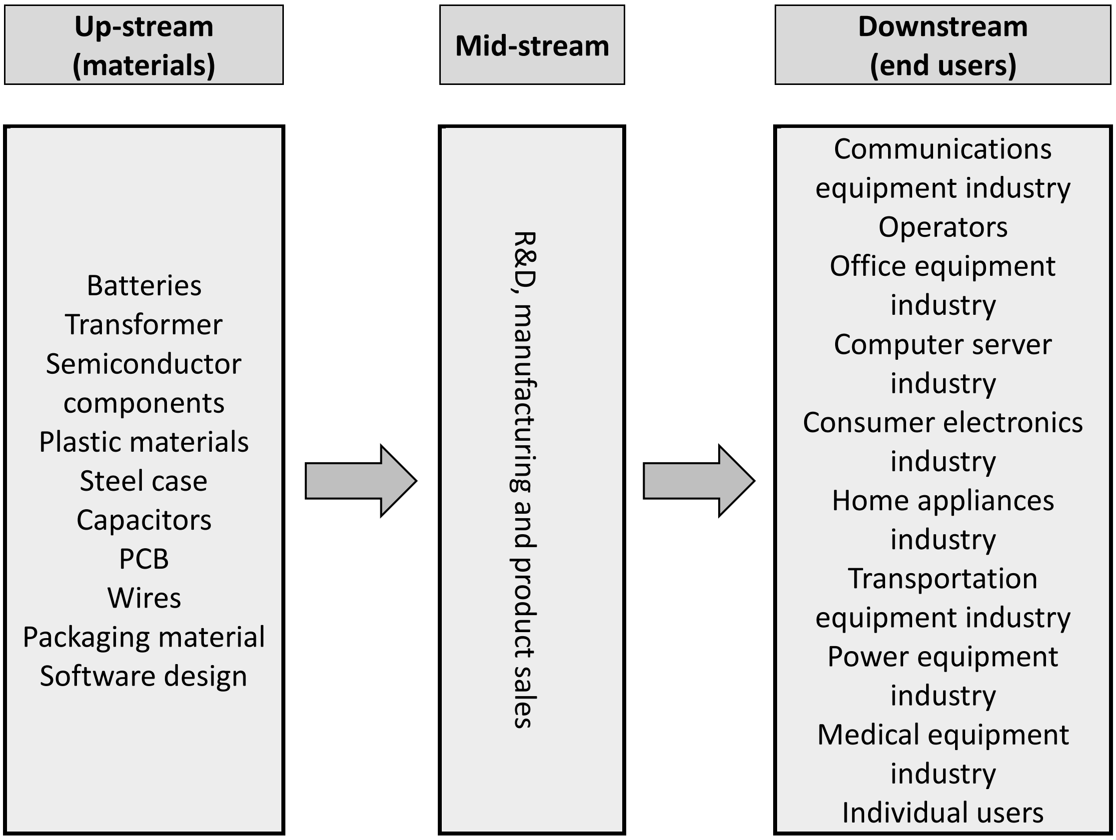
In general, although in recent years, the European and American reduced the subsidies for solar energy industry and caused the industry to have a poor performance, but a crisis also brings an opportunity, the barriers to entry of PV inverter was high which included R&D and design of complex electrical and electronic engineering, in the past, the markets were dominated by European, U.S., and Japanese suppliers in R&D and production, but with the significant price drop of solar energy products, PV inverters are showing a trend of gradual price drop, this offered an opportunity for suppliers in Taiwan and China with lower cost products to enter the market with cost advantages.

According to the data from GTM Research, the global shipment of solar energy inverters in 2016 totaled 78 gigawatts. As the Chinese demand beats market expectations, the industry is raising its forecast for 2017, up 9.4%. The CAGR in 2017-2022 is expected to be 5.2%. Even though the demand from developed markets such as the UK, Japan and Germany has slowed down, the growth in emerging markets will help the industry to restore momentum.

2) Correlation of up, mid-, and downstream in the industry

The Company accepts clients' projects, specializing in the R&D, design and product manufacturing services of UPS, inverter, and PV inverter, our upstream products are components (batteries, transformer, semiconductor electronic components, cabinet, PCB, etc.), among these components, battery occupies the highest proportion, our company's manufacturing base in Shenzhen, China where many local Chinese battery factories are located, The Company carefully selected suppliers through quality tests. At present, we have excellent relationships with our suppliers, the supplies are stable without the risks of price fluctuation and supply shortage.

The Company also occupies the mid-stream in the industrial supply chain, R & D products based on customer order requirements are resold to end-users of downstream industries through customer orders. At present, The Company has over 300 clients, the sales are spread out, with relatively low risks. In the downstream applications, there are IT communication industry, home appliance industry, medical equipment industry, individual users, mass transportation equipment, and electrical equipment, etc. The applications are diverse with stable growth in the markets, so far, there is no apparent operating risk. The following figure depicts the product correlation among our company's up-, mid-, and downstream:



The Company operates in the electronic industry, with revenues in the second quarter slightly lower than those in other quarters. This is typical of the electronics manufacturers. However, the seasonality for Voltronic Power has become less obvious as the revenue continues to grow. The revenue breakdown for the first and second half was 49/51 in 2015 and 50/50 in 2016. The first half and the second half revenue breakdown during the most recent two years indicates that the Company's revenue does no longer exhibit pronounced seasonality.

Table: Revenue distributions, Voltronic Power in recent two years

Revenue distributions	Year 2015	Year 2016
First half of the year	49%	50%
Second half of the year	51%	50%

To sum it all up, the Company, due to factors such as its industry characteristics, product positions, and stable clients cooperation relationships, it's correlation to fluctuation in market economy is not as apparent as it is in other industries.

3) Various development trends and competitive situation of products

A. Future development trends of the industry

With the coming of The Internet era, IT and communication equipment require ever more stringent power quality, requirements for environmental protection of green energy-saving are also rising, in order to meet the needs of future markets, the development of UPS shows the following trends:

(A) Product functions are becoming more versatile

With the coming of the network era and the popularity of Internet, UPS does not just simply safeguard power sources, but goes a step further, became a loop within the network, allowing users to manage and monitor systems remotely. To meet this market requirement, according to various use environments, UPS started to add various communication interfaces, e.g., Dry contact, RS232, RS485, USB and even Ethernet, the purpose is to merge power management into the entire network management, to allow users to carry out intelligent management of UPS via network easily. The company is one of the few UPS firms that can develop its own Dry contact, RS232, RS485, USB, and Ethernet communication functions. In addition, The Company also owns the independently developed power management monitoring software, and not just simply providing equipment to protect power sources, but also moved toward more complete and comprehensive power protection systems.

Also, with technical advancements, UPS design also got upgraded, UPS adopts the latest digital signal processor (DSP) or microprocessor (MCU), to perform sampling of inspection and testing to control units, it achieved the digital operation of UPS systems. DSP or MCU performs inspection and testing of units via sampling, it monitors the UPS working condition in real time, and makes adjustment to UPS control in real time, it implements intelligent management. In a system of parallel redundancy, it also adopts multiple controllers to collectively control the system of parallel redundancy, this improved the fault tolerance and reliability of the whole system.

(B) Product specification moving toward smaller footprint in a distributed manner

When many equipments required the power protection of UPS, one can choose from options of centralized and distributed types. For a large UPS, moving power to the equipment that needs power, this type of installation is called centralized UPS system, the advantage of such a system is one only needs to maintain one UPS, the disadvantage is putting all the power source risks at one location, if any operation error occurs, it could result in all of the equipment to experience the same power risk, also with only one UPS, it is hard to make adjustment to power services required by various equipment. The other option is to utilize multiple smaller UPS to be installed by the equipment that needs the protection, this type of installation is called distributed UPS system, its advantage is high flexibility, the load can be set separately, moreover, due to large scale production, the prices of small UPS are becoming more competitive. Therefore, the architecture of distributed UPS is the future trend.

(C) Energy saving and efficiency

Due to the growing tension in energy supply, energy saving and environmental protection will be the principles of new technical innovation in power enterprise, technical innovation in UPS product mainly focused on raising energy utilization efficiency and lowering environmental pollution. Therefore, raising the work efficiency of UPS products and reducing equipment's own power loss will be significant trend in technical development of future products.

In addition, the harmonic current generated by various power consumption equipment and power devices polluted power grid seriously, with the introduction of various policies and regulations, the call for pollution free green power devices are getting louder. Other than adding wave filter on UPS, power factor correction at the input end of power grid should also be adopted, this will reduce the effect of UPS harmonic current to a power grid.

The subject of solar power generation has received much attention in recent years, the core technology in solar energy converter is the same as the power conversion technology and core control technology as used in UPS, knowledge to combine UPS and green energy applications, to generate power more efficiently, to protect power source, power backup are important development trends of UPS. Presently, the solar photovoltaic in light energy utilization, power conversion, and green architecture, etc., applications in life conveyed the concept of creating future new life with green energy. Due to its characteristics of pollution free and easy to obtain, etc., solar energy has been favored by the new energy industry, a complete solar energy industry chain has been formed, competition is becoming fierce increasingly. Although in recent years, the solar energy industry faced negative impacts such as high power generation costs, industry profit dropped, and excessive production capacity, but the ratio of power generation by solar energy is still low, the development potential is still huge for the industry.

(D) Product safety and reliability continue to rise

Because UPS products are advertised to offer stable temporary power in a power outage or in emergencies, to allow users to handle emergencies, so to avoid damaging electronic products and the loss of important data. With the upgrade if high tech industry, due to the more expensive equipment and precision manufacturing processes, their requirement of power quality has been gradually rising. Thus, requirement of the reliability of UPS products increased accordingly.

In addition, the market is not just the past applications for large machinery room and equipment, but the demand for mid- to small electronic products has also been growing, based on applications of various products and their configuration of electricity circuits, the design and development of UPS products changed accordingly. Thus, it provides secure and complete protection for products.

(E) Development of cloud industry drove demand growth of on-line UPS

With the concept of cloud becoming ever so popular, and a large number of establishment of related computer IT supporting hardware such as servers, large workstations, data centers, due to special requirement of electrical current design and power equipment spec, on-line UPS products have been growing significantly. Market demand patterns of global UPS products in the future, will go with the maturity of cloud industry business opportunities, and impacts its downstream applications significantly. It will drive the market requirement of on-line UPS product growth.

As to PV inverter products, invested firms are usually electrical and electronic manufacturers that has experience making power supplies, power protection devices (Such as UPS, rectifiers, transformers, etc.). Other than closely related to UPS, the PV inverter industry, with the evolution of the market situation and the requirement of product features, the future development trend of PV inverter is described below:

(a) Increasing conversion efficiency

The conversion efficiency is still the most important subject in PV Inverter, presently, the best efficiency can reach 97-98%, but still stay at an average of 92-94%, there is still lots of room for improvement. Because the conversion efficiency directly affects the power generation efficiency of a solar power generation system, thus the market has never stopped requesting to raise the conversion efficiency, it's also the goal of future R&D for suppliers.

(b) Bidirectional applications of PV inverter products

In recent years, various government gradually reduced the subsidy to feed power into power grid, originally ON-GRID based PV inverter system, when sunshine is abundant, feeding large amount of power into the electrical grid, when the load was exceeded then go off-line completely, they cannot be utilized at night at all, it caused excessive energy flow in electrical grid, and it caused problems of power distribution difficulties and unstable power supply. Therefore, to avoid a situation after the installation of solar energy takes off but degrades the safety of electrical grid, considering to increase complete safety and stability of electrical grid, at present, the market trend of PV inverter is being developed with self use as the priority, in solar energy related systems, Germany and the U.S. both plan to subsidize products that do not get into the electrical grid directly.

B. The competitive situation of products

With the adjustment of global industrial structure, Asia Pacific region has become the center of manufacturing industry, relying on the relatively inexpensive labor and abundant technical talents, most UPS brand companies adopted two methods to lower their operating costs: One method is to invest to set up factory in these regions, the other method is to sub-contract the design and manufacturing through OEM or ODM. Due to the continued refinement of labor in industrial chain, sub-contracting the design and manufacturing has become mainstream.

Mainland China and Taiwan are located in the Asia Pacific regions and have complete supply chain for UPS industry, and thus are gradually becoming the international center of manufacturing of UPS production. Most UPS companies both manufacture customized brands and their own brands, the products they made for clients compete with their own brand which created irreconcilable market conflicts.

The Company's business model is specialized DMS design and manufacturing, we focused on offering the customized R&D and production services to our clients, we do not develop our own brands. In the ODM strategy positioning, with the current size of The Company, it has obtained the leadership position. Through centralizing advantageous resources in design, scale procurement and scale production, it continued to leave the OEM manufacturers and brand mix suppliers further behind.

The Company's major source of revenue comes from UPS, UPS, as the name suggests, is when there is a power outage, it can quickly replace city power, supplying power to equipment, it's similar to emergency lighting equipment. But, UPS design is more precise, it can switch between city power and battery or converter more quickly, it remedies the disadvantages of long power downtime of some fuel generators and other emergent equipment. It also does not have the problems of noise and air pollution as created by fuel generators. Unless they can effectively improve the power supply speed and reduce environmental pollution, fuel generators still cannot replace UPS.

There are various product specifications according to UPS product power, the product of different power meet the market needs of their own applications, they are not interchangeable.

In addition, PV inverter are devices that converts direct current generated by solar power to alternating current, with current conversion solar energy power can be connected to the electrical grid to be used as city power. At present, there is no substitution product of PV inverter in solar energy power system, so far, there are no substitution risks.

(3) Overview of technology and R&D

1) Technical levels and R&D of operating business

The Company was founded in May 2008, lots of R&D resources were invested even in the early years, it worked on the independent R&D of off-line and on-line UPS, and established R&D group for monitoring software in 2009, R&D on on-grid and off-grid PV inverter products in 2010, and started three phase R&D work on UPS, up to now, classified according to product categories, there are various R&D units such as off-line UPS, on-line UPS, monitoring software and PV inverter.

2) Educational background and experience of R&D staff

Year		2016 (unit: person)	Current year up to March 2017 (unit: person)
Beginning headcount		204	232
New staff		65	17
Staff who left		37	38
Laid off and retirement		0	0
Department changes		7	2
Total R&D staff at period end		232	211
Average length of service		2.94	2.91
Turnover rate		13.75%	15.26%
Distribution of degrees	PhD	0	0
	Master	33	29
	College	185	167
	High school	14	15

Note 1: Turnover = Staff who left / (staff at period end + Staff who left)

Note 2: Total count of R&D staff included Voltronic Power and its subsidiary

3) Annual R&D expenses invested in recent two years

Unit: Thousand NTD

Item \ Year	2015	2016
R&D expenses	307,813	358,263
Net operating income	8,039,323	8,120,220
R&D expenses/Net operating income	3.83%	4.41%

4) Successful technologies or products or development in recent years

Year	R & D achievements	Content description
2016	On-Line 1~5KVA： (1) On line 1~3kVA standard model (pf=0.8) long-life discharge versions (2) On line 1~3kVA high-power factor (pf=0.9) long-life models	Improvements in power density and capabilities.
	On-Line 6~120KVA： (1) On line 6k/10k UPS models (2) On line distributed, high-voltage direct-current UPS 6k/15k modules and monitoring system (3) On line 3/3 60k/80k high-power / high-efficiency / low-current harmonics for standard models (4) On line 3/3 160k/200kVA industrial UPS models (5) On line 3/1 10/20/30/40/60/80/100/120KVA industrial UPS models	(1) Improved cost structure (2) Completed debugging and development of high power module model (3) Power extension of 3/1 3/3 economy model
	Solar, Inverter: (1) 2.2k/7.5k/12kW inverters for solar pumping systems (2) AC/DC power modules for 15kW direct-current charging poles (3) On-grid inverters for storage DC/DC converters (4) 5kW EPS power modules (5) Enhanced hybrid PV Inverter 3kW models	(1) Carried out inline energy storage and customization project. (2) Strengthening of off-grid PV Inverter functions (3) Expanded module system of charger/inverter (4) String and charging efficiency enhancement

(4) Long and short-term business development plans

1) Short-term business plan

A. Product strategy

Continue to expand the product line, develop from small, mid- capacity to large capacity, from single machine to modularization, parallel operation, implement one stop complete shopping, build a comprehensive product range. In addition, each major product line should focus on R&D advantages to improve reliability, and in each regional market, satisfy and provide various product combinations of price–performance ratio.

B. Production strategy

Scale production and automation are the focus of The Company's production strategy. And to satisfy clients' sales characteristics of "small amount with diversity", The Company integrated and merged parts, centralized production bases, modularized common circuits, to optimize supply chain management, The Company receives orders then produce products. Operations management focus of The Company in the short term: to reduce production costs, to shorten delivery, and to reduce inventory.

C. Sales strategy

Continue to expand all major sales market globally, utilize the current product lines as basis to develop new clients in new markets proactively, and gain a deeper understanding of existing markets' client requirement, hoping to use customized services to assist the clients to strengthen their competitiveness in the markets.

D. Financial cooperation

Based on sound business principles, The Company currently utilizes private capital and operation profits as the working capital, avoid risky investments and operations of derivative products.

2) Long term business plan

A. Product strategy and goals

Continue to improve the profitability of each product line via sequentially improving product reliability, scale production, value analysis, value engineering etc. cycles, continue raising the entry barriers for competitors, and to ensure maintaining the growth momentum, gradually raising the revenues generated by new products each year, and raise the revenues proportion of high end products.

B. Production strategy

Strengthen cost control and deepen cooperation with supply chain, utilize automation to raise production efficiency, fully reflect the cost effectiveness of large scale production.

C. Sales strategy

Stop low price competitors via independent R&D capabilities, move up to strive for ODM orders from regional leading firms (Regional leading manufacturer), expand the product applications into specialized areas such as industry, transportation, medical, and communication.

D. Financial strategy

Continue to pay attention to changes in interest rates and exchange rates, control interest expense and working capital properly, do not get into investments in unfamiliar industries, utilize own funds and operating profits to continue investing in advanced technology and equipment.

2. Overview of markets, production and sales

(1) Market analysis

1) Sales areas of key products

Unit: Thousand NTD; %

Sales regions		Year 2015		Year 2016	
		Amount	Percentage	Amount	Percentage
Domestic sales		364,461	4.53%	344,238	4.24%
Exports	Asia	3,483,499	43.33%	3,996,717	49.22%
	Others	4,191,363	52.14%	3,779,265	46.54%
	Total exports	7,674,862	95.47%	7,775,982	95.76%
Total		8,039,323	100.00%	8,120,220	100.00%

2) Market shares

The Company's major shipment of UPS is under 20KVA, in 2016, the combined shipments were 4,560,000 units, according to market analysis report by Frost & Sullivan on global UPS, it's estimated that the global UPS market size is around 27,110,000 units, in terms of UPS shipments to global markets. The company's share is about 16%.

3) Supply/demand and growth of markets in the future

A. UPS industry

According to the 2012 research report by Frost & Sullivan, the international research authority, after the world went through the financial turmoil in 2008, UPS industry experienced two years of decline in business, in 2011, it started to recover with a growth momentum, and it's estimated that the global market size could reach $12.30 billion in 2016, it could continue growing to $13.00 billion by 2017.

The overview of global production of UPS industry in recent years showed, that UPS industry belongs to an industry of stable growth, with the development flourished in global communication products, Internet, cable TV, Radio base station, smart grid, cloud demand, developed end/terminal applications such as personal desktop PC, enterprise large data center, and the large equipment room of public infrastructure, they all require protection of a stable power source, making UPS to become an almost indispensable standard equipment, global UPS industry is then able to grow steadily.

Although in recent years, the UPS industry has shown a trend of stable growth, but looking from the products, UPS products above 20KVA, benefited from large data centers of enterprise users, and public infrastructure equipment room developed in recent years, the annual growth speed was higher than UPS products below 20KVA and the overall UPS production value growth rate, at present, our company's revenues still primarily came from UPS products less than 20KVA, however, in R&D capability, The company already introduced UPS of 210KVA(highest), there should be sufficient technical capability to respond to sub-contracting from large international firms.

B. UPS application products

(A) Servers

According to MIC's (of Institute for Information Industry) research report, in the market area of global server, driven by the calculation needs of data centers, market size will continue to grow, it estimated in 2017, global shipment will reach 1,110,000 units, a growth of 5.4% compared with 2016. With the development of Internet, business opportunities in cloud continue to grow, some applications derived were business IT equipment, computer room equipment, market demand for related products continued to appear. In the future the market demand for server products will also continue to grow.

(B) Data centers

According to the latest "Global IT spending statistics and forecast report" by Gartner, the global IT spending is expected to reach $3.5 trillion in 2017, up 1.4% from 2016. This was downward adjusted from 2.7%, partly due to the US dollar strength.

	2016 spending	2016 growth (%)	2017 spending	2017 growth (%)	2018 spending	2018 growth (%)
Data center systems	171	-0.1	171	0.3	173	1.2
Business software	332	5.9	351	5.5	376	7.1
Installations	634	-2.6	645	1.7	656	1.7
IT services	897	3.6	917	2.3	961	4.7
Communication services	1,380	-1.4	1,376	-0.3	1,394	1.3
IT TOTAL	**3,414**	**0.4**	**3,460**	**1.4**	**3,559**	**2.9**

Source: Gartner (April 2017)

The demand for data center systems and installations will resume growth at 1.2% and 1.7%, respectively. The growth for software and IT services will be higher, at 7.1% and 4.7%, with the maturity of Internet and cloud, in order to satisfy the rapidly growing cloud demand by enterprises, whether they are built for internal use or sales/leasing business by cloud serves firms, the construction of mid- and large data centers, and data access of related hardware and software demand of network communications equipment market have been increasing gradually.

Looking at the development of the global markets, construction and maintenance of existing data centers in mature markets in the U.S. and

Europe, markets in emerging countries, led by Asia, their rapid growth in enterprises, derived the demand to construct new data centers, it's expected that future global markets' demand for data centers will continue to grow vigorously.

(C) Personal computers

The global penetration of handsets continues to grow, at the expense of the market size for desktops, notebooks and tablets. According to the forecast by Market Intelligence Center of the Institute for Information Industry, the personal computer market will continue to decline in 2017, with the shipment for desktops, notebooks and tablets down 2.3%, 1.8% and 8.5%, respectively. It is expected that the global demand for personal computers will continue its gradual decline, as a result of increasing popularity of handsets.

C. PV inverter industry

Global PV inverter industry market demand and solar energy power generation system are closely related, in order to replace traditional fossil fuel energy, the long term direction of development is to continue reducing the cost to generate solar energy power, this also drove the prices of various components in a solar energy system to go down, the market primarily depends on the government subsidy to drive the development if solar energy industry. The efficiency of PV inverter goes up each year, but the average price continuing to drop will become the future development norm of PV inverter.

Due to the government policy to reduce subsidies in many countries, leading to a weaker demand for end systems, coupled with the mass production in mainland China, caused price per watt of PV inverter continued to drop, a large number of suppliers resulting in an increasingly competitive price etc. reasons, caused PV inverter market to grow at a slow pace. But, in a long term view, because various countries adopted the goal to replace traditional fossil energy with renewal energy, PV inverter will face small fluctuations due to inventory adjustments in supply and demand, but in the long run, a trend of stable growth each year will appear, according to statistics by market research agency IHS, in 2016, cumulative shipments of global solar PV inverter grew 34% over the same period in 2015.

4) Competitive niche

A. Business strategy focusing on DMS areas

The business strategy of UPS firms in Taiwan and mainland China is mostly a hybrid of own brands and client sub-contracting, but the management team of The company cultivated DMS clients for many years, deeply felt mixing own brand and client sub-contracting created conflict of interests becoming a major obstacle in cooperation, The company firmly believes focusing on the DMS service model can create reasonable values for clients, shareholders and employees, thus since the inception, The company insisted on not operating its own brand, to strengthen clients' confidence and to avoid conflict of interest with clients, thus be able to maintain a long-term cooperative partnership with clients, and since its inception, the Company's business grew steadily each year, number of clients also increased year by year, The company insistence on the business model of not operating own brand has achieved clients' recognition.

B. Market orientation

The Company is a professional DMS firm, its clients are either manufacturers of internationally renowned brand or local leading brand in each country, The Company has reached the economies of scale of the world's largest production in UPS DMS, and the capabilities of innovation and customization from a huge R & D team, well received by clients and able to win orders. Although The Company does not operate with its own brand, but the management team has accumulated the experience of industry and market for many years, and capable of mastering the power environment and special needs of local markets around the world, the Company is undoubtedly the DMS leader of the industry.

C. The R&D capability of rapid innovation

The Company's management team of business, development, and manufacturing areas has many years of experience, have cultivated clients from various regions with different needs for a long time, thus was able to quickly occupy market position, gained a leading edge. The large R&D team continued to deepen localization and innovation product specification and technology, introduced innovative product series quarterly. On one hand, using rapid efficiency and innovation and the most complete product line in the industry, continue to broaden the technical gap with competition, on the other hand, also depend on the demand of diversity and timeliness of the market, offering customized products to clients.

D. Production advantages

(A) Economies of scale

In terms of shipment volumes in global UPS market, in 2016, about 16.8% of global market, in terms of shipment volume, The Company has become world's largest DMS UPS manufacturer. Thus relative to competition, the company enjoys obvious economies of scale in procurement costs, thus be able to maintain The Company's cost-competitiveness.

(B) Flexible production

Because UPS orders have the nature of small amount with diversity, in response to clients' various product designs and production needs, The company already developed a system superior to others in the industry: capacity deployment and production system of customization products, mixing and matching production line planning of various long-line, short-line, U-shaped line, introduced automation equipment, supply chain management and certain components with operation of vertical integration, making The Company possesses a cost-competitive production model with a high defect-free rate and high efficiency.

E. Complete product offerings

The company and its subsidiaries have a professional R&D team of 200 people, focusing on different products, whether from the development of monitoring software, the development and maintenance of various UPS models, the development and design of PV inverter and other accessories and products, all have dedicated teams fully responsible for development, at present, The company offers a complete series of UPS products starting from the small 400VA to the large three-phase 210KVA systems, and clients can choose products of PV inverter from 1KW-10KW, the clients can make adjustments to the standard model developed with independent R&D by The company, depending on the customization degree, The company can complete the development in 2-12 weeks, The Company is the most professional DMS firm.

5) Favorable, unfavorable factors of development prospects and countermeasures

A. Favorable factors

(A) Sheer size of overall industry and continued stable growth

UPS industry has been one with stable growth, despite the decline caused by the financial turmoil in 2009-2010, the growth momentum gradually recovered after 2011. Other than continue to introduce new technical products that demand backup power, India blackout that occurred at the end of July 2012 highlighted the fact of one third of world's population are still experiencing problems in power supply. Besides, with the continued development in Internet and telecommunications industry, data center equipment room, industry new trends of cloud industry and smart grid will also increase demand for UPS related products. In the future, there is room for continuous/continued growth in UPS industry.

(B) Possessing a strong R&D team

R&D staff include 200 persons in the Company and its subsidiaries. Focusing on different products, whether they are development of monitoring software, the development and maintenance of various UPS models, product development and design of inverter and PV inverter, all have people dedicated to development.

(C) Economies of scale of production model with effective cost control

When The Company was founded in 2008, it coincided with the global financial turmoil, since its inception, it understood only continuous efficiency optimization and production scale, can costs be effectively managed and controlled. With the continuous efforts in recent years, not only the revenues increased, due to continuous improvement in related costs, reasonable profits were achieved.

In addition, there are many UPS firms globally, average sales unit price declined in recent years due to intense competition, due to its economy of scale production and superior ability to control costs, but the Company could highlight its competitiveness conducive to seize the market and improved performance.

(D) Working with clients closely

Other than providing services to large firms with international brands, taking into account the differences in power supply system among various regions, our company also develop close working relationship with the leading companies in each local country, to provide customers highly customized products based on each region's environment and market characteristics.

B. Unfavorable factors and countermeasures

(A) Dramatic changes in world economic climate

Since the financial turmoil in 2008, the downturn in European markets continues, Greece, Spain, Portugal were especially affected by the debt storm, not only the end demand slowed down, the entire European market showed no apparent growth.

Countermeasures:

The Company continues to serve the existing European clients, but also to expand markets in other regions, and also focus on developing high end products, expanding the existing product offerings. In the overall poor economic environment, Internationally renowned manufacturers and Each local national leader will also conduct assessment on make-buy cost-effectiveness, and the DMS services offered by our company ensures quality in line with clients' expectation, when international famous firms and leading firm in local country decide to release OEM orders, to obtain the most favorable position. Therefore, even when the overall environment is poor/unfavorable, The Company still has a chance to expand client bases.

(B) Difficulties in developing talents

Power industry must invest in talent development for a long time/term, it's difficult to develop R&D staff and gather experience, and The Company conducts the DMS business model, it must possess sufficient and high quality R&D staff, to respond to the need of client customization

Countermeasures:

Other than raising staff salaries and various benefits, but also establish a core value culture for The Company, make employees identify deeply company's operating direction and strategy, and also cooperate with each major university, so there is a smooth pipeline in hiring future talents.

The Company also set up R&D unit in Taiwan, to develop our own R&D staff, offered a solid training in product appearance to current circuit configuration, etc. hoping to develop specialized R&D talents for Taiwan's UPS industry, to satisfy the need for customization by clients in global markets.

(C) Merger uncertainties from international brand clients

In 2007, after large UPS international company Schneider purchased APC and merged with MGE, and became world's largest UPS brand manufacturer, in 2007 large international company Eaton purchased Taiwan's largest UPS manufacturer Phoenixtec Limited. Related mergers have a significant effect on global UPS industry, after merger, the operating strategy and direction, and will they continue to purchase/merge local brands in regional countries, will they make in house or release orders to sub-contractors, because DMS is our company's current business mode, there are uncertainties caused by these situations.

Countermeasures:

In the UPS industry, local manufacturers in each region have the advantages of being familiar with local markets and power environment. Thus, they can have certain market share in the local market, therefore, other than striving to get the orders from large manufacturers with international brands, our company also strive for clients from local manufacturers in each country, the strategy is to continue boarding and deepening the client bases, to minimize the impact of any single client, in addition, The company continues to raise product quality, technical capabilities, and high-end product development. If a client is being merged by an international brand, with the Company's competitive advantage in DMS services, it would be an opportunity to penetrate the supply chain of this international brand.

(D) The rising of manufacturing costs

In recent years, the Company has major production bases in certain regions, the rise in basic wage and cost of factory and land, this has a certain impact to our company's operation.

Countermeasures:

The Company continues to raise process efficiency, to introduce automation equipment, reduce human labor, thus, offsetting the negative impact by rising labor costs. In addition, speed up the product upgrades, make high end technology intensive product to occupy higher business proportion, thus reducing the effect of rising labor and material costs on business performance.

(E) Risks of exchange rates

The Company's business model is focused on exports, our products are shipped to over 100 countries in the U.S., Europe, etc. The trading currencies are primarily U.S. dollars and RMB. In procuring goods, USD and RMB are often used to make payments, after foreign currency receivables payments offset each other, there remains a certain amount of foreign currency receivables. Thus, the fluctuation of exchange rates in USD and RMB impacts our company's profit and loss to a certain degree.

Countermeasures:

Financial department is responsible for gathering data from various financial institutions, pay close attention to international financial climate, grasp the trend off future exchange rates at any time, and depending on the need of capitals and the trend of foreign currency, be flexible in holding foreign currencies, to reduce the exchange rate risk due to import/export. In the future, our company still adopts natural hedging of foreign exchange positions to control the risk of exchange rates, adjust foreign currency assets and liabilities position timely, to reduce the risk due to fluctuation of exchange rates.

(2) Important applications and production processes of major products

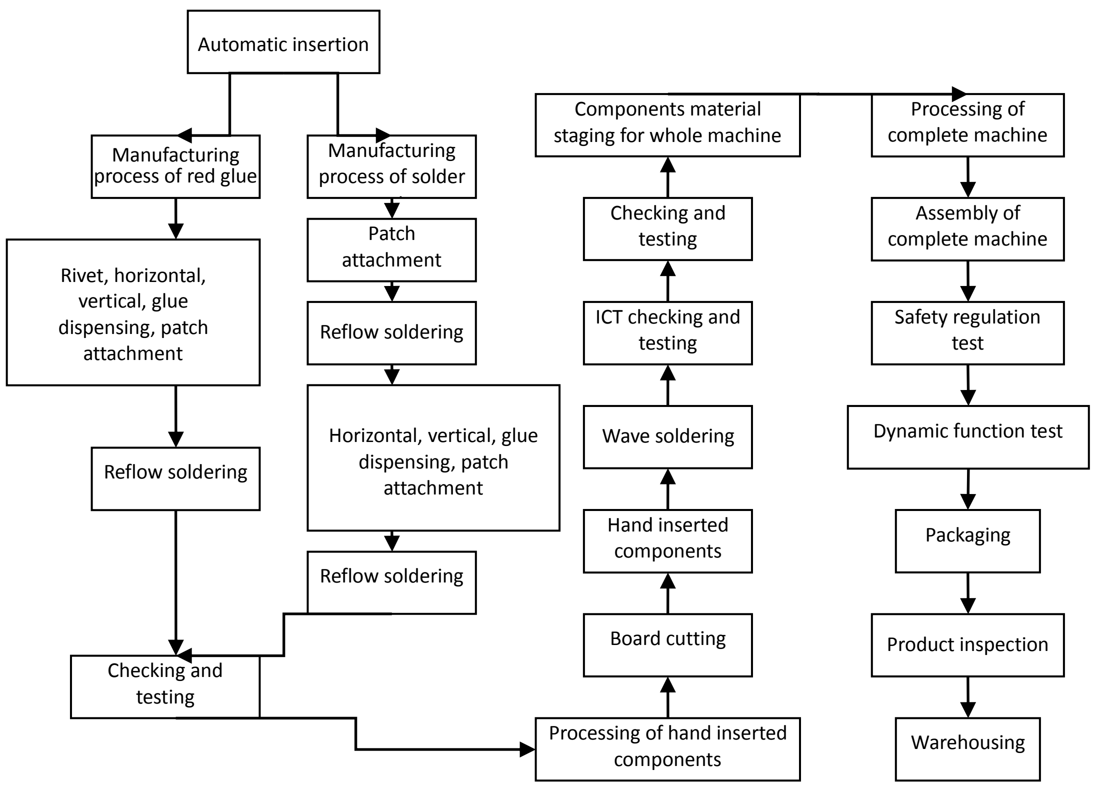
1) Important applications of major products

● Major products	● Important applications
UPS system	● Equipment that provides uninterrupted AC to electrical load and key equipment in situations of abnormal city power (e.g., power outage, under voltage, interference or inrush current), so electrical appliances can maintain normal operation. Usually, UPS is used to maintain uninterrupted operation of computer (especially servers) or switchboard etc. key business equipment or precision instrument, to

	prevent computer data loss, interruption in telephone communication network, or instrument losing control.
Stand Alone Inverter	● Stand Alone Inverter is a power converter, it is able to convert DC to AC Stand Alone Inverters often adopt renewable energy such as solar panels or small wind turbine, after the current has been converted into AC, it can be used by homes and small industries. This type of inverter is mainly used in remote areas not converted by power grid, or areas with frequent power outages.
On-grid PV Inverter	● PV inverter is a special power converter used in the solar PV On-grid power generation area. It converts the DC generated by solar batteries directly into On-grid AC, it's an indispensable core component in an On-grid PV system.

2) Production process of major products

The Company delegates its reinvestment firms to produce UPS and inverter. The process flow of product manufacturing process is depicted in the following figure:



(3) Supply condition of major materials

The Company primarily goes through its reinvestment firms for production, then ship directly to customers, the major materials of The Company's products are batteries, transformers, semiconductor electronic parts, plastic materials, steel cases, PCB, wires, etc. There are many suppliers, but none of the suppliers provide a great share of materials, thus, incoming sources is not overly centralized, besides, The company maintains long-term and excellent relations with suppliers, to ensure stability of supply sources, also maintain contact with other suppliers, the supply availability is in excellent condition, material shortage or stoppage has never occurred.

(4) Lists of major purchasing and sales clients

1) In recent two years, any year, purchasing volume exceeded 10%, client company name, purchasing amount and proportion, and explain their reasons to increase/decrease purchasing, due to contractual agreement, a client's name cannot be released, or if the transaction was with an individual and not related party and is represented by a code:
The Company, from 2016 through the first quarter of 2017, there was not one firm that purchase over 10% of our sales volume.

2) In recent two years, any year, purchasing volume exceeded 10% client company name, purchasing amount and proportion, and explain their reasons to increase/decrease purchasing, due to contractual agreement, a client's name cannot be released, or if the transaction was with an individual and not related party and is represented by a code:
The company, from 2016 through the first quarter of 2017, there was not one firm that purchase over 10% of our sales volume.

(5) Table of output values in recent two years

Unit: Thousand units / Thousand NTD

Year / Output value / Major product	2015			2016		
	Production capacity	Output	Output values	Production capacity	Output	Output value
On-line UPS systems	440	369	1,885,855	490	421	2,011,553
Off-line UPS systems	3,840	3,707	2,296,146	4,280	4,141	2,456,426
Inverter and other products	—	—	1,420,290	—	—	1,166,629
Total			5,602,291			5,634,608

(6) Value table of sales volume in recent two years

Unit: Thousand units / Thousand NTD

Year / Sales values / Major products	2015				2016			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
On-line UOS systems	12	85,158	357	2,736,528	13	98,803	408	2,964,572
Off-line UPS systems	114	121,284	3,593	2,903,381	95	107,425	4,046	3,176,127
Inverter and other products		158,019		2,034,953		138,010		1,635,283
Total		364,461		7,674,863		344,238		7,775,982

3. Employee data in recent two years as of the printing date of this Annual Report

Unit: person

Year		2015	2016	Current year up to March 31, 2017
Number of employees	Direct	1,026	997	1,310
	Indirect	688	872	851
	Total	1,714	1,869	2,161
Average age		28.52	28.66	28.18
Average years of service (year)		2.13	2.33	1.29
Ratios of degree distribution (%)	PhD	0.06%	0%	0%
	Master	1.80%	2.3%	1.85%
	College	18.03%	18.99%	15.78%
	High school and below	80.11%	78.71%	82.37%

4. Information on expenditure for environmental protection

The most recent year and as of the printing date of this Annual Report, total amount of penalty (including compensation) and loss due to polluting the environment, and describe the countermeasures in the future (including improvement measures) and possible expenditure (including estimated amount of loss, penalty, and compensation if countermeasures are not adopted. if it cannot be estimated reasonably, please explain the facts that cannot be estimated reasonably. The company does not have this situation.

5. Labor relations

(1) List employee welfare measures, education, training, retirement system and implementation status, and agreements with labors and the situation of maintaining employees' rights.

1) Measures of employee benefits

In addition to labor and health insurance and pension contributions as required by laws, the Company provides allowance for travel expenses, year-end banquets, year-end bonuses, Labor Day gift money, Mid-Autumn Festival gift money, subsidies for weddings, funerals, hospital stays, child births, group insurance, training and education, assistance in health management and emergency cash. Meanwhile, we have set up the Employee Benefits Committee to take care of employees. The Company pays attention to the health and safety of our employees and work environment. We arrange health check-ups for employees at a standard better than required by the Labor Standards Act. We also offer on-the-job education programs regarding health and safety, such as health management, respiratory infection and fire prevention. We also incorporate modules such as first aid, emergency responses and traffic safety, to enhance our employees' awareness in occupational health and safety.

2) Employee education and training

The Company has established management procedures for employee education and training, to develop employees' knowledge and skills, so they can perform their functions, increase work efficiency, to ensure work quality, and achieve The Company's goal of sustainable operation and development. Other than education and training foe new employees, to help new employees quickly merge into organization team, heads and employees of each department. In response to the operating condition of The Company, with internal and external environmental trends, enterprise, the need for special program, to sponsor companywide or department wide, international or domestic training courses, seminars, etc. to improve employees' expertise and core competencies, and strengthen the channel for employees to receive complete training and advanced studies.

Developing talents for society. Power supply industry must invest in a long time to develop human resources, it's hard to develop R&D staff and for them to gather experiences, The Company must possess sufficient and high quality R&D staff, in order to develop R&D talents, The Company participated in the R&D as alternative to military service sponsored by the Ministry of the Interior, be responsible to set up R&D environment with industry potential, perfect the management system, pass on the experience to provide an environment for talent development for young people entering society.

3) Retirement system and implementation status

Starting on July 1, 2005, implemented the (new system) of labor pension regulation The Company decided in 2008, all employees are applicable to the new system of labor pension regulations, adopted a defined contribution system, according to the provisions of labor pension Act of The Company, not less than 6% of monthly salary to be transferred/saved to individual account of retired labor in Bureau of Labor Insurance.

4) Agreements between labor and management

The various regulations of our company follow the principles of Labor Standards Law. At present, The Company has applied for setting up the employee welfare committee, so employees can go through employee welfare committee to communicate with the company on various company systems and work environment etc. issues, up to now, the relations between labor and management is harmonious, there was no incident when conciliation was needed between any labor/management disputes.

5) Implementation status of safeguarding various employee rights

The Company has a complete system and regulations, indicate clearly all management schemes, the content specifies employees' rights and obligations and benefits programs clearly, The Company also reviews and amends the benefits content on a periodic basis, to safeguard all employees' rights

6) Work environment and safeguarding of employee personal safety

The Company complies with truly handle the following relevant provisions: Labor Safety and Health Act and its detailed rules for implementation, Labor Safety and Sanitation Rules, Labor Inspection Act and its detailed rules for implementation, Review and inspection scheme of Hazardous workplace, strengthen operating key points of labor safety and health management, labor standards law and its detailed rules for implementation, safe sanitary facilities standards. Also, strictly adheres to Employment Services Act, The Workplace Gender Equality Act, etc. related regulations, and clearly indicated in work regulations that "the hiring of employees is based on the conditions of knowledge, integrity, ability, experience, and suitable for jobs and work as the principle." During employee's work in the Company, the Company adheres to, complies with various regulations and work rules. Treat every employee equally, set prevention measures for sexual harassment, to ensure gender equality, no discrimination.

Our main facilities in China have obtained the OHSAS 18001 (2007) certification in occupation health and safety.

(2) The most recent year up to the printing date of annual report, the loss due to labor/management dispute, also revealed/disclosed possibly occurred estimated amount and countermeasures current and future, if it is not reasonable to estimate, please state the reasons that cannot be estimated reasonably: none.

6. Important contracts

Nature of contract	Concerned party	Contract start and end dates	Major content	Restrictions
Trust deed of marketable securities	CTBC Bank	March 14, 2013 - March 13, 2018	New shares of Voltronic Power employee restricted stock	According to published provisions
Work contracts	Lee Ming Construction Co. Ltd.	Contract signed: July 29, 2015, should be completed before 685 calendar days (including obtaining licenses) Estimated completion: September 26, 2017	Civil engineering - Neihu building new construction, Voltronic Power	None
Work contracts	Jehng Long Engineering Co., Ltd.	Contract signed: March, 2016, estimated completion Sept. 26, 2017	Electromechanical engineering-Neihu building new construction, Voltronic Power	None

VI. Financial standing

1. The condensed balance sheet and Comprehensive Income Statement for the past five years

(1) Information on the condensed balance sheet and comprehensive income statement

1) The condensed balance sheet－Financial Accounting Standards of the Republic of China

A. The consolidated financial statements

Unit: Thousand NTD

Items \ Year		Financial information for the past five years				
		2012	2013	2014	2015	2016
Current Assets		2,660,751	—	—	—	—
Fund and investment		—	—	—	—	—
Fixed assets		117,313	—	—	—	—
Intangible assets		7,108	—	—	—	—
Other assets		30,782	—	—	—	—
Total assets		2,815,954	—	—	—	—
Current liabilities	Before distribution	1,387,860	—	—	—	—
	After distribution	1,778,793	—	—	—	—
Long-term liabilities		—	—	—	—	—
Other liabilities		231	—	—	—	—
Total liabilities	Before distribution	1,388,091	—	—	—	—
	After distribution	1,779,024	—	—	—	—
Capital stock		543,476	—	—	—	—
Capital surplus		271,713	—	—	—	—
Retained earnings	Before distribution	617,329	—	—	—	—
	After distribution	198,472	—	—	—	—
Unrealized Gain/Loss on Financial Instruments		—	—	—	—	—
Cumulative translation adjustment		(4,655)	—	—	—	—
Net Loss not Recognized as Pension cost		—	—	—	—	—
Total shareholders' equity	Before distribution	1,427,863	—	—	—	—
	After distribution	1,036,930	—	—	—	—

Note: The financial data of each year were duly audited and certified by Certified Public Accountants

1) The condensed balance sheet－Financial Accounting Standards of the Republic of China

B. The individual financial statements

Unit: Thousand NTD

Item \ Year		Financial information for the past five years				
		2012	2013	2014	2015	2016
Current Assets		1,978,447	－	－	－	－
Fund and investment		503,371	－	－	－	－
Fixed assets		30,269	－	－	－	－
Intangible assets		4,409	－	－	－	－
Other assets		2,143	－	－	－	－
Total assets		2,518,639	－	－	－	－
Current liabilities	Before distribution	1,090,776	－	－	－	－
	After distribution	1,481,709	－	－	－	－
Long-term liabilities		－	－	－	－	－
Other liabilities		－	－	－	－	－
Total liabilities	Before distribution	1,090,776	－	－	－	－
	After distribution	1,481,709	－	－	－	－
Capital stock		543,476	－	－	－	－
Capital surplus		271,713	－	－	－	－
Retained earnings	Before distribution	617,329	－	－	－	－
	After distribution	198,472	－	－	－	－
Unrealized Gain/Loss on Financial Instruments		－	－	－	－	－
Cumulative translation adjustment		(4,655)	－	－	－	－
Net Loss not Recognized as Pension cost		－	－	－	－	－
Total shareholders' equity	Before distribution	1,427,863	－	－	－	－
	After distribution	1,036,930	－	－	－	－

Note: The financial data of each year were duly audited and certified by Certified Public Accountants

1) The condensed balance sheet — International Financial Reporting Standards (IFRS)

A. The consolidated financial statements

Unit: Thousand NTD

Item \ Year		Financial information for the past five years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current Assets		2,658,965	3,436,793	4,521,822	5,382,054	5,747,296	5,683,007
Property, plant and equipment		134,404	143,869	893,157	930,952	1,062,153	1,073,283
Intangible assets		7,108	6,315	7,160	6,103	8,198	7,194
Other assets		15,477	16,616	31,540	48,942	261,588	276,310
Total assets		2,815,954	3,603,593	5,453,679	6,368,051	7,079,235	7,039,794
Current liabilities	Before distribution	1,387,860	1,616,858	2,022,873	2,273,067	2,772,007	2,509,331
	After distribution	1,778,793	2,109,389	2,787,982	3,388,402	(Note 3)	—
Non-current liabilities		231	8,820	25,705	26,629	18,969	4,147
Total liabilities	Before distribution	1,388,091	1,625,678	2,048,578	2,299,696	2,790,976	2,513,478
	After distribution	1,779,024	2,118,209	2,813,687	3,415,031	(Note 3)	—
The equity contributed to the parent company		1,427,863	1,977,915	3,405,101	4,068,355	4,288,259	2,513,478
Capital stock		543,476	616,400	708,435	743,557	787,055	787,055
Capital surplus		271,713	600,258	1,387,138	1,385,450	1,697,404	1,697,404
Retained earnings	Before distribution	617,329	809,010	1,278,140	1,894,778	2,171,080	2,488,550
	After distribution	198,472	282,744	477,609	742,265	(Note 3)	—
Other equity		(4,655)	(47,753)	31,388	44,570	367,280	(446,693)
Treasury stock		—	—	—	—	—	—
Non-controlled Equity		—	—	—	—	—	—
Total equity	Before distribution	1,427,863	1,977,915	3,405,101	4,068,355	4,288,259	4,526,316
	After distribution	1,036,930	1,485,384	2,639,992	2,953,020	(Note 3)	—

Note 1: The 2012 ~2016 financial statements had been duly certified by Certified Public Accountant.

Note 2: The financial data for the first quarter of 2017 was reviewed by Certified Public Accountants.

Note 3: The allocation of earnings in Year 2016 had been resolved in the board of directors but not been resolved by the shareholders' meeting.

1) The condensed balance sheet — International Financial Reporting Standards (IFRS)

B. Individual financial statements

Unit: Thousand NTD

Item \ Year		Financial information for the past five Years				
		2012	2013	2014	2015	2016
Current Assets		1,975,810	2,564,274	3,387,726	3,964,318	3,740,140
Investment of equity method adopted		503,371	743,816	1,236,878	1,986,219	2,550,549
Property, plant and equipment		30,206	27,789	743,087	771,999	860,456
Intangible assets		4,409	3,875	3,826	4,379	7,270
Other assets		4,843	1,231	2,961	3,583	28,569
Total assets		2,518,639	3,340,985	5,374,478	6,730,498	7,186,984
Current liabilities	Before distribution	1,090,776	1,354,495	1,943,926	2,635,767	2,880,022
	After distribution	1,481,709	1,847,026	2,709,035	3,751,102	(Note 2)
Non-current liabilities		—	8,575	25,451	26,376	18,703
Total liabilities	Before distribution	1,090,776	1,363,070	1,969,377	2,662,143	2,898,725
	After distribution	1,481,709	1,855,601	2,734,486	3,777,478	(Note 2)
The equity contributed to the parent company		1,427,863	1,977,915	3,405,101	4,068,355	4,288,259
Capital stock		543,476	616,400	708,435	743,557	787,055
Capital surplus		271,713	600,258	1,387,138	1,385,450	1,697,404
Retained earnings	Before distribution	617,329	809,010	1,278,140	1,894,778	2,171,080
	After distribution	198,472	282,744	477,609	742,265	(Note 2)
Other equity		(4,655)	(47,753)	31,388	44,570	367,280
Treasury stock		—	—	—	—	—
Non-controlled Equity		—	—	—	—	—
Total equity	Before distribution	1,427,863	1,977,915	3,405,101	4,068,355	4,288,259
	After distribution	1,036,930	1,485,384	2,639,992	2,953,020	(Note 2)

Note 1: The 2012 ~2016 financial statements had been duly certified by Certified Public Accountant.

Note 2: The allocation of earnings in Year 2016 had been resolved in the board of directors but not been resolved by the shareholders' meeting.

2) The condensed comprehensive income statement－financial accounting standards of the Republic of China

A. The consolidated financial statements

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Item \ Year	Financial information for the past five Years				
	2012	2013	2014	2015	2016
Operating revenue	4,762,711	—	—	—	—
Gross operating profit	1,069,428	—	—	—	—
Operating gain/loss	666,449	—	—	—	—
Non-operating income and profit	14,332	—	—	—	—
Non-operating expenses and losses	36,296	—	—	—	—
Net profit before tax from continuing operations	644,485	—	—	—	—
Profit and/or loss of the departments in continued business operation	520,043	—	—	—	—
Profit and/or loss of the departments discontinued from business operation	—	—	—	—	—
Extraordinary profit and/or loss	—	—	—	—	—
Cumulative effect of the changes in accounting principles	—	—	—	—	—
Profit and/or loss this term	520,043	—	—	—	—
Earnings per share (EPS)($)(Note)	8.76	—	—	—	—

Source: Financial statements having been audited by the Certified Public Accountants over the past five years.

Note: Earnings per share (EPS) indicates the earnings per share (EPS) after retrospective calculation for the respective years.

B. Individual financial statements

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Item \ Year	Financial information for the past five years				
	2012	2013	2014	2015	2016
Operating revenue	4,654,665	—	—	—	—
Gross operating profit	637,550	—	—	—	—
Operating gain/loss	418,721	—	—	—	—
Non-operating income and profit	200,395	—	—	—	—
Non-operating expenses and losses	30,247	—	—	—	—
Net profit before tax from continuing operations	588,869	—	—	—	—
Profit and/or loss of the departments in continued business operation	520,043	—	—	—	—
Profit and/or loss of the departments discontinued from business operation	—	—	—	—	—
Extraordinary profit and/or loss	—	—	—	—	—
Cumulative effect of the changes in accounting principles	—	—	—	—	—
Profit and/or loss this term	520,043	—	—	—	—
Earnings per share (EPS)($)(Note)	8.76	—	—	—	—

Source: Financial statements having been audited by the Certified Public Accountants over the past five years.

Note: Earnings per share (EPS) indicates the earnings per share (EPS) after retrospective calculation for the respective years.

2) The condensed comprehensive income statement—International Financial Reporting Standards (IFRS)

A. The consolidated financial statements

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Item \ Year	Financial information for the past five Years					As of March 31, 2017
	2012	2013	2014	2015	2016	
Operating revenue	4,762,711	5,491,112	6,723,027	8,039,323	8,120,220	2,193,487
Gross operating profit	1,069,428	1,322,821	1,760,712	2,437,032	2,485,612	647,323
Operating gain/loss	666,449	762,680	1,135,161	1,678,219	1,679,275	439,651
Non-Operating revenues and expenditures	(21,964)	(9,920)	96,533	82,452	42,946	(59,003)
Net profit before tax	644,485	752,760	1,231,694	1,760,671	1,722,221	380,648
Net profit for the year of continuing operations	520,043	610,538	995,396	1,416,710	1,428,336	317,470
Loss from discontinued operations	—	—	—	—	—	—
Net profit for the year（loss）	520,043	610,538	995,396	1,416,710	1,428,336	317,470
Other consolidated gain/loss for the year (net after tax)	(11,800)	27,326	38,760	(13,240)	(150,533)	(118,760)
Total amount of consolidated gain/loss for the year	508,243	637,864	1,034,156	1,403,470	1,277,803	198,710
Net profit contributed to the Parent Company	520,043	610,538	995,396	1,416,710	1,428,336	317,470
Net profit contributed to the Non-controlled equity	—	—	—	—	—	—
Total amount of consolidated gain/loss contributed to the Parent Company	508,243	637,864	1,034,156	1,403,470	1,277,803	198,710
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	—	—	—
Earnings per share	8.76	9.72	14.33	19.05	18.25	4.07

Note 1: The 2012 ~2016 financial statements had been duly certified by Certified Public Accountant.

Note 2: The financial data for the first quarter of 2017 was reviewed by Certified Public Accountants.

2) The condensed comprehensive income statement－International Financial Reporting Standards (IFRS)

B. Standalone financial statements

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Item \ Year	Financial information for the past five Years				
	2012	2013	2014	2015	2016
Operating revenue	4,654,665	5,254,214	6,325,522	7,365,875	7,111,206
Gross operating profit	637,550	798,456	963,561	1,418,672	1,512,514
Operating gain/loss	418,721	458,442	606,290	1,013,105	1,105,793
Non-Operating revenues and expenditures	170,148	240,292	507,367	605,824	532,796
Net profit before tax	588,869	698,734	1,113,657	1,618,929	1,638,589
Net profit for the year of continuing operations	520,043	610,538	995,396	1,416,710	1,428,336
Loss from discontinued operations	—	—	—	—	—
Net profit for the year(loss)	520,043	610,538	995,396	1,416,710	1,428,336
Other consolidated gain/loss for the year (net after tax)	(11,800)	27,326	38,760	(13,240)	(150,533)
Total amount of consolidated gain/loss for the year	508,243	637,864	1,034,156	1,403,470	1,277,803
Net profit contributed to the Parent Company	520,043	610,538	995,396	1,416,710	1,428,336
Net profit contributed to the Non-controlled equity	—	—	—	—	—
Total amount of consolidated gain/loss contributed to the Parent Company	508,243	637,864	1,034,156	1,403,470	1,277,803
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	—	—
Earnings per share	8.76	9.72	14.33	19.05	18.25

Note: The 2012 ~2016 financial statements had been duly certified by Certified Public Accountant.

(2) The impact upon the aforementioned condensed financial statement with uniform comparison of the significant events; the impact upon the financial statement of the current year from merger/acquisition (M&A) or discontinuation from business operation in the sales departments:

1) Since the Company came into being in May 2008, the Company has adopted the latest version of Gazette of Financial Accounting Standard No. 39, i.e., “Shares-Based Payment Accounting Principles”. The change in such accounting principles would not suggest a significant impact upon the Company’s financial statements.

2) Since the Company came into being in May 2008, the Company has adopted the “Accounting Principles of the Bonus to Employees and Remuneration to Directors and Supervisors” latest promulgated by Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as ARDF) with its Letter (Year 2007)-Chi-Mi-Zi 052 dated March 16, 2007. The change in such accounting principles would not suggest a significant impact upon the Company’s financial statements.

3) Since January 1, 2011, the Company has adopted the latest amendment of the "Accounting Principles of the Financial Instruments" as per Gazette of Financial Accounting Standards #34 to recognize the loss in impairment (loss) in bad debts upon occurrence of the objective proofs to indicate impairment. The change in such accounting principles would not suggest a significant impact upon the Company's aggregate total assets and liabilities and the profit and/or loss of Year 2011.

4) Since January 1, 2011, the Company has adopted the Gazette of Financial Accounting Standards (SFAS) No. 41, i.e., "Disclosure of the Information of the Operating Department" instead of Gazette of Financial Accounting Standards (SFAS) No. 20, i.e., "Disclosure of the Financial Information by Departments". Upon the adoption for the first time, the Company further compiled anew the information by departments of the preceding year based on such Gazette. The change in such accounting principles would not affect the aggregate total assets, liabilities as well as profit and/or loss.

(3) Names of CPAs and their audit opinions for the past five years

1) Names of CPAs and their audit opinions for the past five years

Year	CPA's house	Name of CPA	Audit Opinions
2012	Deloitte & Touche	Yu Cheng-Chuan, Chang Keng-Hsi	Unqualified opinions
2013	Deloitte & Touche	Yu Cheng-Chuan, Chang Keng-Hsi	Unqualified opinions
2014	Deloitte & Touche	Chung Wei, Yu Cheng-Chuan	Unqualified opinions
2015	Deloitte & Touche	Yu Cheng-Chuan, Chung Wei	Unqualified opinions
2016	Deloitte & Touche	Yu Cheng-Chuan, Chen Chung-Chen	Unqualified opinions

2) Descriptions of the causes in change in Certified Public Accountant over the past five years: Nonexistent in such fact.

2. Financial analysis for the past five years

(1) Financial Accounting Standards of the Republic of China

A. The consolidated financial statements

Item		Year	Financial information for the past five years				
			2012	2013	2014	2015	2016
Capital Structure	Liabilities to assets ratio(%)		49.29	—	—	—	—
	Long-term funds to fixed assets (%)		1,217.14	—	—	—	—
Liquidity	Current ratio(%)		191.72	—	—	—	—
	Quick Ratio(%)		173.03	—	—	—	—
	Interest coverage ratio (times)		110.11	—	—	—	—
Operating ability	Accounts receivable turnover rate (times)		7.20	—	—	—	—
	Average days of accounts receivable (days)		51	—	—	—	—
	Inventory turnover rate (times)		19.00	—	—	—	—
	Accounts payable turnover rate (times)		3.67	—	—	—	—
	Average days of sales (days)		19	—	—	—	—
	Fixed assets turnover rate (times)		39.14	—	—	—	—
	Total assets turnover rate (times)		1.90	—	—	—	—
Profitability	Return on assets (%)		20.99	—	—	—	—
	Shareholders' return on equity (%)		41.90	—	—	—	—
	Ratio of paid-in capital (%)	Operating profit	122.63	—	—	—	—
		Net gains before tax	118.59	—	—	—	—
	Net gains ratio (%)		10.92	—	—	—	—
	Earnings per share ($)		9.20	—	—	—	—
Cash flow	Cash flow ratio (%)		61.22	—	—	—	—
	Cash Flow Adequacy Ratio (%)		Note	—	—	—	—
	Cash reinvestment ratio (%)		45.55	—	—	—	—
Leverage	Operating leverage		1.60	—	—	—	—
	Financial leverage		1.01	—	—	—	—
Descriptions on change in financial ratios in the past two years: N/A							

Source: Financial statements having been audited by the Certified Public Accountants over the past five years.

Note: The Company has not operated business for five years in full since it was incorporated in May 2008. The Cash flow adequacy ratio is, therefore, not counted.

B. Individual financial statements

Item			Financial information for the past five Years (2012)	2013	2014	2015	2016
Capital Structure	Liabilities to assets ratio(%)		43.31	—	—	—	—
	Long-term funds to property, plant and equipment ratio (%)		4,717.25	—	—	—	—
Liquidity	Current ratio(%)		181.38	—	—	—	—
	Quick Ratio(%)		179.91	—	—	—	—
	Interest coverage ratio (times)		100.69	—	—	—	—
Operating ability	Accounts receivable turnover rate (times)		7.15	—	—	—	—
	Average days of accounts receivable (days)		51	—	—	—	—
	Inventory turnover rate (times)		1,074.96	—	—	—	—
	Accounts payable turnover rate (times)		5.47	—	—	—	—
	Average days of sales (days)		0.34	—	—	—	—
	Fixed assets turnover rate (times)		149.74	—	—	—	—
	Total assets turnover rate (times)		2.18	—	—	—	—
Profitability	Return on assets (%)		24.57	—	—	—	—
	Return on equity (%)		41.90	—	—	—	—
	Ratio of paid-in capital (%)	Operating profit	77.04	—	—	—	—
		Net gains before tax	108.35	—	—	—	—
	Net gains ratio (%)		11.17	—	—	—	—
	Earnings per share ($)		9.20	—	—	—	—
Cash flow	Cash flow ratio (%)		70.92	—	—	—	—
	Cash flow adequacy ratio (%)		Note 1	—	—	—	—
	Cash reinvestment ratio (%)		42.28	—	—	—	—
Leverage	Operating leverage		1.16	—	—	—	—
	Financial leverage		1.01	—	—	—	—
Causes behind the increase/decrease ratio change up to 20% of various financial ratios over the past two years: N/A							

Source: Financial statements of each year were duly audited and certified by the Certified Public Accountants over the past five years.

Note 1: The Company has not operated business for five years in full since it was incorporated in May 2008. The Cash flow adequacy ratio is, therefore, not counted.

Note 2: Not counted because it appears negative in net cash flow in operating activities after deducting cash dividend.

Note 3: The financial analyses were calculated under the formula below:

1. Capital Structure
   (1) Liabilities to assets ratio = total liabilities / total assets
   (2) Long-term funds to fixed assets ratio = (total shareholder's equity + long-term, liabilities) / net fixed assets
2. Liquidity
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets – inventory- prepaid expenses) / current liabilities
   (3) Interest coverage ratio (times) = net gains before income tax and interest expenses/ interest expenditure of the current term
3. Operating ability
   (1) Account receivables (including Notes receivables from operating activities and accounts receivable) turnover = net sales/average receivables of each term (including notes receivables from operating activities and cash received) balance
   (2) Average days of accounts receivable = 365 / receivables turnover rate

(3) Inventory turnover rate = COGS/average inventory amount
(4) Account payables (including Notes payable from operating activities and accounts payable) turnover= COGS/average payables of each term (including Notes payable from operating activities and accounts payable) balance
(5) Average days of sales = 365 / inventory turnover rate
(6) Fixed assets turnover rate = net sales / net property, factory and equipment
(7) Total assets turnover rate = net sales / aggregate total assets

4. Profitability
(1) Return on assets = [gain/loss after tax + interest expense x (1-tax rate)] / average total asset
(2) Return shareholder's on equity = gain/loss after tax / average total equity
(3) Net gains ratio = gain/loss after tax / net sales
(4) Earnings per share = (net profit after tax – preferred stock dividend) / weighted average shares outstanding

5. Cash flow
(1) Cash flow ratio= net cash flow of operating activities/current liabilities
(2) Cash flow adequacy ratio= net cash flow of operating activities in the past five years / five years sum of (capital expenditures + inventory addition +cash dividends)
(3) Cash reinvestment ratio= (net cash flow of operating activities- cash dividends) / (Property, plant and equipment gross + long term investment + other assets + working capital)

6. Leverage：
(1) Operating leverage = (net operating revenue - variable operating cost and expenses)/operating gains
(2) Financial leverage = operating gains / (operating gains - interest expense)

Note 4: The following key points for attention should be taken into account upon measuring of calculation of the aforementioned Earnings per share (EPS):

1. The calculation is conducted on the grounds of number of common shares in weighted average instead of the number of outstanding shares at end of the year.
2. Upon increment in cash or trading treasury stocks, the Company should take into account the duration of circulation to calculate the weighted average.
3. Where earnings are taken for capital increase or capital surplus is taken for capital increase, upon calculation of the previous year and semiannual earnings per share (EPS), the Company shall conduct retrospective adjustment without taking into account the duration of issuance in the capital increase.
4. In case of unconvertible preferred shares accumulated, the dividend of the year (disregarding whether it is allocated) should be deducted from the earnings after tax or be taken to increase the net value after tax. In the event that the preferred shares are not accumulated in attribute, in a status after tax, the preferred shares should be deducted with the net profit after tax. No adjustment is required if the Company operated at a deficits.

Note 5: The following key points for attention should be taken into account upon measuring of analyses of cash flow:

1. Net cash flow in operating activities refers to the net cash inflow among the operating activities in the cash flow statements.
2. Capital expenditure refers to cash outflow of capital investment every year.
3. The increase in inventory was counted only when the balance at the end of year was found greater than the balance at the beginning of year. In case of a decrease of inventory at end of the year, it is counted zero.
4. Cash dividend includes cash dividend for both common shares and preferred shares.
5. The gross amount of fixed assets refers to the aggregate total of property, plant and equipment before deduction of accumulated depreciation.

Note 6: An issuer shall classify various operating cost and operating expenses by their respective attributes into fixed and variable. If it involves subjective judgment, the Company should watch the rationality and uniformity.

(2) International Financial Reporting Standards (IFRS)

A. The consolidated financial statements

Item	Year	Financial information for the past five years 2012	2013	2014	2015	2016	As of March 31, 2017
Capital Structure	Liabilities to assets ratio(%)	49.29	45.11	37.56	36.11	39.42	35.70
	Long-term funds to property, plant and equipment ratio (%)	1,062.54	1,380.93	384.12	439.87	405.52	422.11
Liquidity	Current ratio(%)	191.59	212.56	223.53	236.77	207.33	226.47
	Quick Ratio(%)	172.54	194.86	203.12	218.42	177.55	195.27
	Interest coverage ratio (times)	110.11	149.50	254.43	302.90	235.00	178.21
Operating ability	Accounts receivable turnover rate (times)	7.20	6.57	6.14	6.42	5.88	5.89
	Average days of accounts receivable (days)	51	56	59	57	62	62
	Inventory turnover rate (times)	19.00	18.92	16.54	15.61	10.29	8.81
	Accounts payable turnover rate (times)	3.67	3.54	3.57	3.60	3.12	3.23
	Average days of sales (days)	19	19	22	23	35	41
	Property, plant and equipment turnover rate (times)	33.82	39.47	12.97	8.81	8.15	8.22
	Total assets turnover rate (times)	1.90	1.71	1.48	1.36	1.21	1.24
Profitability	Return on assets (%)	20.99	19.15	22.07	24.05	21.33	18.09
	Return on equity (%)	41.90	35.85	36.98	37.91	34.18	28.81
	Net gains before tax to paid-in capital ratio (%)	118.59	122.12	173.86	236.79	218.82	193.45
	Net gains ratio (%)	10.92	11.12	14.81	17.62	17.59	14.47
	Earnings per share ($)	8.76	9.72	14.33	19.05	18.25	4.07
Cash flow	Cash flow ratio(%)	60.94	34.73	66.60	60.70	49.74	19.89
	Cash flow adequacy ratio (%)	Note 3	199.04	141.97	141.15	117.68	114.93
	Cash reinvestment ratio (%)	44.78	7.99	23.53	14.19	5.80	10.56
Leverage	Operating leverage	1.60	1.00	1.00	1.00	1.00	1.47
	Financial leverage	1.01	1.01	1.00	1.00	1.00	1.00

Causes behind the increase/decrease ratio change up to 20% of various financial ratios over the past two years:
Interest coverage ratio (times): primarily due to an increase of receivables factoring and the interest expenses incurred accordingly in 2016.
Inventory turnover: primarily due to an expectation for the rising costs of raw materials and the stocking ahead of original schedule. This has resulted in a lower inventory turnover compared to 2015.
Average days of sales: primarily due to an expectation for the rising costs of raw materials and the stocking ahead of original schedule.
Cash reinvestment ratio(%): primarily due to an increase in cash dividends in 2016 (vs. 2015).

Note 1: The 2012 ~2016 financial statements had been duly audited and certified by Certified Public Accountant.
Note 2: The financial data for the first quarter of 2017 was reviewed by Certified Public Accountants.
Note 3: Cash flow adequacy ratio is not calculated as the Company’s operating history was less than five years (since inception in May 2008 to 2012).

B. Standalone financial statements

Item	Year	Financial information for the past five Years				
		2012	2013	2014	2015	2016
Capital Structure	Liabilities to assets ratio(%)	43.31	40.80	36.64	39.55	40.33
	Long-term funds to property, plant and equipment ratio (%)	4,727.08	7,148.48	461.66	530.41	500.54
Liquidity	Current ratio(%)	181.14	189.32	174.27	150.40	129.86
	Quick Ratio(%)	179.67	188.47	173.56	149.90	129.40
	Interest coverage ratio (times)	100.69	138.84	230.15	278.59	223.63
Operating ability	Accounts receivable turnover rate (times)	7.15	6.40	5.93	5.93	5.53
	Average days of accounts receivable (days)	51	57	62	62	66
	Inventory turnover rate (times)	1,074.96	972.24	1,572.88	1,561.36	2,368.81
	Accounts payable turnover rate (times)	5.47	4.28	3.78	3.04	2.38
	Average days of sales (days)	0.34	0.38	0.23	0.23	0.15
	Property, plant and equipment turnover rate (times)	149.90	181.20	16.41	9.72	8.71
	Total assets turnover rate (times)	2.18	1.79	1.45	1.22	1.02
Profitability	Return on assets (%)	24.57	20.98	22.93	23.49	20.61
	Return on equity (%)	41.90	35.85	36.98	37.91	34.18
	Net gains before tax to paid-in capital ratio (%)	108.35	113.36	157.20	217.73	208.19
	Net gains ratio (%)	11.17	11.62	15.74	19.23	20.09
	Earnings per share ($)	8.76	9.72	14.33	19.05	18.25
Cash flow	Cash flow ratio (%)	70.92	28.63	63.89	61.25	42.99
	Cash flow adequacy ratio (%)	Note 2	192.39	133.86	135.84	119.52
	Cash reinvestment ratio (%)	42.28	Note 1	21.60	20.50	2.82
Leverage	Operating leverage	1.16	1.17	1.14	1.09	1.09
	Financial leverage	1.01	1.01	1.01	1.01	1.01

Causes behind the increase/decrease ratio change up to 20% of various financial ratios over the past two years:
Inventory turnover rate (times): The increase was primarily due to the destocking in 2016.
Accounts payable turnover rate (times): The increase in payables was primarily due to the change of payment terms by suppliers.
Average days of sales (days): The reduction was primarily due to the destocking in 2016.
Cash flow ratio (%): The net cash inflows from operating activities dropped, primarily as a result of the change in purchase repayments from subsidiaries.
Cash reinvestment ratio (%): primarily due to an increase in investments to subsidiaries in 2016

Source: Financial statements having been audited by Certified Public Accountants I 2012~2016

Note 1: Not counted because the cash flow in the operating activities after deducting the cash dividend becomes negative.

Note 2: Cash flow adequacy ratio is not calculated as the Company's operating history was less than five years (since inception in May 2008 to 2012).

Note 3: The following calculation formulas should be enumerated at end of the Statement in the annual report.

1. Capital Structure
   (1) Liabilities to assets ratio = total liabilities / total assets
   (2) Long-term funds to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment
2. Liquidity
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets – inventory- prepaid expenses) / current liabilities
   (3) Interest coverage ratio (times) = net gains before income tax and interest expenses/ interest expenditure of the current term
3. Operating ability
   (1) Account receivables (including notes receivables from operating activities and accounts receivable)

turnover = net sales/average receivables of each term (including notes receivables from operating activities and accounts receivable) balance

(2) Average days of cash received = 365 / receivables turnover rate
(3) Inventory turnover rate = COGS/average inventory amount
(4) Account payables (including notes payable from operating activities and accounts payable) turnover= COGS/average payables of each term (including Notes payable from operating activities and accounts payable) balance
(5) Average days of sales = 365 / inventory turnover rate
(6) Property, plant and equipment turnover rate = net sales / average net property, factory and equipment
(7) Total assets turnover rate = net sales / average total assets

4. Profitability
   (1) Return on assets = [gain/loss after tax + interest expense x (1-tax rate)] / average total asset
   (2) Return on equity = gain/loss after tax / average total equity
   (3) Net gains ratio = gain/loss after tax / net sales
   (4) Earnings per share = (the gain/loss contributed to the parent company – preferred stock dividend) / weighted average shares outstanding
5. Cash flow
   (1) Cash flow ratio= net cash flow of operating activities/current liabilities
   (2) Cash flow adequacy ratio= net cash flow of operating activities in the past five years / five years sum of (capital expenditures + inventory addition +cash dividends)
   (3) Cash reinvestment ratio= (net cash flow of operating activities- cash dividends) / (Property, plant and equipment gross + long term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operating leverage = (net operating revenue - variable operating cost and expenses)/operating gains
   (2) Financial leverage = operating gains / (operating gains - interest expense)

Note 3: The following key points for attention should be taken into account upon measuring of calculation of the aforementioned Earnings per share (EPS):
1. The calculation is conducted on the grounds of number of common shares in weighted average instead of the number of outstanding shares at end of the year.
2. Upon increment in cash or trading treasury stocks, the Company should take into account the duration of circulation to calculate the weighted average.
3. Where earnings are taken for capital increase or capital surplus is taken for capital increase, upon calculation of the previous year and semiannual earnings per share (EPS), the Company shall conduct retrospective adjustment without taking into account the duration of issuance in the capital increase.
4. In case of unconvertible preferred shares accumulated, the dividend of the year (disregarding whether it is allocated) should be deducted from the earnings after tax or be taken to increase the net value after tax. In the event that the preferred shares are not accumulated in attribute, in a status after tax, the preferred shares should be deducted with the net profit after tax. No adjustment is required if the Company operated at a loss.

Note 4: The following key points for attention should be taken into account upon measuring of analyses of cash flow:
1. Net cash flow in operating activities refers to the net cash inflow among the operating activities in the cash flow statements.
2. Capital expenditure refers to cash outflow of capital investment every year.
3. The increase in inventory was counted only when the balance at the end of year was found greater than the balance at the beginning of year. In case of a decrease of inventory at end of the year, it is counted zero.
4. Cash dividend includes cash dividend for both common shares and preferred shares.
5. The gross amount of property, plant and equipment refers to the aggregate total of property, plant and equipment before deduction of accumulated depreciation.

Note 5: An issuer shall classify various operating cost and operating expenses by their respective attributes into fixed and variable. If it involves subjective judgment, the Company should watch the rationality and uniformity.

Note 6: Where the Company’s share certificates have no face amount or in a face amount other than NT$10, the ratio of the former to the paid-in capital shall be calculated based on the ratio of the equity contributed to the parent company as shown through the balance sheet.

3. The Audit Committee's audit report of financial statements in the most recent year

Voltronic Power Technology Corp.

Audit Committee's Report

The Audit Committee has approved and the board has ratified the 2016 financial statements (including consolidated statements), operational reports and earning distribution proposal. Meanwhile, the financial statements (including consolidated statements) have been audited by Deloitte Taiwan, who has issued unqualified opinions.

Hence, the 2016 financial statements (including consolidated statements), operational reports and earning distribution proposal approved by the Audit Committee and ratified by the board are in compliance with relevant laws and regulations, and presented pursuant to Article 219 of the Company Act.

Please review.

Submitted to:
2017 Shareholders' meeting of Voltronic Power Technology Corp.

Convener of Audit Committee: Jan-Zan Lee

March 22, 2017

4. Financial reports in the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Voltronic Power Technology Corp.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities and Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Sales Recognition

For the year ended December 31, 2016, the Group's revenue was $8,120,220 thousand, net profit before income tax was $1,722,221 thousand, and the basic earnings per share was $18.25. We deemed the authenticity of the revenue recognition to be a key audit matter because the management were expected to encounter pressure in achieving profitable target to maintain an outstanding sales performance. The principal of revenue recognition accounting policy is disclosed in Note 4 to the consolidated financial statements.

The main source of operating revenue of the Group is export. In connection with such sales revenue, we verified the authenticity of the sales through the understanding on and implementation of the control and test procedures regarding internal control of the sales recognition. We also performed tests on sales details and examined significant post-sales returns and allowances to confirm the authenticity of the sales revenue.

Key Audit Matter - Impairment of Trade Receivables

As explained in Note 7 to the consolidated financial statements, the past due, but not impaired, trade receivables of the Group was $145,826 thousand as of December 31, 2016. The management believed that the amount can be recovered; hence, we deemed the assessment of the impairment of the past due trade receivables to be a key audit matter. Please refer to Note 4 to the consolidated financial statements for the accounting principal of the impairment of the trade receivables; please refer to Note 5 to the consolidated financial statements for relevant, critical accounting estimates and judgments.

Through the understanding and implementation of control and test procedure of the trade receivables management process in the sales revenue collection cycle, we examined the information on the outstanding of the past due trade receivables and understood the reason thereof, confirmed the Group's safeguard adopted against such receivables, and verified the substantial test procedure for the collectability of the past due to ensure the reasonableness of the estimate for the impairment assessment of the past due trade receivables.

Other Matter

We have also audited the parent company only financial statements of Voltronic Power Technology Corp. as of and for the years ended December 31, 2016 and 2015 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 entities or business activities within the Group to express an opinion on the 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 for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng Chuan Yu and Chen Chung-Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.
For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016		2015	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,039,601	43	$ 3,334,051	52
Notes receivable (Notes 4 and 7)	21,694	-	27,247	-
Trade receivables (Notes 4, 5 and 7)	1,392,944	20	1,193,908	19
Trade receivables from related parties (Notes 4 and 26)	108,307	2	159,954	3
Other receivables (Note 7)	117,123	2	98,685	2
Inventories (Notes 4, 5 and 8)	725,603	10	351,537	6
Prepayments (Notes 12 and 13)	100,061	1	65,660	1
Other financial assets - current (Note 13)	241,963	3	151,012	2
Total current assets	5,747,296	81	5,382,054	85
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4 and 10)	1,062,153	15	930,952	15
Other intangible assets (Notes 4 and 11)	8,198	-	6,103	-
Deferred income tax assets (Notes 4, 5 and 19)	43,983	1	19,833	-
Long-term prepayments for lease (Note 12)	177,133	2	-	-
Other non-current assets (Notes 13 and 26)	40,472	1	29,109	-
Total non-current assets	1,331,939	19	985,997	15
TOTAL	$ 7,079,235	100	$ 6,368,051	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 14)	$ 7	-	$ 2,476	-
Trade payables (Note 14)	2,022,359	28	1,580,657	25
Trade payables to related parties (Note 26)	260	-	8,329	-
Other payables (Note 15)	546,456	8	465,240	7
Current income tax liabilities (Notes 4 and 19)	124,403	2	166,537	3
Other current liabilities (Notes 15 and 26)	78,522	1	49,828	1
Total current liabilities	2,772,007	39	2,273,067	36
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 19)	18,703	-	26,376	-
Other non-current liabilities (Note 15)	266	-	253	-
Total non-current liabilities	18,969	-	26,629	-
Total liabilities	2,790,976	39	2,299,696	36

	2016		2015	
	Amount	%	Amount	%
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)				
Share capital				
Ordinary shares	787,055	11	743,557	11
Capital surplus	1,697,404	24	1,385,450	22
Retained earnings				
Legal reserve	406,623	6	264,952	4
Unappropriated earnings (Note 19)	1,764,457	25	1,629,826	26
Total retained earnings	2,171,080	31	1,894,778	30
Other equity (Notes 4, 17 and 21)	(367,280)	(5)	44,570	1
Total equity	4,288,259	61	4,068,355	64
TOTAL	$ 7,079,235	100	$ 6,368,051	100

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4 and 26)	$ 8,120,220	100	$ 8,039,323	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 18 and 26)	(5,634,608)	(69)	(5,602,291)	(70)
GROSS PROFIT	2,485,612	31	2,437,032	30
OPERATING EXPENSES (Notes 18 and 26)				
Selling and marketing expenses	(212,484)	(3)	(213,091)	(2)
General and administrative expenses	(235,590)	(3)	(237,909)	(3)
Research and development expenses	(358,263)	(4)	(307,813)	(4)
Total operating expenses	(806,337)	(10)	(758,813)	(9)
PROFIT FROM OPERATIONS	1,679,275	21	1,678,219	21
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 18)	42,644	-	44,231	1
Other gains and losses (Note 18)	7,662	-	44,053	-
Finance costs (Note 18)	(7,360)	-	(5,832)	-
Total non-operating income and expenses	42,946	-	82,452	1
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,722,221	21	1,760,671	22
INCOME TAX EXPENSE (Notes 4 and 19)	(293,885)	(3)	(343,961)	(5)
NET PROFIT FOR THE YEAR	1,428,336	18	1,416,710	17
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 17)	(181,365)	(2)	(15,952)	-
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 17 and 19)	30,832	-	2,712	-
Other comprehensive (loss) income for the year, net of income tax	(150,533)	(2)	(13,240)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,277,803	16	$ 1,403,470	17

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	$ 18.25		$ 18.14	
Diluted	$ 18.20		$ 18.08	

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

			Retained Earnings		Other Equity		
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2015	$ 708,435	$ 1,387,138	$ 165,412	$ 1,112,728	$ 61,431	$ (30,043)	$ 3,405,101
Appropriation of the 2014 earnings (Note 17)							
Legal reserve	-	-	99,540	(99,540)	-	-	-
Cash dividends distributed by the Company	-	-	-	(765,109)	-	-	(765,109)
Share dividends distributed by the Company	35,422	-	-	(35,42)	-	-	-
Share-based payment transactions (Notes 17, 18 and 21)	(300)	(1,688)	-	459	-	26,422	24,893
Net profit for the year ended December 31, 2015	-	-	-	1,416,710	-	-	1,416,710
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(13,240)	-	(13,240)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	1,416,710	(13,240)	-	1,403,470
BALANCE AT DECEMBER 31, 2015	743,557	1,385,450	264,952	1,629,826	48,191	(3,621)	4,068,355
Appropriation of the 2015 earnings (Note 17)							
Legal reserve	-	-	141,671	(141,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,115,335)	-	-	(1,115,335)
Share dividends distributed by the Company	37,178	-	-	(37,178)	-	-	-
Share-based payment transactions (Notes 17,18 and 21)	6,320	311,954	-	479	-	(261,317)	57,436
Net profit for the year ended December 31, 2016	-	-	-	1,428,336	-	-	1,428,336
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(150,533)	-	(150,533)
Total comprehensive income for the year ended December 31, 2016	-	-	-	1,428,336	(150,533)	-	1,277,803
BALANCE AT DECEMBER 31, 2016	$ 787,055	$ 1,697,404	$ 406,623	$ 1,764,457	$ (102,342)	$ (264,938)	$ 4,288,259

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,722,221	$ 1,760,671
Adjustments for:		
Depreciation expenses	55,303	56,825
Amortization expenses	3,156	3,682
Impairment loss (reversal of impairment loss) recognized on trade receivables	657	(1,125)
Amortization of prepayments for lease	1,264	-
Finance costs	7,360	5,832
Interest income	(41,076)	(43,060)
Compensation cost of employee share options	57,436	24,893
(Gain) loss on disposal of property, plant and equipment	(195)	2,053
Write-down of inventories	2,375	3,514
Net gain on foreign currency exchange	(42,878)	(30,974)
Changes in operating assets and liabilities		
Notes receivable	4,744	(11,459)
Trade receivables	(204,500)	(119,102)
Trade receivables from related parties	51,647	(9,739)
Other receivables	(23,903)	(49,267)
Inventories	(420,678)	(5,633)
Prepayments	(36,030)	(4,974)
Increase in other financial assets	(106,269)	(152,071)
Notes payable	(2,469)	(3,002)
Trade payables	562,466	64,654
Trade payables to related parties	(8,069)	2,168
Other payables	72,633	113,459
Other current liabilities	29,917	(3,374)
Cash generated from operations	1,685,112	1,603,971
Interest received	40,916	43,050
Interest paid	(7,360)	(5,832)
Income tax paid	(339,873)	(281,800)
Net cash generated from operating activities	1,378,795	1,359,389
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(184,806)	(97,989)
Proceeds of the disposal of property, plant and equipment	881	154
Increase in refundable deposits	(3,836)	(13,794)
Acquisition of intangible assets	(5,361)	(2,638)
Increase in prepayments for equipment	(10,156)	-
Increase in prepayments for lease	(189,543)	-
Net cash used in investing activities	(392,821)	(114,267)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	$ (1,115,335)	$ (765,109)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(165,089)	57,658
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(294,450)	537,671
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,334,051	2,796,380
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,039,601	$ 3,334,051

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Voltronic Power Technology Corp. (the "Company") was incorporated in the Republic of China (ROC) in May 2008. The Company mainly manufactures and sells uninterruptible power systems (UPS).

The Company's shares have been listed on the Taiwan Stock Exchange since March 31, 2014.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 24, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017.

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016

Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

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

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

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

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is

10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

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

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

(2) New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value.

Impairment of financial assets

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

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

Transition

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

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

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

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

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;

- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

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

3) IFRS 16 "Leases"

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

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

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

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

4) Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for their oversight purposes.

(1) Statement of compliance

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

(2) Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 9 for more information on subsidiaries (including the percentages of ownership and main businesses).

(5) Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

(6) Inventories

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

(7) Property, plant and equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospective basis.

2) Derecognition of intangible assets

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

(9) Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

(10) Financial instruments

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

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

1) Financial assets

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

   a. Measurement category

      Financial assets held by the Group are classified into loans and receivables.

      <u>Loans and receivables</u>

      Loans and receivables (including cash and cash equivalent, notes receivable, trade receivables, trade receivables from related parties and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

      Cash equivalents include time deposits that have original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

   b. Impairment of financial assets

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

      Financial assets carried at amortized cost, such as notes receivable, trade receivables from related and unrelated parties and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with a default on receivables.

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

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

For all other financial assets, objective evidence of impairment could include the significant financial difficulty of the issuer or counterparty; breach of contract, such as default or delinquency in interest or principal payments; it becoming probable that the borrower will undergo bankruptcy or financial re-organization; or the disappearance of an active market for the financial asset because of financial difficulties.

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

c. Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a. Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(11) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The transaction costs incurred or to be incurred can be measured reliably.

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

2) Interest income

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

(12) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

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

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as an expense in the period in which they are incurred.

(13) Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

(14) Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

(15) Share-based payment arrangements

- Restricted shares for employees granted to employee

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period on the basis of the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefit. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Under certain conditions, some employees who receive restricted shares are required to return their shares to the issuer on their resignation, and these shares will then be recognized as payables. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings.

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

(16) Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences of how the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Estimated impairment of trade receivables

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

The carrying amounts of trade receivables as of December 31, 2016 and 2015 were \$1,392,944 thousand and \$1,193,908 thousand, respectively. The Group recognized \$2,211 thousand and \$1,554 thousand as allowance for impairment of trade receivables for the years ended December 31, 2016 and 2015, respectively.

(2) Income taxes

As of December 31, 2016 and 2015, the carrying amounts of the deferred tax in relation to unused tax losses were \$43,983 thousand and \$19,833 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which a reversal takes place.

(3) Estimated impairment of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 830	$ 612
Demand deposits	1,664,427	1,401,163
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	1,374,344	1,932,276
	$ 3,039,601	$ 3,334,051

The market interest rates for cash in bank at the end of the reporting period were as follows:

	December 31	
	2016	**2015**
Bank balance	0.05%-4%	0.001%-4.5%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2016	**2015**
Notes receivable		
Notes receivable - operating	$ 21,694	$ 27,247
Trade receivables		
Trade receivables	$ 1,395,155	$ 1,195,462
Less: Allowance for impairment loss	(2,211)	(1,554)
	$ 1,392,944	$ 1,193,908
Other receivables		
Tax refund receivables	$ 105,261	$ 88,336
Interest receivables	3,685	3,525
Others	8,177	6,824
	$ 117,123	$ 98,685

Trade receivables

The average credit period on sales of goods was 0 to 180 days. In determining the collectability of a trade receivable, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all trade receivables over 365 days because historical experience shows that receivables outstanding beyond 365 days are not recoverable. For receivables outstanding between 0 to 365 days, the Group estimated irrecoverable amount based on the past default by the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2016	2015
Not overdue	$ 1,235,149	$ 1,023,505
Overdue 60 days	134,895	136,859
Overdue 61-120 days	11,885	31,105
Overdue beyond 120 days	13,226	3,993
	$ 1,395,155	$ 1,195,462

The above aging schedule was based on the past due date.

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

	December 31	
	2016	2015
Overdue 60 days	$ 123,711	$ 130,584
Overdue 61-120 days	11,885	23,485
Overdue beyond 120 days	10,210	1,943
	$ 145,806	$ 156,012

The above aging schedule was based on the past due date.

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

	Individually Assessed for Impairment	Collectability Assessed for Impairment	Total
Balance at January 1, 2015	$ -	$ 2,679	$ 2,679
Deduct: Impairment losses reversed	-	(1,125)	(1,125)
Balance at December 31, 2015	$ -	$ 1,554	$ 1,554
Balance at January 1, 2016	$ -	$ 1,554	$ 1,554
Add: Impairment losses recognized on receivables	-	657	657
Balance at December 31, 2016	$ -	$ 2,211	$ 2,211

The Group recognized no impairment loss on trade receivables which related to customers that in severe financial difficulties with balances as of December 31, 2016 and 2015. The Group did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2016	2015
Raw materials	$ 516,810	$ 232,778
Supplies	2,017	3,418
Semi-finished goods	42,067	36,605
Work in progress	75,125	30,899
Finished goods	89,584	47,837
	$ 725,603	$ 351,537

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $5,634,608 thousand and $5,602,291 thousand, respectively. The cost of goods sold included inventory write-downs of $2,375 thousand and $3,514 thousand, respectively.

9. SUBSIDIARIES

Entities included in the consolidated financial statements

			Proportion of Ownership December 31		
Investor	Investee	Nature of Activities	2016	2015	Remark
Voltronic Power Technology Corp.	Voltronic International Corp.	Investment activities	100%	100%	Main operation risk is foreign exchange rate risk
Voltronic International Corp.	Voltronic International H.K. Corp. Limited	Investment activities	100%	100%	〃
	Potentia Technology Inc. Limited	Sale of uninterruptible power systems (UPS)	100%	100%	〃
Voltronic International H.K. Corp. Limited	Voltronic Power Technology (Shen Zhen) Corp.	Design, manufacture and sale of UPS	100%	100%	Main operating risks are foreign exchange rate risks, statute of limitation and political uncertainty between China and Taiwan
	Orchid Power (Shen Zhen) Manufacturing Company	Design, manufacture and sale of UPS	100%	100%	〃
	Zhongshan Voltronic Power Electronic Limited	Design, manufacture and sale of UPS	100%	100%	〃

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Machinery and Equipment	Transportation	Office Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2015	$ 720,761	$ 212,237	$ 5,183	$ 27,719	$ 62,557	$ 73,981	$ -	$ 1,102,438
Additions	-	26,395	1,139	6,409	19,829	12,757	31,460	97,989
Disposals	-	(7,589)	(479)	(210)	(16,081)	(381)	-	(24,740)
Effect of foreign currency exchange differences	-	(1,275)	(44)	(188)	(437)	(625)	-	(2,569)
Balance at December 31, 2015	$ 720,761	$ 229,768	$ 5,799	$ 33,730	$ 65,868	$ 85,732	$ 31,460	$ 1,173,118
Accumulated depreciation and impairment								
Balance at January 1, 2015	$ -	$ 110,990	$ 2,487	$ 17,381	$ 39,047	$ 39,376	$ -	$ 209,281
Depreciation expense	-	30,848	713	3,788	10,680	10,796	-	56,825
Disposals	-	(6,710)	(477)	(184)	(14,836)	(326)	-	(22,533)
Effect of foreign currency exchange differences	-	(689)	(20)	(115)	(222)	(361)	-	(1,407)
Balance at December 31, 2015	$ -	$ 134,439	$ 2,703	$ 20,870	$ 34,669	$ 49,485	$ -	$ 242,166
Carrying amounts at December 31, 2015	$ 720,761	$ 95,329	$ 3,096	$ 12,860	$ 31,199	$ 36,247	$ 31,460	$ 930,952
Cost								
Balance at January 1, 2016	$ 720,761	$ 229,768	$ 5,799	$ 33,730	$ 65,868	$ 85,732	$ 31,460	$ 1,173,118
Additions	-	63,015	1,977	6,631	2,085	8,713	118,034	200,455
Disposals	-	(26,091)	(410)	(2,029)	(11,461)	(2,738)	-	(42,729)
Reclassified (Note)	-	1,762	-	-	-	-	-	1,762
Effect of foreign currency exchange differences	-	(15,383)	(526)	(2,250)	(4,376)	(7,041)	(904)	(30,480)
Balance at December 31, 2016	$ 720,761	$ 253,071	$ 6,840	$ 36,082	$ 52,116	$ 84,666	$ 148,590	$ 1,302,126
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ 134,439	$ 2,703	$ 20,870	$ 34,669	$ 49,485	$ -	$ 242,166
Depreciation expense	-	30,492	863	4,005	10,404	9,539	-	55,303
Disposals	-	(25,710)	(406)	(1,883)	(11,461)	(2,583)	-	(42,043)
Effect of foreign currency exchange differences	-	(7,420)	(235)	(1,281)	(2,329)	(4,188)	-	(15,453)
Balance at December 31, 2016	$ -	$ 131,801	$ 2,925	$ 21,711	$ 31,283	$ 52,253	$ -	$ 239,973
Carrying amounts at December 31, 2016	$ 720,761	$ 121,270	$ 3,915	$ 14,371	$ 20,833	$ 32,413	$ 148,590	$ 1,062,153

Note: Reclassified from prepayments for equipment to property, plant and equipment.

For the years ended December 31, 2016 and 2015, no impairment assessment was performed as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Machinery and equipment	3-10 years
Transportation	3-5 years
Office equipment	2-5 years
Leasehold improvements	3-5 years
Other equipment	3-5 years

The unrecognized commitments for acquisition of property, plant and equipment were set out in Note 27.

11. OTHER INTANGIBLE ASSETS

		Computer Software
Cost		
Balance at January 1, 2015	$	24,509
Additions		2,638
Disposals		(1,619)
Effect of foreign currency exchange differences		(48)
Balance at December 31, 2015	$	25,480
Accumulated amortization and impairment		
Balance at January 1, 2015	$	17,349
Amortization expense		3,682
Disposals		(1,619)
Effect of foreign currency exchange differences		(35)
Balance at December 31, 2015	$	19,377
Carrying amounts at December 31, 2015	$	6,103
Cost		
Balance at January 1, 2016	$	25,480
Additions		5,361
Disposals		(2,404)
Effect of foreign currency exchange differences		(445)
Balance at December 31, 2016	$	27,992
Accumulated amortization and impairment		
Balance at January 1, 2016	$	19,377
Amortization expense		3,156
Disposals		(2,404)
Effect of foreign currency exchange differences		(335)
Balance at December 31, 2016	$	19,794
Carrying amounts at December 31, 2016	$	8,198

The above of intangible assets are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years.

12. PREPAYMENTS FOR LEASE

	December 31	
	2016	2015
Current assets (included in prepayments)	$ 3,640	$ -
Non-current assets	177,133	-
	$ 180,773	$ -

As of December 31, 2016 and 2015, prepaid lease payments include land use right with carrying amount of $180,773 thousand and $0 thousand, respectively, which are located in Mainland China.

13. OTHER ASSETS

	December 31	
	2016	2015
Current		
Prepayments	$ 100,061	$ 65,660
Other financial assets (Note)	241,963	151,012
	$ 342,024	$ 216,672
Non-current		
Refundable deposits	$ 30,528	$ 28,906
Prepayments for equipment	9,815	63
Other	129	140
	$ 40,472	$ 29,109

Note: The capital account can be used with the approved of subsidiary's State Administration of Foreign Exchange.

14. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2016	2015
Notes payable		
Operating	$ 7	$ 2,476
Trade payables		
Operating	$ 2,022,359	$ 1,580,657

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

15. OTHER LIABILITIES

	December 31	
	2016	2015
Current		
Other payables		
Payable for salaries and bonus	$ 230,993	$ 224,219
Payable for employee compensation	113,746	93,738
Payable for remuneration to directors and supervisors	17,325	21,000
Payable for commission	80,161	47,037
Payable for welfare funds	36,467	37,366
Payable for sales tax	28,228	21,036
Payable for purchase of equipment	15,649	-
Others	23,887	20,844
	$ 546,456	$ 465,240
Other liabilities		
Advance receipts	$ 77,226	$ 48,674
Receipts under custody	1,296	1,154
	$ 78,522	$ 49,828
Non-current		
Other liabilities		
Guarantee deposits	$ 266	$ 253

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. The employees of the Group in China are members of state-managed retirement benefit plans operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

17. EQUITY

(1) Capital stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	100,000	80,000
Shares authorized	$ 1,000,000	$ 800,000
Number of shares issued and fully paid (in thousands)	78,705	74,355
Shares issued	$ 787,055	$ 743,557

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

Shares authorized include $20,000 thousand for issuance of employee share options.

In the meetings on May 24, 2016 and June 30, 2015, the Company's shareholders approved the transfer of retained earnings of $37,178 thousand and $35,422 thousand, respectively, to 3,718 thousand and 3,542 thousand new shares, respectively, with a par value of NT$10. These transfers were approved by the FSC at July 14, 2016 and July 30, 2015, and August 30, 2016 and August 31, 2015, respectively, were approved as the subscription base dates.

The Company retired $300 thousand of new restricted employee shares at par value of $10, totaling 30 thousand shares on May 8, 2015 per resolution of the board meeting. The Company designated that the basis date of the capital reduction was September 30, 2015, where the approval of the Ministry of Economic Affairs (MOEA) was obtained on July 17, 2015.

Per resolution of the board of directors, the Company retired $180 thousand of restricted employee shares at $10 par value, totaling 18 thousand shares. The Company designated that the basis date of the capital reduction was February 26, 2016, where the approval of the MOEA was obtained on March 14, 2016.

A reconciliation of the number of shares outstanding was as follows:

	Number of Shares (In Thousands of Shares)	Share Capital
Balance at January 1, 2015	70,843	$ 708,435
Capital transferred from retained earnings	3,542	35,422
Retirement of recovered employee restricted shares	(30)	(300)
Balance at December 31, 2015	74,355	743,557
Capital transferred from retained earnings	3,718	37,178
Issued employee restricted shares (Note 21)	650	6,500
Retirement of recovered employee restricted shares	(18)	(180)
Balance at December 31, 2016	78,705	$ 787,055

(2) Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuing ordinary shares	$ 1,384,754	$ 1,323,323
May not be used for any purpose		
Employee restricted shares	312,650	62,127
	$ 1,697,404	$ 1,385,450

Note: Capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's paid-in capital once a year.

A reconciliation of the capital surplus was as follows:

	Premium from Ordinary Shares		Employee Restricted Shares	
Balance at January 1, 2015	$ 1,301,446		$ 85,692	
Vested employee restricted shares	21,423		(21,423)	
Retirement employee restricted shares	454	(Note 1)	(2,142)	(Note 2)
Balance at December 31, 2015	$ 1,323,323		$ 62,127	
Balance at January 1, 2016	$ 1,323,323		$ 62,127	
Issued employee restricted shares	-		312,650	
Vested employee restricted shares	60,842		(60,842)	
Retirement employee restricted shares	589	(Note 3)	(1,285)	(Note 4)
Balance at December 31, 2016	$ 1,384,754		$ 312,650	

Note 1: Accumulative stock dividends of $454 thousand for withdrawn restricted stock was recognized as salary expense.

Note 2: The reversed compensation cost of $2,442 thousand for restricted stock was net of retired share capital of $300 thousand.

Note 3: Accumulative stock dividends of $589 thousand for withdrawn restricted stock was recognized as salary expense.

Note 4: The reversed compensation cost of $1,465 thousand for restricted stock was net of retired share capital of $180 thousand.

(3) Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 24, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 18,(5). employee benefits expense.

Distribution of the compensation may be made by way of a cash dividend or stock dividend, where the ratio of the cash dividend shall not less than 10% of the shareholders' bonus so as to achieve the balance and stability of the dividend policy. However, in a case that the bonus per share is less than NT$0.3, the Board of Directors may cancel the bonus distribution by submit such cancellation for recognition at the shareholders' meeting. If such cancellation is recognized by the shareholders' meeting, the allocation of the employee bonus and remuneration for Directors and Supervisors shall also be canceled.

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

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

The appropriations from the 2015 and 2014 earnings approved in the stockholders' meetings on May 24, 2016 and June 30, 2015, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 141,671	$ 99,540	$ -	$ -
Cash dividends	1,115,335	765,109	15.00	10.80
Stock dividends	37,178	35,422	0.50	0.50

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on February 24, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 142,834	$ -
Special reserve	102,342	-
Cash dividends	1,180,581	15.00

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 16, 2017.

The board of directors on February 24, 2017 proposed to issue cash dividends of $393,527 thousand from capital surplus, a proposal that is subject to the resolution of the shareholders' meeting held on June 16, 2017.

(4) Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 48,191	$ 61,431
Exchange differences on translating foreign operations	(181,365)	(15,952)
Income tax related to exchange differences arising on translating to the presentation currency	30,832	2,712
Balance at December 31	$ (102,342)	$ 48,191

Employee unearned benefit

In the meeting of shareholders on May 24, 2016 and December 10, 2012, the shareholders approved the issuance of restricted shares to employees, respectively (see Note 21).

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ (3,621)	$ (30,043)
Issuance of shares	(319,150)	-
Share-based payment expenses recognized	56,368	23,980
Retired restricted employee shares (Note)	1,465	2,442
Balance at December 31	$ (264,938)	$ (3,621)

Note: Deducted from compensation cost of restricted shares amounting $1,465 thousand and $2,442 thousand for the year 2016 and 2015, respectively.

18. NET PROFIT (LOSS) FROM OPERATIONS

(1) Other income

	For the Year Ended December 31	
	2016	2015
Rental income		
Operating lease rental income - others	$ -	$ 814
Interest income		
Bank deposits	41,076	43,060
Others	1,568	357
	$ 42,644	$ 44,231

(2) Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain (loss) on disposal of property, plant and equipment	$ 195	$ (2,053)
Net foreign exchange gains	303	43,841
Government grants	3,644	-
Others	3,520	2,265
	$ 7,662	$ 44,053

(3) Finance costs

	For the Year Ended December 31	
	2016	2015
Other interest expense	$ 7,360	$ 5,832

(4) Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 55,303	$ 56,825
Intangible assets	3,156	3,682
	$ 58,459	$ 60,507
An analysis of depreciation by function		
Operating costs	$ 39,793	$ 39,833
Operating expenses	15,510	16,992
	$ 55,303	$ 56,825
An analysis of amortization by function		
Selling and marketing expenses	$ 270	$ 272
General and administrative expenses	1,554	1,022
Research and development expenses	1,332	2,388
	$ 3,156	$ 3,682

(5) Employee benefit expense

	For the Year Ended December 31					
	2016			2015		
Salary expenses	$	927,909		$	871,519	
Other employee benefits		60,891			58,017	
Share-based payments						
Equity-settled share-based payments		57,436	(Note 1)		24,893	(Note 2)
Post-employment benefits						
Defined contribution plans		41,353			38,182	
Total employee benefit expense	$	1,087,589		$	992,611	
An analysis of employee benefit expense by function						
Operating costs	$	520,782		$	502,244	
Operating expenses		566,807			490,367	
	$	1,087,589		$	992,611	

Note 1: The share-based payments included the withdrawn accumulative stock dividends $1,068 thousand in 2016.

Note 2: The share-based payments included the withdrawn accumulative stock dividends $913 thousand in 2015.

1) Employees' compensation and remuneration to directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in May 2016, the Company accrued employees' compensation and remuneration to directors and supervisors at the rates between 3.75% to 11.5% and no higher than 3.75%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on February 24, 2017 and February 25, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	4.33%	5.04%
Remuneration to directors and supervisors	1.00%	1.22%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	$ 75,000	$ -	$ 87,000	$
Remuneration to directors and supervisors	17,325	-	21,000	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration to directors and supervisors for 2014

The bonus to employees and remuneration to directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 30, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	Share
Bonus to employees	$ 59,000	$ -
Remuneration to directors and supervisors	18,000	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meeting on June 30, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration to directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(6) Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2016	2015
Foreign exchange gains	$ 370,616	$ 306,460
Foreign exchange losses	(370,313)	(262,619)
	$ 303	$ 43,841

19. INCOME TAXES RELATING TO CONTINUING OPERATIONS

(1) Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2016	2015
Current tax		
Current year	$ (308,778)	$ (354,659)
Income tax on unappropriated earnings	(12,252)	(9,533)
Adjustments for prior years	24,567	19,934
	(296,463)	(344,258)
Deferred tax		
Current year	9,915	297
Adjustments to deferred tax attributable to changes in tax rates	(7,337)	-
	2,578	297
Income tax expense recognized in profit or loss	$ (293,885)	$ (343,961)

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2016	2015
Profit before tax	$ 1,722,221	$ 1,760,671
Income tax expense calculated at the statutory tax rate	$ (379,479)	$ (431,534)
Deferred tax effect of earnings of subsidiaries	80,616	82,481
Non-deductible expenses or losses	-	(5,309)
Income tax on unappropriated earnings	(12,252)	(9,533)
Effect of tax rate changes	(7,337)	-
Adjustments for prior years' tax	24,567	19,934
Income tax expense recognized in profit or loss	$ (293,885)	$ (343,961)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC. The applicable tax rate used by subsidiaries in China was 25%

except for Voltronic Power Technology (Shen Zhen) Corp. in 2016 which used tax rate of 15% due to the high-tech enterprise certificate.

As the status of the 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

(2) Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Current year:		
Translation of foreign operations	$ 30,832	$ 2,712

(3) Current tax assets and liabilities

	December 31	
	2016	2015
Current tax liabilities		
Income tax payable	$ 124,403	$ 166,537

(4) Deferred tax assets and liabilities

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

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Tax Rate Changes	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Exchanges difference on foreign operations	$ -	$ -	$ 20,962	$ -	$ -	$ 20,962
Unrealized loss on write-down of inventories	2,084	73	-	(561)	(128)	1,468
Unrealized employee compensation	17,681	9,654	-	(6,776)	(1,359)	19,200
Employee welfare	68	(68)	-	-	-	-
Tax losses	-	2,453	-	-	(100)	2,353
	$ 19,833	$ 12,112	$ 20,962	$ (7,337)	$ (1,587)	$ 43,983
Deferred tax liabilities						
Temporary differences						
Unrealized exchange loss	$ (16,506)	$ (2,197)	$ -	$ -	$ -	$ (18,703)
Exchanges difference on foreign operations	(9,870)	-	9,870	-	-	-
	$ (26,376)	$ (2,197)	$ 9,870	$ -	$ -	$ (18,703)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized loss on write-down of inventories	$ 1,347	$ 750	$ -	$ (13)	$ 2,084
Unrealized employee compensation	14,558	3,252	-	(129)	17,681
Employee welfare	136	(68)	-	-	68
	$ 16,041	$ 3,934	$ -	$ (142)	$ 19,833
Deferred tax liabilities					
Temporary differences					
Unrealized exchange loss	$ (12,869)	$ (3,637)	$ -	$ -	$ (16,506)
Exchanges difference on foreign operations	(12,582)	-	2,712	-	(9,870)
	$ (25,451)	$ (3,637)	$ 2,712	$ -	$ (26,376)

(5) The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2016 and 2015, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $344,693 thousand and $264,077 thousand, respectively.

(6) Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ -
Generated on and after January 1, 1998	1,764,457	1,629,826
	$ 1,764,457	$ 1,629,826
Shareholder - imputed credit account	$ 144,054	$ 81,145

	For the Year Ended December 31	
	2016 (Expected)	2015 (Actual)
Creditable ratio for distribution of earning	14.62%	13.66%

(7) Income tax assessments

The Company’s tax returns through 2014 have been assessed by the tax authorities. As of December 31, 2016, the Group has no unsettled lawsuit in related with tax.

20. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	**2015**
Basic earnings per share		
Net income	$ 1,428,336	$ 1,416,710
Weighted average number of ordinary shares in computation of basic earnings per share	78,278	78,089
Basic earnings per share	$ 18.25	$ 18.14
Diluted earnings per share		
Net income	$ 1,428,336	$ 1,416,710
Weighted average number of ordinary shares in computation of basic earnings per share	78,278	78,089
Effect of potentially dilutive ordinary shares:		
Bonus to employees	195	272
Employee restricted shares	-	-
Weighted average number of ordinary shares in computation of diluted earnings per share	78,473	78,361
Diluted earnings per share	$ 18.20	$ 18.08

Since the unrealized fair value of employee restricted shares were higher than the average market price, they were anti-dilutive and excluded from the computation of diluted earnings per share.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 30, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 19.05	$ 18.14
Diluted earnings per share	$ 18.98	$ 18.08

If the Company will use cash or shares to settle compensation or bonuses paid to employees, the Company will assume the entire compensation or bonus will be settled in shares. If the effect of the resulting potential shares is dilutive, these shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

21. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED STOCK PLAN FOR EMPLOYEES

On December 10, 2012, the shareholders approved a restricted stock plan for employees with a total amount of $15,000 thousand, consisting of 1,500 thousand shares. The subscription base date at February 26, 2013 was determined by the board of directs on February 25, 2013. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

a. The employees should provide the restricted shares to the Company as trust custodian or the agencies designated by the Company and cooperate in complying with all related procedures and preparing the required documents.

b. Beside the requirement in a, the employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.

c. The employees' other rights, which are the same as those of the holders of the issued common shares of the Company, include entitlement to receive cash, dividends and capital surplus in shares; employee share option due to the issuance of share dividends and voting rights, etc.

d. The handling or execution of the related proposal, statements, voting rights and other equity-related matters are delegated to trust custody agencies.

The vesting conditions of restricted shares are when employee received the restricted shares, the restriction of acquiring share would be canceled as follows:

After one year from the grant date: 20%
After two years from the grant date: 20%
After three years from the grant date: 60%

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares.

The fair value of NT$81.41 per share of the newly issued restricted shares was determined using the market-price-based method. An expense of $122,115 thousand was recognized on the basis of vesting conditions. Compensation costs of $3,224 thousand and $24,893 thousand were recognized respectively within the vesting period for the years ended December 31, 2016 and 2015.

On May 24, 2016, the shareholders approved a restricted stock plan for employees with a total amount of $6,500 thousand, consisting of 650 thousand shares. The subscription base date at August 30, 2016 was determined by the board of directs on August 8, 2016. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

a. The employees should provide the restricted shares to the Company as trust custodian or the agencies designated by the Company and cooperate in complying with all related procedures and preparing the required documents.

b. Beside the requirement in a, the employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.

c. The equity under the custody of a fiduciary does not have the right to the attendance at the meeting of shareholders or the right to engage in motion, speech, and voting in the meeting thereof.

d. The employees' other rights, which are the same as those of the holders of the issued common shares of the Company, include entitlement to receive cash, dividends and capital surplus in shares; employee share option due to the issuance of share dividends and voting rights, etc.

The vesting conditions of restricted shares are when employee received the restricted shares, the restriction of acquiring share would be canceled as follows:

After one year from the grant date: 20%
After two years from the grant date: 20%
After three years from the grant date: 60%

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares.

The fair value of NT$491 per share of the newly issued restricted shares was priced using the market-price-based method. The unearned employee benefit of $319,150 thousand was recognized on the basis of vesting conditions and expensed on a straight-line base over the vest period. Compensation costs of $54,212 thousand were recognized within the vesting period for the year ended December 31, 2016.

22. NON-CASH TRANSACTIONS

For the years ended December 31, 2016, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2016, the un-settled payments for purchase of property, plant and equipment was $15,649 thousand and recorded as other payables in the consolidated financial statements.

23. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of building with lease terms between 1 and 5 years. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payables for non-cancellable operating lease commitments were as follows:

	December 31	
	2016	2015
Up to 1 year	$ 71,714	$ 35,991
Later than 1 year and not later than 5 years	74,707	16,317
	$ 146,421	$ 52,308

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2016	2015
Minimum lease payment	$ 80,733	$ 72,133

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while considering operating risks and maximizing the returns to shareholders through the optimization of the debt and equity balance which were short-term and low fluctuation.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Under the recommendations of the key management, to balance the overall capital structure, the Company may adjust the number of new shares issued.

25. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements which are not measured at fair value approximate their fair values.

(2) Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Loans and receivables (1)	$ 4,846,899	$ 4,905,427

Financial liabilities		
Amortized cost (2)	2,142,589	1,659,596

1) The loans and receivables measured at amortized cost comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables (except for tax refund), other financial assets (included in other current assets) and refundable deposits (included in other non-current assets).

2) The balances comprised notes payable, trade payables, trade payables to related parties, other payables, and guarantee deposit received (included in other non-current liabilities) that are measured at amortized cost.

(2) Financial risk management objectives and policies

The Group's major financial instruments included trade receivables and trade payables. The Group's Corporate Treasury function provides services such as providing access to domestic and international financial markets, and monitoring and managing the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Corporate Treasury function reports periodically to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 28.

Sensitivity analysis

The Group was mainly exposed to the movement of foreign exchange rate in USD and RMB.

The following table shows the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the USD and RMB) against the relevant foreign currencies. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the New Taiwan dollars weakened by 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2016	2015
Profit or loss	$ 27,066	$ 22,683

	RMB Impact	
	For the Year Ended December 31	
	2016	2015
Profit or loss	$ (18,569)	$ (11,118)

This was mainly attributable to the exposure on USD bank deposits, USD receivables, USD payables, RMB bank deposits and RMB payables at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly because of an increase in USD bank deposits. The Group's sensitivity to RMB decreased during the current period mainly because of a decrease in RMB bank deposits.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest risks at the end of the reporting period were as follows:

	December 31	
	2016	2015
Interest rate risk on fair value		
Financial assets	$ 1,374,344	$ 1,932,276
Interest rate risk on cash flow		
Financial assets	1,906,390	1,552,175

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Group's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Group's pretax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by $19,064 thousand and $15,522 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate risks on its variable-rate bank deposit.

The Group's sensitivity to interest rates increased during the current period mainly because of the increase in floating-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

To minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Group's credit risk was significantly reduced.

Except for the Group's top three customers, the Group had no material exposure to credit risk with counterparty or a group of counterparties that had similar properties.

The Group's concentration of credit risk of 17% and 12% of total trade receivables as of December 31, 2016 and 2015, respectively, was related to the Group's top three customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest rate risk table for non-derivative financial liabilities

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

For interest flows pertaining to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2016

	Less than 3 Months	**3 Months to 1 Year**	**Over 1 Year to 5 Years**	**More than 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,626,930	$ 515,393	$ 266	$ -

December 31, 2015

	Less than 3 Months	**3 Months to 1 Year**	**Over 1 Year to 5 Years**	**More than 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,269,747	$ 389,596	$ 253	$ -

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(1) Sales of goods

Line Items	**Related Party Categories**	**For the Year Ended December 31 2016**	**2015**
Sales	Key management personnel	$ 618,526	$ 568,612
	Other related parties	4,161	7,230
		$ 622,687	$ 575,842

The selling prices are not comparable due to same product not sold to third party in 2016 and 2015. Payment terms of related parties are 60-150 days after every month end close and of third parties are 0-180 days after every month end close.

(2) Purchases of goods

Related Party Categories	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Key management personnel	$ 3,263	$ 2,943
Other related parties	5,998	27,197
	$ 9,261	$ 30,140

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2016 and 2015. Payment terms of related parties are 60-150 days after every month end close and of third parties are 30-90 days after every month end close.

(3) Trade receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31 2016	December 31 2015
Trade receivables from related parties	Key management personnel	$ 108,307	$ 159,954

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

(4) Trade payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31 2016	December 31 2015
Trade payables to related parties	Key management personnel	$ 260	$ 921
	Other related parties	-	7,408
		$ 260	$ 8,329

The outstanding trade payables from related parties are unsecured.

(5) Other transactions with related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Receipts in advance	Key management personnel	$ 1,602	$ 1,557
Refundable deposits	Key management personnel	$ 207	$ 207
	Other related parties	568	568
		$ 775	$ 775

		For the Year Ended December 31	
		2016	2015
Rental expenses	Key management personnel	$ 1,283	$ 1,283
	Other related parties	3,110	2,740
		$ 4,393	$ 4,023

In 2016 and 2015, the Group rented buildings from key management personnel and other related parties. The rental expenses, which were payable monthly, were based on current market prices.

(6) Compensation of key management personnel

In 2016 and 2015, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	$ 84,517	$ 78,924
Post-employee benefits	566	608
Share-based payments	16,336	10,088
	$ 101,419	$ 89,620

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	December 31	
	2016	2015
Acquisition of property, plant and equipment	$ 260,731	$ 274,973

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 93,838	32.2500 (USD:NTD)	$ 3,026,287
USD	7,645	6.9370 (USD:RMB)	246,565
RMB	131,160	4.6490 (RMB:NTD)	609,761
RMB	524,991	0.1442 (RMB:USD)	2,440,684
			$ 6,323,297
Financial liabilities			
Monetary items			
USD	$ 2,797	32.2500 (USD:NTD)	$ 90,210
USD	14,761	6.9370 (USD:RMB)	476,059
RMB	524,991	4.6490 (RMB:NTD)	2,440,684
RMB	530,407	0.1442 (RMB:USD)	2,466,631
			$ 5,473,584

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 76,462	32.825 (USD:NTD)	$ 2,509,867
USD	4,781	6.4936 (USD:RMB)	156,935
RMB	231,165	5.055 (RMB:NTD)	1,168,539
RMB	441,143	0.154 (RMB:USD)	2,229,980
			$ 6,065,321

	Foreign Currencies	Exchange Rate	Carrying Amount
Monetary items			
USD	1,668	32.825 (USD:NTD)	$ 54,743
USD	10,473	6.4936 (USD:RMB)	343,769
RMB	441,832	5.055 (RMB:NTD)	2,233,460
RMB	450,420	0.154 (RMB:USD)	2,276,875
			$ 4,908,847

The Group is mainly exposed to exchange risk of USD and RMB, and the following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed.

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1.00 (NTD:NTD)	$ 12,924	1.000 (NTD:NTD)	$ 16,641
USD	32.2258 (USD:NTD)	31,367	31.765 (USD:NTD)	1,535
RMB	4.8470 (RMB:NTD)	(1,413)	5.0905 (RMB:NTD)	8,089
		$ 42,878		$ 26,265

29. NOTES: ISSUES OF DISCLOSURE

(1) Major trading and (2) Outward investment related information.

1. Funds lent to others: Nil.
2. Endorsements/guarantees for others: Nil.
3. Negotiable securities held at end of the term (Excluding subsidiaries, affiliated enterprises and equity of joint venture): Nil.
4. Facts of accumulated purchase or sales of a same negotiable securities in an amount over NT$300 million or over 20% of the paid-in capital: Table No. I.
5. Acquirement of real estate in an amount over NT$300 million or over 20% of the paid-in capital: Table No. II.
6. Disposal of real estate in an amount over NT$300 million or over 20% of the paid-in capital: Nil.
7. Input, output deals with related parties in an amount over NT$100 million or over 20% of the paid-in capital: Table No. III.
8. Receivables from related parties in an amount over NT$100 million or over 20% of the paid-in capital: Table No. IV.

9. Business in derivative financial instruments: Nil.
10. Other facts: Business relationship and amounts of trading among parent companies and among subsidiaries: Table No. V.
11. Information of investees: Table No. VI.

(3) Information of investment in China:

1. Names of investees in China, major business lines, paid-in capital, means of investment. inward remittance of capital, shareholding ratio, investment profit and/or loss, investment value on book at end of the term, investment profit and/or loss having been remitted back and limit of investment to China: Table No. VII.
2. Major transactions in the following attributes of investment in China via a third territory either directly or indirectly, the prices, terms of payment and unrealized profit and/or loss: Table No. VII.
   1) Amount and percentage of input deals and the percentage of payables at end of the term.
   2) Amount and percentage of sales and the percentage of receivables at end of the term.
   3) Amount of property transaction and amounts of the profit and/or loss so incurred.
   4) Negotiable instrument endorsements/guarantees or the purposes and end balance of collateral provided
   5) The highest balance, end balance, interest rate range and aggregate total of interest in that term of capital financing.
   6) Other facts that have significant impact upon the profit and/or loss of the current term or financial conditions, e.g., provision or acceptance of services

(4) Disclosure on the business group overall required pursuant to the standards for the preparation of the consolidated business report, financial statements and business relationship with affiliates:

1. Names of the subsidiaries/affiliates and the relationship with the controlling company, nature of the business, stakes or investment percentages from the controlling company: Note 9
2. Change in the number of subsidiaries/affiliates consolidated in the current period: Note 9
3. The names of the subsidiaries/affiliates not consolidated in the current period, the ownership or investment percentage by the controlling company and the reason for not consolidating: Nil
4. Adjustment and handling of the situation where the beginning and ending dates of the fiscal year are different between the controlling company and subsidiaries/affiliates: Nil
5. The situation where the accounting policies are different between the controlling company and subsidiaries/affiliates; the adjustment and the details if any accounting treatments are not in compliance with generally accepted accounting principles: Nil

6. Names of the subsidiaries/affiliates and the relationship with the controlling company, nature of the business, stakes or investment from the controlling company: Note 9

7. Legal or contractual restrictions on the distribution of earnings by subsidiaries/affiliates: Note 17

8. Amortization method and time period for consolidated loans/borrowings: nil

9. Other material issues and matters beneficial to the appropriate presentation of the consolidated financials: Nil

(5) Disclosure on the controlling company and the subsidiaries/affiliates required pursuant to the standards for the preparation of the consolidated business report, financial statements and business relationship with affiliates:

1. Names of the subsidiaries/affiliates and the relationship with the controlling company, nature of the business, stakes or investment percentages from the controlling company: Table No. V

2. Financing, endorsement and guaranteeing: Nil

3. Transaction of derivatives: Nil

4. Major contingent issues: Nil

5. Major subsequent events: Nil

6. Names, quantities, costs, market values (or net value if market prices not available), ownership or investment percentages, collateralization, the highest percentage of stakes or investments during the period: Note 9, Table No. VI and Table No. VII

7. Other material issues and matters beneficial to the appropriate presentation of the consolidated financials: Nil

(6) Names, numbers and value of shares held and the reason for any subsidiaries that own the shares of the controlling company: Nil

30. SEGMENT INFORMATION

(1) Financial information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable single segment is uninterruptible power supply. The related segment financial information was not necessary.

(2) Geographical information

The Group's revenue from external customers by location of operations and information on its non-current assets by location of assets is shown below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2016	2015	2016	2015
Taiwan	$ 7,111,206	$ 7,365,874	$ 870,942	$ 779,595
China	1,009,014	673,449	417,014	186,569
	$ 8,120,220	$ 8,039,323	$ 1,287,956	$ 966,164

Non-current assets excluded non-current assets classified as deferred tax assets, financial assets measured at cost - non-current and investment were accounted for using the equity method.

(3) Major customers

No single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

Voltronic Power Technology Corp. and Subsidiaries Thereof

Categories and names of same negotiable securities in purchases and sales in an amount over NT$300 million or over 20% of the paid-in capital

January 1 ~December 31, 2016

Table No. I

Unit: Thousand NTD; Thousand shares; Thousand USD

Company in buys, sales	Categories and names of negotiable securities	Account titles	Trading counterparts (Note)	Relationship (Note)	Beginning of the term		Purchase		Sales				End of the term	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Costs on book	Profit and/or loss in disposal	Number of shares	Amount
Voltronic Power Technology Corp.	Voltronic International Corp.	Investment in recognized under equity method	Voltronic International Corp.	A subsidiary	11,600	$ 374,768	8,500	$ 271,481	-	$ -	$ -	$ -	20,100	$ 646,249
Voltronic International Corp.	Voltronic International H.K. Corp. Limited	Investment in recognized under equity method	Voltronic International H.K. Corp. Limited	A subsidiary	89,918	374,768 (USD 11,600)	65,927	271,481 (USD 8,500)	-	-	-	-	155,845	646,249 (USD 20,100)
Voltronic International H.K. Corp. Limited	Zhongshan Voltronic Power Electronic Limited	Investment in recognized under equity method	Zhongshan Voltronic Power Electronic Limited	A subsidiary	(Note)	280,111 (USD 8,600)	(Note)	271,481 (USD 8,500)	-	-	-	-	(Note)	551,592 (USD 17,100)

Note: As a limited company, it did not issue share certificates.

Voltronic Power Technology Corp. and Subsidiaries Thereof
Acquirement of real estate in an amount over NT$300 million or over 20% of the paid-in capital
January 1 ~ December 31, 2016

Table No. II

Unit: In Thousand New Taiwan Dollars unless otherwise specified

Companies acquiring the real estate	Descriptions of properties	Date upon occurrence of facts	Amount of trading	Facts of payment	Trading counterparts	Relationship	Where the trading counterpart was a related party, data of the preceding transfer				Grounds to fix price	Purposes of acquirement and conditions of use	Other accords reached
							Owner	Relationship with the Issuer	Date of transfer	Amount			
Voltronic Power Technology Corp.	Construction of Neihu Building	July 29, 2015	$ 300,000	$ 108,571	Li Ming Construction Co., Ltd.	-	-	-	-	$ -	-	To meet future need use as the operating headquarters and research & development center	-
Zhongshan Voltronic Power Electronic Limited	Land utilization right	Sept. 7, 2016	178,423 (RMB 37,993)	178,423 (RMB 37,993)	Bureau of Land and Resources, Chungshan City	-	-	-	-	-	-	Required for future production	Note

Note: Acquisition of land utilization rights for 50 years in China

Voltronic Power Technology Corp. and Subsidiaries Thereof
Input, output transactions with related parties in an amount over nt$100 million or over 20% of the paid-in capital
January 1 ~ December 31, 2016

Table No. III

Unit: Thousand NTD

Companies in purchase (sales)	Trading counterparts	Relationship	Facts of transaction				Trading conditions different from general trading cases and the reasons why behind		Collection (payment) of negotiable instrument, accounts		Remarks
			Purchase (sales)	Amount	% to the aggregate total input (output) values	Duration of credit limit	Unit price	Duration of credit limit	Balance	% of collection (payment) of negotiable instrument, accounts to the aggregate total	
Voltronic Power Technology Corp.	RPS. SPA	The Company's director	(Sales)	($ 512,382)	(7)	On a monthly basis within 150 days	No same items available	0～180 days	$ 60,252	5	-
	FSP Group	The Company's director	(Sales)	(105,091)	(1)	On a monthly basis within 60 days	No same items available	0～180 days	48,055	4	-
	Potentia Technology Inc. Limited	Subsidiary	Purchase	5,530,543	99	On a monthly basis within 150 days	No same items available	30~90 days	(2,440,684)	(99)	Note 3
Potentia Technology Inc. Limited	Voltronic Power Technology Corp.	Parent company	(Sales)	(5,530,543)	(74)	On a monthly basis within 150 days	Note 2	Note 2	2,440,684	83	〃
	Voltronic Power Technology (Shen Zhen) Corp.	Affiliated enterprises	(Sales)	(1,643,429)	(22)	On a monthly basis within 150 days	Note 2	Note 2	403,230	14	〃
	Voltronic Power Technology (Shen Zhen) Corp.	Affiliated enterprises	Purchase	5,492,148	74	On a monthly basis within 150 days	No same items available	30~90 days	(2,363,252)	(74)	〃
	Orchid Power (Shen Zhen) Manufacturing Company	Affiliated enterprises	(Sales)	(201,700)	(3)	On a monthly basis within 150 days	Note 2	Note 2	52,333	2	〃
	Zhongshan Voltronic Power Electronic Limited	Affiliated enterprises	Purchase	106,816	1	On a monthly basis within 150 days	No same items available	30~90 days	(106,851)	(3)	〃
Voltronic Power Technology (Shen Zhen) Corp.	Potentia Technology Inc. Limited	Affiliated enterprises	(Sales)	(5,492,148)	(99)	On a monthly basis within 150 days	Note 2	Note 2	2,363,252	97	〃
	Potentia Technology Inc. Limited	Affiliated enterprises	Purchase	1,643,429	39	On a monthly basis within 150 days	No same items available	30~90 days	(403,230)	(29)	〃
Orchid Power (Shen Zhen) Manufacturing Company	Potentia Technology Inc. Limited	Affiliated enterprises	Purchase	201,700	31	On a monthly basis within 150 days	No same items available	0~60 days	(52,333)	(17)	〃
Zhongshan Voltronic Power Electronic Limited	Potentia Technology Inc. Limited	Affiliated enterprises	(Sales)	(106,816)	87	On a monthly basis within 150 days	Note 2	Note 2	106,851	86	〃

Note 1: The figures in the Table are entered at New Taiwan Dollars. Those foreign currencies were converted into New Taiwan Dollars at the exchange rate quoted on the balance sheet date. The amounts related to the profit and/or loss were converted into New Taiwan Dollars of the exchange rate averaged for the entire year.

Note 2: No sales to counterparts beyond related parties.

Note 3: Already duly written off and consolidated upon working out the consolidated financial reports.

Voltronic Power Technology Corp. and Subsidiaries Thereof
Receivables from related parties in an amount over NT$100 million or over 20% of the paid-in capital
December 31, 2016

Table No. IV

Unit: Thousand NTD

Companies with accounts receivable in account	Trading counterparts	Relationship	Balance of receivables from related parties (Note 1)	Turnover rate	Overdue receivables from related parties		Receivables from related parties, amount collected after the term (Note 3)	Amount of allowance for bad debt	Remarks
					Amount	Method of management			
Potentia Technology Inc. Limited	Voltronic Power Technology Corp.	Parent company	$ 2,440,684	2.37	$ -	-	$ 1,075,001	$ -	Note 2
	Voltronic Power Technology (Shen Zhen) Corp.	Affiliated enterprises	403,230	4.48	-	-	138,532	-	〃
Voltronic Power Technology (Shen Zhen) Corp.	Potentia Technology Inc. Limited	Affiliated enterprises	2,363,252	2.37	-	-	539,851	-	〃
Zhongshan Voltronic Power Electronic Limited	Potentia Technology Inc. Limited	Affiliated enterprises	106,851	2.00	-	-	-	-	〃

Note 1: Figures in this Table were entered in New Taiwan Dollars. Those involving foreign currencies were converted into New Taiwan Dollars based on the exchange rate quoted on the balance sheet date, at 32.2500 for U. S. Dollars and 4.6490 for Renminbi (RMB).

Note 2: Already duly written off and consolidated upon working out the consolidated financial reports.

Note 3: Till January 31, 2017.

Voltronic Power Technology Corp. and Subsidiaries Thereof
Transaction Relationship and Amounts of Transactions among the Parent Company and Subsidiaries and Among Subsidiaries Themselves
January 1 ~ December 31, 2016

Table No. V

Unit: Thousand NTD, thousand USD

Code (Note 1)	Names of trading counterparts	Transaction counterparts	Relationship with the transaction counterparts (Note 2)	Facts of Transaction			
				Account titles	Amount(Note 5)	Trading conditions	% to the aggregate total operating revenues or aggregate total assets (Note 3)
0	Voltronic Power Technology Corp.	Voltronic International Corp.	1	Investment in recognized under equity method	$ 271,481 (USD 8,500)	-	4%
1	Potentia Technology Inc. Limited	Voltronic Power Technology Corp.	2	Revenues from sales	5,530,543	On a monthly basis within 150 days	68%
1	Potentia Technology Inc. Limited	Voltronic Power Technology Corp.	2	Accounts receivable — Related parties	2,440,684	On a monthly basis within 150days	34%
1	Potentia Technology Inc. Limited	Voltronic Power Technology (Shen Zhen) Corp.	3	Revenues from sales	1,643,429	On a monthly basis within 150 days	20%
1	Potentia Technology Inc. Limited	Voltronic Power Technology (Shen Zhen) Corp.	3	Accounts receivable — Related parties	403,230	On a monthly basis within 150 days	6%
1	Potentia Technology Inc. Limited	Orchid Power (Shen Zhen) Manufacturing Company	3	Revenues from sales	201,700	On a monthly basis within 150 days	2%
1	Potentia Technology Inc. Limited	Orchid Power (Shen Zhen) Manufacturing Company	3	Accounts receivable — Related parties	52,333	On a monthly basis within 150 days	1%
2	Voltronic Power Technology (Shen Zhen) Corp.	Potentia Technology Inc. Limited	3	Revenues from sales	5,492,148	On a monthly basis within 150 days	68%
2	Voltronic Power Technology (Shen Zhen) Corp.	Potentia Technology Inc. Limited	3	Accounts receivable — Related parties	2,363,252	On a monthly basis within 150days	33%
3	Voltronic International Corp.	Voltronic International H.K. Corp. Limited	3	Investment in recognized under equity method	271,481 (USD 8,500)	-	4%
4	Voltronic International H.K. Corp. Limited	Zhongshan Voltronic Power Electronic Limited	3	Investment in recognized under equity method	271,481 (USD 8,500)	-	4%
5	Zhongshan Voltronic Power Electronic Limited	Potentia Technology Inc. Limited	3	Revenues from sales	106,816	On a monthly basis within 150 days	1%
5	Zhongshan Voltronic Power Electronic Limited	Potentia Technology Inc. Limited	3	Accounts receivable — Related parties	106,851	On a monthly basis within 150days	2%

Note 1: the information of transaction among the parent company and subsidiaries and among subsidiaries themselves should be expressly remarked in the respective boxes, with codes, as enumerated below:
1. Parent company: 0.
2. Subsidiary, starting from 1, by that order.

Note 2: Relationship with the transaction counterparts is in three categories enumerated below, please remark the categories:
1. Parent company vs. the subsidiaries.
2. Subsidiary vs. parent company
3. Subsidiary vs. Subsidiary.

Note 3: In terms of calculation of transaction amount to the aggregate total operating revenues or aggregate total assets, in case of account titles in assets and liabilities, to calculate at the balance as of the end of the term to the aggregate total assets. In case of account titles as profit and/or loss, take the accumulated amount this term to the aggregate total operating revenues.

Note 4: The figures in the Table are entered at New Taiwan Dollars. The profit and/or loss were converted into New Taiwan Dollars at the exchange rate quoted on the balance sheet date. The amounts related to the profit and/or loss were converted into New Taiwan Dollars of the exchange rate averaged for the entire year.

Note 5: The transaction among the parent company and subsidiaries as the unilateral transaction, was already written off upon working out consolidated financial statements.

Voltronic Power Technology Corp. and Subsidiaries Thereof
Information of Names of investees, Regions of Venues…etc.
January 1 ~ December 31, 2016

Table No. VI

Unit: NT$ 1,000, 1000 shares, $ 1,000

Names of investors	Names of investees	Regions of venues	Major business lines	Amounts of initial investment		Held as end of the term			Profit and/or loss of the investees this term	Investment profit and/or loss recognized this term (Note 2)	Remarks
				End of the present term	End of the term last year	Number of shares	Percentage %	Book amount			
Voltronic Power Technology Corp.	Voltronic International Corp.	Anguilla	A variety of investment activities	$ 646,249	$ 374,768	20,100	100	$ 2,550,549	$ 473,657	$ 474,214	Note 1
Voltronic International Corp.	Potentia Technology Inc. Limited	Hong Kong	Buys and sales of uninterruptible power supplies (UPS)	-	-	-	100	6,105	3,433	3,433	Note 1
	Voltronic International H.K. Corp. Limited	Hong Kong	A variety of investment activities	646,249 (USD20,100)	374,768 (USD11,600)	155,845	100	2,544,899	470,224	470,224	Note 1

Note 1: As a subsidiary, having been written off upon consolidation.

Note 2: The investment profit and/or loss recognized this term was the net amount with restoration of the preceding term reverse transaction as unrealized gross profit after deducting the unrealized gross profit in reverse transaction this term.

Note 3: For more details about investment in China, please refer to Table No. VII.

Note 4: The highest holdings during the period are the same as the holdings at the end of the period.

Note 5: No collateralization.

Voltronic Power Technology Corp. and Subsidiaries Thereof
Information of Investment in China
January 1 ~ December 31, 2016

Table No. VII

Unit: Thousand NTD, thousand in foreign currencies

1. Names of investees in China, Major business lines, Paid-in capital, Means of investment, facts of inward, outward remittance of capitals, shareholding ratio, investment profit and/or loss, book values of investment and investment profit and/or loss:

Names of investees in China	Major business lines	Paid-in capital	Means of investment (Note 1)	Amount of investment in accumulation remitted outward from Taiwan at beginning of the term	Amount of investment remitted outward or collected this term		Amount of investment in accumulation remitted outward from Taiwan at end of the present term	Profit and/or loss of the investees this term	% of investment by the Company either directly or indirectly	Investment profit and/or loss recognized this term (Note 2 & 3)	Book value of investment at end of the term (Note 2 & 3)	Investment gain having been collected to Taiwan as of end of the present term
					Outward remittance	Retrieval						
Voltronic Power Technology (Shen Zhen) Corp.	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)	$ 64,630 (USD 2,000)	(2)	$ 64,630 (USD 2,000)	$ -	$ -	$ 64,630 (USD 2,000)	$ 336,435	100	$ 336,435	$ 1,710,592	$ -
Orchid Power (Shen Zhen) Manufacturing Company	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)	30,027 (USD 1,000)	(2)	30,027 (USD 450)	-	-	30,027 (USD 1,000)	141,143	100	141,143	317,295	-
Zhongshan Voltronic Power Electronic Limited	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)	551,592 (USD17,100)	(2)	280,111 (USD 8,600)	271,481 (USD 8,500)	-	551,592 (USD17,100)	(7,354)	100	(7,354)	517,012	-

2. Limit of investment in China:

Amount of investment in China remitted from Taiwan as accumulated at the end of the present term	Amount of investment approved by Investment Commission, Ministry of Economic Affairs	Limit of investment in China as promulgated by Investment Commission, Ministry of Economic Affairs
$ 646,249 (USD 20,100)	$ 901,024 (Note 4) (USD 28,000)	$ 2,572,955

Note 1: Means of investment in three categories below. Please just remark the categories:
(1) Investment in China directly. Investigate in China in accumulation from Taiwan as of end of the present term
(2) Investment in Chinese investees via a third territory.
(3) Other means.

Note 2: The box of investment profit and/or loss recognized this term and box of investment profit and/or loss at end this term:
As the book value of the investment profit and/or loss of 2016 and the book values as of December 31, 2016 recognized by the Company via Voltronic International H.K. Corp. Limited, the Company's subsidiary, through its Investees Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company and Zhongshan Voltronic Power Electronic Limited

Note 3: Calculation based on the financial statements duly audited by the Certified Public Accountant in Taiwan who certified the parent company.

Note 4: As the aggregate total calculated based on the exchange rates in the actual outward remittance. The indirect investment in China as approved by the Investment Commission, Ministry of

Economic Affairs US$25,000,00. As of December 31, 2016, a total of US$17,100 had been remitted outward, with US$7,900,000 not yet remitted. It was, therefore, converted into New Taiwan Dollars at the exchange rate quoted on the balance sheet day, i.e., 32.25

Note 5: Having been written off upon consolidation upon working out the consolidated fs for the aforementioned transaction.

Note 6: The highest holdings during the period are the same as the holdings at the end of the period.

Note 7: No collateralization.

3. Major transactions with investees in China via enterprises in a third territory:

(1) Amount and percentage of purchases and the balance and percentage at end of the term of the relevant payables:

Unit: Thousand NTD

Names of investees in China	Type of transactions	Amount	% to the aggregate total input (output) values	Trading conditions			Collection (payment) of negotiable instrument, accounts		Unrealized benefits
				Price	Terms of collection (payment)	Comparison with general trading	Balance	Percentage (%)	
Voltronic Power Technology (Shen Zhen) Corp.	Purchase	$ 5,530,543	99	As negotiated and determined by and between both parties	On a monthly basis within 150 days	Incomparable because of lack of the same items.	($ 2,440,684)	(99)	$ 457

(2) Amount and percentage of sales and the balance and percentage at end of the term of the relevant accounts receivables: Nil.

(3) Amount of property trading and the profit and/or loss so incurred: Nil.

(4) The balance and objectives at end of the term of the negotiable instrument endorsements/guarantees: Nil.

(5) The highest balance of capital financing, balance at end of the term, interest rate range and aggregate total of interest of the current term: Nil.

(6) Other transactions that have significant impact upon the current term profit and/or loss or financial conditions, e.g., provision or acceptance of services: Nil.

5. The individual financial statements duly audited by the Certified Public Accountants in the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Voltronic Power Technology Corp.

Opinion

We have audited the accompanying financial statements of Voltronic Power Technology Corp. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Sales Recognition

For the year ended December 31, 2016, the Company's revenue was $7,111,206 thousand, net profit before income tax was $1,638,589 thousand, and the basic earnings per share was $18.25. We deemed the authenticity of the revenue recognition to be a key audit matter because the management were expected to encounter pressure in achieving profitable target to maintain an outstanding sales performance. The principal of revenue recognition accounting policy is disclosed in Note 4 to the standalone financial statements.

The main source of operating revenue of the Company is export. In connection with such sales revenue, we verified the authenticity of the sales through the understanding on and implementation of the control and test procedures regarding internal control of the sales recognition. We also performed tests on sales details and examined significant post-sales returns and allowances to confirm the authenticity of the sales revenue.

Key Audit Matter - Impairment of Trade Receivables

As explained in Note 7 to the standalone financial statements, the past due, but not impaired, trade receivables of the Company was $104,648 thousand as of December 31, 2016. The management believed that the amount can be recovered; hence, we deemed the assessment of the impairment of the past due trade receivables to be a key audit matter. Please refer to Note 4 to the standalone financial statements for the accounting principal of the impairment of the trade receivables; please refer to Note 5 to the standalone financial statements for relevant, critical accounting estimates and judgments.

Through the understanding and implementation of control and test procedure of the trade receivables management process in the sales revenue collection cycle, we examined the information on the outstanding of the past due trade receivables and understood the reason thereof, confirmed the Company's safeguard adopted against such receivables, and verified the substantial test procedure for the collectability of the past due to ensure the reasonableness of the estimate for the impairment assessment of the past due trade receivables.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng Chuan Yu and Chen Chung-Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

VOLTRONIC POWER TECHNOLOGY CORP.

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,415,115	34	$ 2,680,847	40
Notes receivable (Notes 4 and 7)	18,225	-	11,355	-
Trade receivables (Notes 4, 5 and 7)	1,175,006	16	1,093,417	16
Trade receivables from related parties (Notes 4 and 24)	108,307	2	159,954	3
Other receivables (Note 7)	10,040	-	5,435	-
Inventories (Notes 4, 5 and 8)	636	-	1,819	-
Prepayments (Note 12)	12,811	-	11,491	-
Total current assets	3,740,140	52	3,964,318	59
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 9)	2,550,549	36	1,986,219	30
Property, plant and equipment (Notes 4 and 10)	860,456	12	771,999	11
Other intangible assets (Notes 4 and 11)	7,270	-	4,379	-
Deferred income tax assets (Notes 4, 5 and 18)	25,353	-	367	-
Other non-current assets (Notes 12 and 24)	3,216	-	3,216	-
Total non-current assets	3,446,844	48	2,766,180	41
TOTAL	$ 7,186,984	100	$ 6,730,498	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 13)	$ 7	-	$ 2,476	-
Trade payables (Note 13)	16,986	-	5,894	-
Trade payables to related parties (Note 24)	2,440,684	34	2,237,388	33
Other payables (Note 14)	249,828	3	208,113	3
Current income tax liabilities (Notes 4 and 18)	113,883	2	141,577	2
Other current liabilities (Notes 14 and 24)	58,634	1	40,319	1
Total current liabilities	2,880,022	40	2,635,767	39
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 18)	18,703	-	26,376	1
Total liabilities	2,898,725	40	2,662,143	40
EQUITY (Note 16)				
Capital stock - common stock	787,055	11	743,557	11
Capital surplus	1,697,404	24	1,385,450	20
Retained earnings				
Legal reserve	406,623	6	264,952	4
Unappropriated earnings (Note 18)	1,764,457	24	1,629,826	24
Total retained earnings	2,171,080	30	1,894,778	28
Other equity (Notes 4, 16 and 20)	(367,280)	(5)	44,570	1
Total equity	4,288,259	60	4,068,355	60
TOTAL	$ 7,186,984	100	$ 6,730,498	100

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4 and 24)	$ 7,111,206	100	$ 7,365,875	100
OPERATING COSTS				
Cost of goods sold (Notes 8 and 24)	(5,598,692)	(79)	(5,947,203)	(81)
GROSS PROFIT	1,512,514	21	1,418,672	19
OPERATING EXPENSES (Notes 17 and 24)				
Selling and marketing expenses	(160,853)	(2)	(179,803)	(2)
General and administrative expenses	(159,690)	(2)	(142,669)	(2)
Research and development expenses	(86,178)	(1)	(83,095)	(1)
Total operating expenses	(406,721)	(5)	(405,567)	(5)
PROFIT FROM OPERATIONS	1,105,793	16	1,013,105	14
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 17)	37,126	-	38,982	-
Other gains and losses (Note 17)	28,816	-	87,492	1
Finance costs (Note 17)	(7,360)	-	(5,832)	-
Share of profit of subsidiaries, associates and joint ventures (Note 4)	474,214	7	485,182	7
Total non-operating income and expense	532,796	7	605,824	8
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,638,589	23	1,618,929	22
INCOME TAX EXPENSE (Notes 4 and 18)	(210,253)	(3)	(202,219)	(3)
NET PROFIT FOR THE YEAR	1,428,336	20	1,416,710	19

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Notes 4 and 16)	$ (181,365)	(2)	$ (15,952)	-
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 16 and 18)	30,832	-	2,712	-
Other comprehensive (loss) income for the year, net of income tax	(150,533)	(2)	(13,240)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,277,803	18	$ 1,403,470	19
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 19)				
Basic	$ 18.25		$ 18.14	
Diluted	$ 18.25		$ 18.08	

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

			Retained Earnings		Other Equity		
	Capital Stock - Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2015	$ 708,435	$ 1,387,138	$ 165,412	$ 1,112,728	$ 61,431	$ (30,043)	$ 3,405,101
Appropriation of the 2014 earnings (Note 16)							
Legal reserve	-	-	99,540	(99,540)	-	-	-
Cash dividends distributed by the Company	-	-	-	(765,109)	-	-	(765,109)
Share dividends distributed by the Company	35,422	-	-	(35,422)	-	-	-
Share-based payment transactions (Notes 16, 17 and 20)	(300)	(1,688)	-	459	-	26,422	24,893
Net profit for the year ended December 31, 2015	-	-	-	1,416,710	-	-	1,416,710
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(13,240)	-	(13,240)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	1,416,710	(13,240)	-	1,403,470
BALANCE AT DECEMBER 31, 2015	743,557	1,385,450	264,952	1,629,826	48,191	(3,621)	4,068,355
Appropriation of the 2015 earnings (Note 16)							
Legal reserve	-	-	141,671	(141,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,115,335)	-	-	(1,115,335)
Share dividends distributed by the Company	37,178	-	-	(37,178)	-	-	-
Share-based payment transactions (Notes 16, 17 and 20)	6,320	311,954	-	479	-	(261,317)	57,436
Net profit for the year ended December 31, 2016	-	-	-	1,428,336	-	-	1,428,336
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(150,533)	-	(150,533)
Total comprehensive income for the year ended December 31, 2016	-	-	-	1,428,336	(150,533)	-	1,277,803
BALANCE AT DECEMBER 31, 2016	$ 787,055	$ 1,697,404	$ 406,623	$ 1,764,457	$ (102,342)	$ (264,938)	$ 4,288,259

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,638,589	$ 1,618,929
Adjustments for:		
Depreciation expenses	7,816	9,141
Amortization expenses	2,073	1,937
Impairment loss (reversal of impairment loss) recognized on trade receivables	657	(1,125)
Finance costs	7,360	5,832
Interest income	(35,635)	(37,824)
Compensation cost of employee share options	57,436	24,893
Share of profit of subsidiaries, associates and joint ventures	(474,214)	(485,182)
Gain on disposal of property, plant and equipment	-	(81)
Write-down of inventories	347	1,601
Net gain on foreign currency exchange	(12,924)	(16,641)
Changes in operating assets and liabilities		
Notes receivable	(6,870)	1,324
Trade receivables	(73,799)	(60,656)
Trade receivables from related parties	52,382	(13,669)
Other receivables	(4,445)	(338)
Inventories	836	460
Prepayments	(1,320)	(1,579)
Notes payable	(2,469)	(3,001)
Trade payables	11,092	(15,689)
Trade payables to related parties	222,945	626,298
Other payables	41,715	50,079
Other current liabilities	18,315	(6,861)
Cash generated from operations	1,449,887	1,697,848
Interest received	35,475	37,814
Interest paid	(7,360)	(5,832)
Income tax paid	(239,774)	(125,514)
Net cash generated from operating activities	1,238,228	1,604,316
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment accounted for using the equity method	(271,481)	(280,111)
Acquisition of property, plant and equipment	(96,273)	(38,053)
Proceeds of the disposal of property, plant and equipment	-	81
Increase in refundable deposits	-	(418)
Acquisition of intangible assets	(4,964)	(2,490)
Net cash used in investing activities	(372,718)	(320,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(1,115,335)	(765,109)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (15,907)	$ 10,135
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(265,732)	528,351
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,680,847	2,152,496
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,415,115	$ 2,680,847

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

VOLTRONIC POWER TECHNOLOGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Voltronic Power Technology Corp. (the "Company") was incorporated in the Republic of China (ROC) in May 2008. The Company mainly manufactures and sells uninterruptible power systems (UPS).

The Company's shares have been listed on the Taiwan Stock Exchange since March 31, 2014.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on February 24, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017.

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016

IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

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

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

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

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

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

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

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

(2) New IFRSs in issue but not yet endorsed by the FSC

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

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018 (Note 3)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value.

Impairment of financial assets

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

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

Transition

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

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

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

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

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

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

3) IFRS 16 “Leases”

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

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

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

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

4) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for their oversight purposes.

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its standalone financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading.

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer

settlement for at least 12 months after the reporting period.

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

(4) Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting financial statements, the functional currencies of the Company and the Group entities (including subsidiaries associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

(5) Inventories

Inventories, which consist of merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

(6) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes its share the changes in the other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company's loss of control over the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

The acquisition cost in excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any Company share of the net fair value of the identifiable assets and liabilities in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would have been required had the Company directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are fully eliminated from the financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(7) Property, plant and equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospective basis.

2) Derecognition of intangible assets

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

(9) Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

(10) Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into loans and receivables.

Loans and receivables

Loans and receivables (including cash and cash equivalent, notes receivable, trade receivables, trade receivables from related parties and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that have original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

Financial assets carried at amortized cost, such as notes receivable, trade receivables from related and unrelated parties and other receivables, are assessed for impairment on a collective basis even if they were assessed to be not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with a default on receivables.

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

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

For all other financial assets, objective evidence of impairment could include the significant financial difficulty of the issuer or counterparty; breach of contract, such as default or delinquency in interest or principal payments; it becoming probable that the borrower will undergo bankruptcy or financial re-organization; or the disappearance of an active market for the financial asset because of financial difficulties.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(11) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The transaction costs incurred or to be incurred can be measured reliably.

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

2) Interest income

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

(12) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

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

2) The Company as lessee

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

Contingent rents are recognized as an expense in the period in which they are incurred.

(13) Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

(14) Share-based payment arrangements

- <u>Restricted shares for employees granted to employee</u>

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period on the basis of the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity-earned employee benefit. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Under certain conditions, some employees who receive restricted shares are required to return their shares to the issuer on their resignation, and these shares will then be recognized as payables. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings.

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

(15) Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the

Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences of how the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in subsidiaries.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(1) Estimated impairment of trade receivables

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

The carrying amounts of trade receivables as of December 31, 2016 and 2015 were $1,175,006 thousand and $1,093,417 thousand, respectively. The Company recognized $2,211 thousand and $1,554 thousand as allowance for impairment of trade receivables for the years ended December 31, 2016 and 2015, respectively.

(2) Income taxes

As of December 31, 2016 and 2015, the carrying amounts of the deferred tax in relation to unused tax losses were $25,353 thousand and $367 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which this reversal takes place.

(3) Estimated impairment of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	$ 403	$ 412
Demand deposits	1,406,498	1,054,496
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,008,214	1,625,939
	$ 2,415,115	$ 2,680,847

The market interest rates for cash in bank at the end of the reporting period were as follows:

	December 31	
	2016	**2015**
Bank balance	0.05%-4%	0.001%-4.5%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2016	**2015**
Notes receivable		
Notes receivable - operating	$ 18,225	$ 11,355
Trade receivables		
Trade receivables	$ 1,177,217	$ 1,094,971
Less: Allowance for impairment loss	(2,211)	(1,554)
	$ 1,175,006	$ 1,093,417
Other receivables		
Tax refund receivables	$ 6,320	$ 1,910
Interest receivables	3,685	3,525
Other	35	-
	$ 10,040	$ 5,435

Trade receivables

The average credit period on sales of goods was 0 to 180 days. In determining the collectability of a trade receivable, the Company considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all trade receivables over 365 days because historical experience shows that receivables outstanding beyond 365 days are not recoverable. For receivables outstanding between 0 to 365 days, the Company estimated irrecoverable amount based on the past default by the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2016	2015
Not overdue	$ 1,058,388	$ 935,887
Overdue 60 days	104,068	123,986
Overdue 61-120 days	3,178	31,105
Overdue beyond 120 days	11,583	3,993
	$ 1,177,217	$ 1,094,971

The above aging schedule was based on the past due date.

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

	December 31	
	2016	2015
Overdue 60 days	$ 92,884	$ 117,713
Overdue 61-120 days	3,178	23,484
Overdue beyond 120 days	8,566	1,943
	$ 104,628	$ 143,140

The above aging schedule was based on the past due date.

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

	Individually Assessed for Impairment	Collectability Assessed for Impairment	Total
Balance at January 1, 2015	$ -	$ 2,679	$ 2,679
Deduct: Impairment losses reversed	-	(1,125)	(1,125)
Balance at December 31, 2015	$ -	$ 1,554	$ 1,554
Balance at January 1, 2016	$ -	$ 1,554	$ 1,554
Add: Impairment losses recognized on receivables	-	657	657
Balance at December 31, 2016	$ -	$ 2,211	$ 2,211

The Company recognized no impairment loss on trade receivables which related to customers that in severe financial difficulties with balances as of December 31, 2016 and 2015. The Company did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2016	2015
Merchandise	$ 636	$ 1,819

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $5,598,692 thousand and $5,947,203 thousand, respectively. The cost of goods sold included inventory write-downs of $347 thousand and $1,601 thousand, respectively.

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
Voltronic International Corp.	$ 2,550,549	$ 1,986,219

At the end of the reporting period, the percentage of ownership of and voting rights in the subsidiary held by the Company were as follows:

	December 31	
	2016	2015
Voltronic International Corp.	100%	100%

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

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Machinery and Equipment	Transportation	Office Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2015	$ 720,761	$51,760	$460	$6,673	$5,847	$742	$-	$786,243
Additions	-	4,642	-	1,265	686	-	31,460	38,053
Disposals	-	-	(460)	(21)	-	-	-	(481)
Balance at December 31, 2015	$ 720,761	$ 56,402	$ -	$ 7,917	$ 6,533	$ 742	$ 31,460	$ 823,815
Accumulated depreciation and impairment								
Balance at January 1, 2015	$ -	$ 34,380	$ 460	$ 4,101	$ 3,741	$ 474	$ -	$ 43,156
Disposals	-	-	(460)	(21)	-	-	-	(481)
Depreciation expense	-	6,766	-	1,277	991	107	-	9,141
Balance at December 31, 2015	$ -	$ 41,146	$ -	$ 5,357	$ 4,732	$ 581	$ -	$ 51,816
Carrying amounts at December 31, 2015	$ 720,761	$ 15,256	$ -	$ 2,560	$ 1,801	$ 161	$ 31,460	$ 771,999
Cost								
Balance at January 1, 2016	$ 720,761	$ 56,402	$ -	$ 7,917	$ 6,533	$ 742	$ 31,460	$ 823,815
Additions	-	920	-	-	-	-	95,353	96,273
Disposals	-	-	-	(13)	-	-	-	(13)
Balance at December 31, 2016	$ 720,761	$ 57,322	$ -	$ 7,904	$ 6,533	$ 742	$ 126,813	$ 920,075
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ 41,146	$ -	$ 5,357	$ 4,732	$ 581	$ -	$ 51,816
Depreciation expense	-	5,969	-	1,152	628	67	-	7,816
Disposals	-	-	-	(13)	-	-	-	(13)
Balance at December 31, 2016	$ -	$ 47,115	$ -	$ 6,496	$ 5,360	$ 648	$ -	$ 59,619
Carrying amounts at December 31, 2016	$ 720,761	$ 10,207	$ -	$ 1,408	$ 1,173	$ 94	$ 126,813	$ 860,456

For the years ended December 31, 2016 and 2015, no impairment assessment was performed as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Machinery and equipment	3-10 years
Transportation	3-5 years
Office equipment	2-5 years
Leasehold improvements	3-5 years
Other equipment	3-5 years

The unrecognized commitments for acquisition of property, plant and equipment were set out in Note 25.

11. OTHER INTANGIBLE ASSETS

		Computer Software
Cost		
Balance at January 1, 2015	$	16,419
Additions		2,490
Balance at December 31, 2015	$	18,909
Accumulated amortization and impairment		
Balance at January 1, 2015	$	12,593
Amortization expense		1,937
Balance at December 31, 2015	$	14,530
Carrying amounts at December 31, 2015	$	4,379
Cost		
Balance at January 1, 2016	$	18,909
Additions		4,964
Balance at December 31, 2016	$	23,873
Accumulated amortization and impairment		
Balance at January 1, 2016	$	14,530
Amortization expense		2,073
Balance at December 31, 2016	$	16,603
Carrying amounts at December 31, 2016	$	7,270

The above of intangible assets are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years.

12. OTHER ASSETS

	December 31			
		2016		2015
Current				
Prepayments	$	12,811	$	11,491
Non-current				
Refundable deposits	$	3,153	$	3,153
Prepayments		63		63
	$	3,216	$	3,216

13. NOTES PAYABLE AND TRADE PAYABLES

	December 31			
	2016		2015	
Notes payable				
Operating	$	7	$	2,476
Trade payables				
Operating	$	16,986	$	5,894

14. OTHER LIABILITIES

	December 31			
	2016		2015	
Current				
Other payables				
Payable for salaries and bonus	$	32,230	$	39,721
Payable for employee compensation		113,746		93,738
Payable for remuneration to directors and supervisors		17,325		21,000
Payable for commission		80,161		47,037
Others		6,366		6,617
	$	249,828	$	208,113
Other liabilities				
Advance receipts	$	57,552	$	39,165
Receipts under custody		1,082		1,154
	$	58,634	$	40,319

15. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

16. EQUITY

(1) Capital stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	100,000	80,000
Shares authorized	$ 1,000,000	$ 800,000
Number of shares issued and fully paid (in thousands)	78,705	74,355
Shares issued	$ 787,055	$ 743,557

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

Shares authorized include $20,000 thousand for issuance of employee share options.

In the meetings on May 24, 2016 and June 30, 2015, the Company's shareholders approved the transfer of retained earnings of $37,178 thousand and $35,422 thousand, respectively, to 3,718 thousand new shares and 3,542 thousand new shares, respectively, with a par value of NT$10. These transfers were approved by the FSC at July 14, 2016 and July 30, 2015, and August 30, 2016 and August 31, 2015 respectively, were approved as the subscription base dates.

The Company retired $300 thousand of new restricted employee shares at par value of $10, totaling 30 thousand shares on May 8, 2015 per resolution of the board meeting. The Company designated that the basis date of the capital reduction was September 30, 2015, where the approval of the Ministry of Economic Affairs (MOEA) was obtained on July 17, 2015.

Per resolution of the board of directors, the Company retired $180 thousand of restricted employee shares at $10 par value, totalling18 thousand shares. The Company designated that the basis date of the capital reduction was February 26, 2016, where the approval of the MOEA was obtained on March 14, 2016.

A reconciliation of the number of shares outstanding was as follows:

	Number of Shares (In Thousands of Shares)	Share Capital
Balance at January 1, 2015	70,843	$ 708,435
Capital transferred from retained earnings	3,542	35,422
Retirement of recovered employee restricted shares	(30)	(300)
Balance at December 31, 2015	74,355	743,557
Capital transferred from retained earnings	3,718	37,178
Issued employee restricted shares (Note 21)	650	6,500
Retirement of recovered employee restricted shares	(18)	(180)
Balance at December 31, 2016	78,705	$ 787,055

(2) Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuing ordinary shares	$ 1,384,754	$ 1,323,323
May not be used for any purpose		
Employee restricted shares	312,650	62,127
	$ 1,697,404	$ 1,385,450

Note: Capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's paid-in capital once a year.

A reconciliation of the capital surplus was as follows:

	Premium from Ordinary Shares		Arising from Employee Restricted Shares	
Balance at January 1, 2015	$ 1,301,446		$ 85,692	
Vested employee restricted shares	21,423		(21,423)	
Retirement employee restricted shares	454	(Note 1)	(2,142)	(Note 2)
Balance at December 31, 2015	$ 1,323,323		$ 62,127	
Balance at January 1, 2016	$ 1,323,323		$ 62,127	
Issued employee restricted shares	-		312,650	
Vested employee restricted shares	60,842		(60,842)	
Retirement employee restricted shares	589	(Note 3)	(1,285)	(Note 4)
Balance at December 31, 2016	$ 1,384,754		$ 312,650	

Note 1: Accumulative stock dividends of $454 thousand for withdrawn restricted stock was recognized as salary expense.

Note 2: The reversed compensation cost of $2,442 thousand for restricted stock was net of retired share capital of $300 thousand.

Note 3: Accumulative stock dividends of $589 thousand for withdrawn restricted stock was recognized as salary expense.

Note 4: The reversed compensation cost of $1,465 thousand for restricted stock was net of retired share capital of $180 thousand.

(3) Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 24, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 17,(5). employee benefits expense.

Distribution of the compensation may be made by way of a cash dividend or stock dividend, where the ratio of the cash dividend shall not less than 10% of the shareholders' bonus so as to achieve the balance and stability of the dividend policy. However, in a case that the bonus per share is less than NT$0.3, the Board of Directors may cancel the bonus distribution by submit such cancellation for recognition at the shareholders' meeting. If such cancellation is recognized by the shareholders' meeting, the allocation of the employee bonus and remuneration for Directors and Supervisors shall also be canceled.

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

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

The appropriations from the 2015 and 2014 earnings approved in the stockholders' meetings on May 24, 2016 and June 30, 2015, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 141,671	$ 99,540	$ -	$ -
Cash dividends	1,115,335	765,109	15.00	10.80
Stock dividends	37,178	35,422	0.50	0.50

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on February 24, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 142,834	$ -
Special reserve	102,342	-
Cash dividends	1,180,581	15.00

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 16, 2017.

The board of directors on February 24, 2017 propose to issue cash dividends of $393,527 thousand from capital surplus, a proposal that is subject to the resolution of the shareholders' meeting held on June 16, 2017.

(4) Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 48,191	$ 61,431
Exchange differences on translating foreign operations	(181,365)	(15,952)
Income tax related to exchange differences arising on translating to the presentation currency	30,832	2,712
Balance at December 31	$ (102,342)	$ 48,191

Employee unearned benefit

In the meeting on May 24, 2016 and December 10, 2012, the shareholders approved the issuance of restricted shares to employees, respectively (refer to Note 20).

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ (3,621)	$ (30,043)
Issuance of shares	(319,150)	-
Share-based payment expenses recognized	56,368	23,980
Retired restricted employee shares (Note)	1,465	2,442
Balance at December 31	$ (264,938)	$ (3,621)

Note: Deducted from compensation cost of restricted shares amounting $1,465 thousand and $2,442 thousand for the year 2016 and 2015, respectively.

17. NET PROFIT (LOSS) FROM OPERATIONS

(1) Other income

	For the Year Ended December 31	
	2016	2015
Rental income		
Operating lease rental income - others	$ -	$ 814
Interest income		
Bank deposits	35,635	37,824
Others	1,491	344
	$ 37,126	$ 38,982

(2) Other gains and loss

	For the Year Ended December 31	
	2016	2015
Gain on disposal of property, plant and equipment	$ -	$ 81
Net foreign exchange gains	28,816	87,411
	$ 28,816	$ 87,492

(3) Finance costs

	For the Year Ended December 31	
	2016	2015
Other interest expense	$ 7,360	$ 5,832

(4) Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 7,816	$ 9,141
Intangible assets	2,073	1,937
	$ 9,889	$ 11,078
An analysis of depreciation by function		
Operating expenses	$ 7,816	$ 9,141
An analysis of amortization by function		
Selling and marketing expenses	$ 270	$ 272
General and administrative expenses	1,059	1,022
Research and development expenses	744	643
	$ 2,073	$ 1,937

(5) Employee benefit expense

	For the Year Ended December 31			
	2016		2015	
Salary expenses	$ 183,612		$ 205,510	
Other employee benefits				
Labor and health insurance	7,386		7,220	
Other employee benefits	5,798		12,850	
Share-based payments				
Equity-settled share-based payments	57,436	(Note 1)	24,893	(Note 2)
Post-employment benefits				
Defined contribution plans	3,646		3,575	
Total employee benefit expense	$ 257,878		$ 254,048	
An analysis of employee benefit expense by function				
Operating expenses	$ 257,878		$ 254,048	

Note 1: The share-based payments included the withdrawn accumulative stock dividends $1,068 thousand in 2016.

Note 2: The share-based payments included the withdrawn accumulative stock dividends $913 thousand in 2015.

As of December 31, 2016 and 2015, the Company’s employee number was 84 and 80, respectively.

1) Employees’ compensation and remuneration to directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in May 2016, the Company accrued employees’ compensation and remuneration to directors and supervisors at the rates between 3.75% to 11.5% and no higher than 3.75%, respectively, of net profit before income tax, employees’ compensation, and remuneration to directors and supervisors. The employees’ compensation and remuneration to directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company’s board of directors on February 24, 2017 and February 25, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees’ compensation	4.33%	5.04%
Remuneration to directors and supervisors	1.00%	1.22%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	$ 75,000	$ -	$ 87,000	$ -
Remuneration to directors and supervisors	17,325	-	21,000	-

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration to directors and supervisors for 2014

The bonus to employees and remuneration to directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 30, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	Share
Bonus to employees	$ 59,000	$ -
Remuneration to directors and supervisors	18,000	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meeting on June 30, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration to directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(6) Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2016	2015
Foreign exchange gains	$ 211,107	$ 209,566
Foreign exchange losses	(182,291)	(122,155)
	$ 28,816	$ 87,411

18. INCOME TAXES RELATING TO CONTINUING OPERATIONS

(1) Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2016	2015
Current tax		
Current year	$ (199,770)	$ (189,304)
Income tax on unappropriated earnings	(12,252)	(9,533)
Adjustments for prior years	(58)	51
	(212,080)	(198,786)
Deferred tax		
Current year	1,827	(3,433)
Income tax expense recognized in profit or loss	$ (210,253)	$ (202,219)

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2016	2015
Profit before tax	$ 1,638,589	$ 1,618,929
Income tax expense calculated at the statutory tax rate	$ (278,559)	$ (275,218)
Deferred tax effect of earnings of subsidiaries	80,616	82,481
Income tax on unappropriated earnings	(12,252)	(9,533)
Adjustments for prior years' tax	(58)	51
Income tax expense recognized in profit or loss	$ (210,253)	$ (202,219)

The statutory tax rate used above was the corporate tax rate of 17% payable by the Company in ROC.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

(2) Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Current year:		
Translation of foreign operations	$ 30,832	$ 2,712

(3) Current tax assets and liabilities

	December 31	
	2016	2015
Current tax liabilities		
Income tax payable	$ 113,883	$ 141,577

(4) Deferred tax assets and liabilities

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

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on write-down of inventories	$ 299	$ (212)	$ -	$ 87
Employee welfare	68	(68)	-	-
Unrealized employee compensation	-	4,304	-	4,304
Exchanges difference on foreign operations	-	-	20,962	20,962
	$ 367	$ 4,024	$ 20,962	$ 25,353
Deferred tax liabilities				
Temporary differences				
Unrealized exchange loss	$ (16,506)	$ (2,197)	$ -	$ (18,703)
Exchanges difference on foreign operations	(9,870)	-	9,870	-
	$ (26,376)	$ (2,197)	$ 9,870	$ (18,703)

For the year ended December 31, 2015

	Opening Balance		Recognized in Profit or Loss		Recognized in Other Comprehensive Income		Closing Balance	
Deferred tax assets								
Temporary differences								
Unrealized loss on write-down of inventories	$	27	$	272	$	-	$	299
Employee welfare		136		(68)		-		68
	$	163	$	204	$	-	$	367
Deferred tax liabilities								
Temporary differences								
Unrealized exchange loss	$	(12,869)	$	(3,637)	$	-	$	(16,506)
Exchanges difference on foreign operations		(12,582)		-		2,712		(9,870)
	$	(25,451)	$	(3,637)	$	2,712	$	(26,376)

(5) The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2016 and 2015, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $344,693 thousand and $264,077 thousand, respectively.

(6) Integrated income tax

	December 31			
	2016		2015	
Unappropriated earnings				
Generated before January 1, 1998	$	-	$	-
Generated on and after January 1, 1998		1,764,457		1,629,826
	$	1,764,457	$	1,629,826
Shareholder - imputed credit account	$	144,054	$	81,145

	For the Year Ended December 31	
	2016 (Expected)	2015 (Actual)
Creditable ratio for distribution of earning	14.62%	13.66%

(7) Income tax assessments

The Company's tax returns through 2014 have been assessed by the tax authorities. As of December 31, 2015, the Company has no unsettled lawsuit in related with tax.

19. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	**2015**
Basic earnings per share		
Net income	$ 1,428,336	$ 1,416,710
Weighted average number of ordinary shares in computation of basic earnings per share	78,278	78,089
Basic earnings per share	$ 18.25	$ 18.14
Diluted earnings per share		
Net income	$ 1,428,336	$ 1,416,710
Weighted average number of ordinary shares in computation of basic earnings per share	78,278	78,089
Effect of potentially dilutive ordinary shares:		
Bonus to employees	195	272
Employee restricted shares	-	-
Weighted average number of ordinary shares in computation of diluted earnings per share	78,473	78,361
Diluted earnings per share	$ 18.20	$ 18.08

Since the unrealized fair value of employee restricted shares were higher than the average market price, they were anti-dilutive and excluded from the computation of diluted earnings per share.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 30, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 19.05	$ 18.14
Diluted earnings per share	$ 18.98	$ 18.08

If the Company will use cash or shares to settle compensation paid to employees, the Company will assume the entire compensation will be settled in shares. If the effect of the resulting potential shares is dilutive, these shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED STOCK PLAN

On December 10, 2012, the shareholders approved a restricted stock plan for employees with a total amount of $15,000 thousand, consisting of 1,500 thousand shares. The subscription base date at February 26, 2013 was determined by the board of directs on February 25, 2013. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

(1) The employees should provide the restricted shares to the Company as trust custodian or the agencies designated by the Company and cooperate in complying with all related procedures and preparing the required documents.

(2) Beside the requirement in a, the employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.

(3) The employees' other rights, which are the same as those of the holders of the issued common shares of the Company, include entitlement to receive cash, dividends and capital surplus in shares; employee share option due to the issuance of share dividends and voting rights, etc.

(4) The handling or execution of the related proposal, statements, voting rights and other equity-related matters are delegated to trust custody agencies.

The vesting conditions of restricted shares is when employee received the restricted shares, the restriction of acquiring share would be canceled as follows:

After one year from the grant date: 20%
After two years from the grant date: 20%
After three years from the grant date: 60%

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares.

The fair value of NT$81.41 per share of the newly issued restricted shares was determined using the market-price-based method. An expense of $122,115 thousand was recognized on the basis of vesting conditions. Compensation costs of $3,224 thousand and $24,893 thousand were recognized respectively within the vesting period for the years ended December 31, 2016 and 2015.

On May 24, 2016, the shareholders approved a restricted stock plan for employees with a total amount of $6,500 thousand, consisting of 650 thousand shares. The subscription base date at August 30, 2016 was determined by the board of directs on August 8, 2016. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

(1) The employees should provide the restricted shares to the Company as trust custodian or the agencies designated by the Company and cooperate in complying with all related procedures and preparing the required documents.

(2) Beside the requirement in a, the employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.

(3) The equity under the custody of a fiduciary does not have the right to the attendance at the meeting of shareholders or the right to engage in motion, speech, and voting in the meeting thereof.

(4) The employees' other rights, which are the same as those of the holders of the issued common shares of the Company, include entitlement to receive cash, dividends and capital surplus in shares; employee share option due to the issuance of share dividends and voting rights, etc.

The vesting conditions of restricted shares is when employee received the restricted shares, the restriction of acquiring share would be canceled as follows:

After one year from the grant date: 20%
After two years from the grant date: 20%
After three years from the grant date: 60%

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares.

The fair value of NT$491 per share of the newly issued restricted shares was priced using the market-price-based method. The unearned employee benefit of $319,150 thousand was recognized on the basis of vesting conditions and expensed on a straight-line base over the vest period. Compensation costs of $54,212 thousand were recognized respectively within the vesting period for the years ended December 31, 2016.

21. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of building with lease terms between 1 and 5 years. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payables for non-cancellable operating lease commitments were as follows:

	December 31			
	2016		2015	
Up to 1 year	$	5,003	$	5,731
Later than 1 year and not later than 5 years		308		1,980
	$	5,311	$	7,711

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31			
	2016		2015	
Minimum lease payment	$	7,031	$	6,558

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while considering operating risks and maximizing the returns to shareholders through the optimization of the debt and equity balance which were short-term and low fluctuation.

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Under the recommendations of the key management, to balance the overall capital structure, the Company may adjust the number of new shares issued.

23. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements which are not measured at fair value approximate their fair values.

(2) Categories of financial instruments

	December 31	
	2016	**2015**
<u>Financial assets</u>		
Loans and receivables (1)	$ 3,723,526	$ 3,952,251
<u>Financial liabilities</u>		
Amortized cost (2)	2,544,204	2,299,412

1) The loans and receivables measured at amortized cost comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables (except for tax refund) from related parties, other receivables and refundable deposits (included in other non-current assets).

2) The balances comprised notes payable, trade payables, trade payables to related parties and other payables that are measured at amortized cost.

(3) Financial risk management objectives and policies

The Company's major financial instruments included trade receivables and trade payables. The Company's Corporate Treasury function provides services such as providing access to domestic and international financial markets, and monitoring and managing the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Corporate Treasury function reports periodically to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated) are set out in Note 26.

Sensitivity analysis

The Company was mainly exposed to the movement of foreign exchange rate in USD and RMB.

The following table shows the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the USD and RMB) against the relevant foreign currencies. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the New Taiwan dollars weakened by 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2016	**2015**
Profit or loss	$ 54,866	$ 44,413

	RMB Impact	
	For the Year Ended December 31	
	2016	**2015**
Profit or loss	$ (18,309)	$ (10,649)

This was mainly attributable to the exposure on USD investment accounted for using equity method, USD receivables, USD payables, RMB bank deposits and RMB payables at the end of the reporting period.

The Company's sensitivity to the USD increased during the current period mainly because of an increase in USD investment accounted for using equity method. The Company's sensitivity to RMB increased during the current period mainly because of a decrease in RMB bank deposits.

b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest risks at the end of the reporting period were as follows:

	December 31	
	2016	**2015**
Interest rate risk on fair value		
Financial assets	$ 1,008,214	$ 1,625,939
Interest rate risk on cash flow		
Financial assets	1,406,498	1,054,496

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Company's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Company's pretax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by $14,065 thousand and $10,545 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate risks on its variable-rate bank deposit.

The Company's sensitivity to interest rates increased during the current period mainly because of the increase in floating-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

To minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Company's credit risk was significantly reduced.

Except for the Company's top three customers, the Company had no material exposure to credit risk with counterparty or a group of counterparties that had similar properties.

The Company's concentration of credit risk of 20% and 13% of total trade receivables as of December 31, 2016 and 2015, respectively, was related to the Company's top three customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest rate risk table for non-derivative financial liabilities

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

For interest flows pertaining to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2016

Non-derivative financial liabilities	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-interest bearing	$ 2,470,959	$ 73,245	$ -	$ -

December 31, 2015

Non-derivative financial liabilities	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-interest bearing	$ 2,006,872	$ 292,540	$ -	$ -

24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

(1) Sales of goods

Line Items	Related Party Categories	For the Year Ended December 31 2016	2015
Sales	Key management personnel	$ 617,473	$ 568,612
	Subsidiaries	73	-
	Other related parties	4,161	7,230
		$ 621,707	$ 575,842

The selling prices are not comparable due to same product not sold to third party in 2016 and 2015. Payment terms of related parties are 60-150 days after every month end close and of third parties are 0-180 days after every month end close.

(2) Purchases of goods

Related Party Categories	For the Year Ended December 31 2016	2015
Subsidiaries	$ 5,530,543	$ 5,860,529
Other related parties	5,998	27,197
	$ 5,536,541	$ 5,887,726

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2016 and 2015. Payment terms of related parties are 60-150 days after every month end close and of third parties are 30-90 days after every month end close.

(3) Trade receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31 2016	2015
Trade receivables from related parties	Key management personnel	$ 108,307	$ 159,954

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

(4) Trade payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31 2016	2015
Trade payables to related parties	Subsidiaries	$ 2,440,684	$ 2,229,980
	Other related parties	-	7,408
		$ 2,440,684	$ 2,237,388

The outstanding trade payables from related parties are unsecured.

(5) Other transactions with related parties

Line Items	Related Party Categories	December 31 2016	2015
Receipts in advance	Key management personnel	$ 1,602	$ 1,557
Refundable deposits	Key management personnel	$ 207	$ 207
	Other related parties	568	568
		$ 775	$ 775

Line Items	Related Party Categories	For the Year Ended December 31 2016	2015
Rental expenses	Key management personnel	$ 1,283	$ 1,283
	Other related parties	3,110	2,740
		$ 4,393	$ 4,023

In 2016 and 2015, the Company rented buildings from key management personnel and other related parties. The rental expenses, which were payable monthly, were based on current market prices.

(6) Compensation of key management personnel

In 2016 and 2015, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31 2016	2015
Short-term employee benefits	$ 84,517	$ 78,924
Post-employee benefits	566	608
Share-based payments	16,336	10,088
	$ 101,419	$ 89,620

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	December 31	
	2016	2015
Acquisition of property, plant and equipment	$ 252,834	$ 274,973

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 172,925	32.2500 (USD:NTD)	$ 5,576,836
RMB	131,160	4.6490 (RMB:NTD)	609,761
			$ 6,186,597
Financial liabilities			
Monetary items			
USD	2,797	32.2500 (USD:NTD)	$ 90,210
RMB	524,991	4.6490 (RMB:NTD)	2,440,684
			$ 2,530,894

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 136,971	32.8250 (USD:NTD)	$ 4,496,086
RMB	231,165	5.0550 (RMB:NTD)	1,168,539
			$ 5,664,625
Financial liabilities			
Monetary items			
USD	1,668	32.8250 (USD:NTD)	$ 54,743
RMB	441,832	5.0550 (RMB:NTD)	2,233,460
			$ 2,288,203

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.8470 (RMB:NTD)	$ 15,643	5.0950 (RMB:NTD)	$ 18,814
USD	32.2258 (USD:NTD)	(1,359)	31.7650 (USD:NTD)	(1,999)
		$ 14,284		$ 16,815

27. Notes: Issues of disclosure:

(1) Major trading and (2) Outward investment related information.

1. Funds lent to others: Nil.
2. Endorsements/guarantees for others: Nil.
3. Negotiable securities held at end of the term (Excluding subsidiaries, affiliated enterprises and equity of joint venture): Nil.
4. Facts of accumulated purchase or sales of a same negotiable securities in an amount over NT$300 million or over 20% of the paid-in capital: Table No. I.
5. Acquirement of real estate in an amount over NT$300 million or over 20% of the paid-in capital: Table No. II.
6. Disposal of real estate in an amount over NT$300 million or over 20% of the paid-in capital: Nil.
7. Input, output deals with related parties in an amount over NT$100 million or over 20% of the paid-in capital: Table No. III.

8. Receivables from related parties in an amount over NT$100 million or over 20% of the paid-in capital: Table No. IV.
9. Business in derivative financial instruments: Nil.
10. Information of investees: Table No. V.

(3) Information of investment in China:

1. Names of investees in China, major business lines, paid-in capital, means of investment. inward remittance of capital, shareholding ratio, investment profit and/or loss, investment value on book at end of the term, investment profit and/or loss having been remitted back and limit of investment to China: Table No. VI.
2. Major transactions in the following attributes of investment in China via a third territory either directly or indirectly, the prices, terms of payment and unrealized profit and/or loss: Table No. VI.
    1) Amount and percentage of input deals and the percentage of payables at end of the term.
    2) Amount and percentage of sales and the percentage of receivables at end of the term.
    3) Amount of property transaction and amounts of the profit and/or loss so incurred.
    4) Negotiable instrument endorsements/guarantees or the purposes and end balance of collateral provided
    5) The highest balance, end balance, interest rate range and aggregate total of interest in that term of capital financing.
    6) Other facts that have significant impact upon the profit and/or loss of the current term or financial conditions, e.g., provision or acceptance of services

Voltronic Power Technology Corp.
Categories and names of same negotiable securities in purchases and sales in an amount over NT$300 million or over 20% of the paid-in capital
January 1 ~December 31, 2016

Table No. I

Unit: Thousand NTD; Thousand shares; Thousand USD

Company in buys, sales	Categories and names of negotiable securities	Account titles	Trading counterparts (Note)	Relationship (Note)	Beginning of the term		Purchase		Sales				End of the term	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Costs on book	Profit and/or loss in disposal	Number of shares	Amount
Voltronic Power Technology Corp.	Voltronic International Corp.	Investment in recognized under equity method	Voltronic International Corp.	A subsidy	11,600	$ 374,768	8,500	$ 271,481	-	$ -	$ -	$ -	20,100	$ 646,249
Voltronic International Corp.	Voltronic International H.K. Corp. Limited	Investment in recognized under equity method	Voltronic International H.K. Corp. Limited	A subsidy	89,918	374,768 (USD 11,600)	65,927	271,481 (USD 8,500)	-	-	-	-	155,845	646,249 (USD 20,100)
Voltronic International H.K. Corp. Limited	Zhongshan Voltronic Power Electronic Limited	Investment in recognized under equity method	Zhongshan Voltronic Power Electronic Limited	A subsidy	(Note)	280,111 (USD 8,600)	(Note)	271,481 (USD 8,500)	-	-	-	-	(Note)	551,592 (USD 17,100)

Note: As a limited company, it did not issue share certificates.

Voltronic Power Technology Corp.
Acquirement of real estate in an amount over NT$300 million or over 20% of the paid-in capital
January 1 ~ December 31, 2016

Table No. II

Unit: In Thousand NTD unless otherwise specified

Companies acquiring the real estate	Descriptions of properties	Date upon occurrence of facts	Amount of trading	Facts of payment	Trading counterparts	Relationship	Where the trading counterpart was a related party, data of the preceding transfer				Grounds to fix price	Purposes of acquirement and conditions of use	Other accords reached
							Owner	Relationship with the Issuer	Date of transfer	Amount			
Voltronic Power Technology Corp.	Construction of Neihu Building	July 29, 2015	$ 300,000	$ 108,571	Li Ming Construction Co., Ltd.	-	-	-	-	$ -	-	To meet future need use as the operating headquarters and research & development center	-
Zhongshan Voltronic Power Electronic Limited	Land utilization right	Sept. 7, 2016	178,423 (RMB 37,993)	178,423 (RMB 37,993)	Bureau of Land and Resources, Chungshan City	-	-	-	-	-	-	Required for future production	Note

Note: Acquisition of land utilization rights for 50 years in China

Voltronic Power Technology Corp.
Input, output transactions with related parties in an amount over NT$100 million or over 20% of the paid-in capital
January 1 ~ December 31, 2016

Table No. III

Unit: Thousand NTD

Companies in purchase (sales)	Trading counterparts	Relationship	Facts of transaction				Trading conditions different from general trading cases and the reasons why behind		Collection (payment) of negotiable instrument, accounts		Remarks
			Purchase (sales)	Amount	% to the aggregate total input (output) values	Duration of credit limit	Unit price	Duration of credit limit	Balance	% of collection (payment) of negotiable instrument, accounts to the aggregate total	
Voltronic Power Technology Corp.	RPS. SPA	The Company's director	(Sales)	($ 512,382)	(7%)	On a monthly basis within 150 days	No same items available	0～180 days	$ 60,252	5%	-
	FSP Group	The Company's director	(Sales)	(105,091)	(1%)	On a monthly basis within 60 days	No same items available	0～180 days	48,055	4%	〃
	Potentia Technology Inc. Limited	Subsidiary	Purchase	5,530,543	99%	On a monthly basis within 150 days	No same items available	30~90 days	(2,440,684)	(99%)	〃
Potentia Technology Inc. Limited	Voltronic Power Technology Corp.	Parent company	(Sales)	(5,530,543)	(74%)	On a monthly basis within 150 days	Note 2	Note 2	2,440,684	83%	〃
	Voltronic Power Technology (Shen Zhen) Corp.	Affiliated enterprises	(Sales)	(1,643,429)	(22%)	On a monthly basis within 150 days	Note 2	Note 2	403,230	14%	〃
	Voltronic Power Technology (Shen Zhen) Corp.	Affiliated enterprises	Purchase	5,492,148	74%	On a monthly basis within 150 days	No same items available	30~90 days	(2,363,252)	(74%)	〃
	Orchid Power (Shen Zhen) Manufacturing Company	Affiliated enterprises	(Sales)	(201,700)	(3%)	On a monthly basis within 150 days	Note 2	Note 2	52,333	2%	〃
	Zhongshan Voltronic Power Electronic Limited	Affiliated enterprises	Purchase	106,816	1%	On a monthly basis within 150 days	No same items available	0~60 days	(106,851)	(3%)	〃
Voltronic Power Technology (Shen Zhen) Corp.	Potentia Technology Inc. Limited	Affiliated enterprises	(Sales)	(5,492,148)	(99%)	On a monthly basis within 150 days	Note 2	Note 2	2,363,252	97%	〃
	Potentia Technology Inc. Limited	Affiliated enterprises	Purchase	1,643,429	39%	On a monthly basis within 150 days	No same items available	30~90 days	(403,230)	(29%)	〃
Orchid Power (Shen Zhen) Manufacturing Company	Potentia Technology Inc. Limited	Affiliated enterprises	Purchase	201,700	31%	On a monthly basis within 150 days	No same items available	0~60 days	(52,333)	(7%)	〃
Zhongshan Voltronic Power Electronic Limited	Potentia Technology Inc. Limited	Affiliated enterprises	(Sales)	(106,816)	87%	On a monthly basis within 150 days	Note 2	Note 2	106,851	86%	〃

Note 1: The figures in the Table are entered at New Taiwan Dollars. Those foreign currencies were converted into New Taiwan Dollars at the exchange rate quoted on the balance sheet date. The amounts related to the profit and/or loss were converted into New Taiwan Dollars of the exchange rate averaged for the entire year.
Note 2: No sales to counterparts beyond related parties.

Voltronic Power Technology Corp.
Receivables from related parties in an amount over NT$100 million or over 20% of the paid-in capital
December 31, 2016

Table No. IV

Unit: Thousand NTD

Companies with accounts receivable in account	Trading counterparts	Relationship	Balance of receivables from related parties (Note 1)	Turnover rate	Overdue receivables from related parties		Receivables from related parties, amount collected after the term (Note 3)	Amount of allowance for bad debt	Remarks
					Amount	Method of management			
Potentia Technology Inc. Limited	Voltronic Power Technology Corp.	Parent company	$ 2,440,684	2.37	$ -	-	$ 1,075,001	$ -	-
	Voltronic Power Technology (Shen Zhen) Corp.	Affiliated enterprises	403,230	4.48	-	-	138,532	-	〃
Voltronic Power Technology (Shen Zhen) Corp.	Potentia Technology Inc. Limited	Affiliated enterprises	2,363,252	2.36	-	-	539,851	-	〃
Zhongshan Voltronic Power Electronic Limited	Potentia Technology Inc. Limited	Affiliated enterprises	106,816	2.00	-	-	-	-	〃

Note 1: Figures in this Table were entered in New Taiwan Dollars. Those involving foreign currencies were converted into New Taiwan Dollars based on the exchange rate quoted on the balance sheet date, at 32.2500 for U. S. Dollars and 4.6490 for Renminbi (RMB).

Note 2: Till January 31, 2017.

Voltronic Power Technology Corp.
Information of Names of Investees, Regions of Venues…etc.
January 1 ~ December 31, 2016

Table No. V

Unit: Thousand NTD; Thousand shares; Thousand USD

Names of investors	Names of investees	Regions of venues	Major business lines	Amounts of initial investment		Held as end of the term			Profit and/or loss of the investees this term	Investment profit and/or loss recognized this term (Note 2)	Remarks
				End of the present term	End of the term last year	Number of shares	Percentage %	Book amount			
Voltronic Power Technology Corp.	Voltronic International Corp.	Anguilla	A variety of investment activities	$ 646,249	$ 374,768	20,100	100	$ 2,550,549	$ 473,657	$ 474,214	Note 1
Voltronic International Corp.	Potentia Technology Inc. Limited	Hong Kong	Buys and sales of uninterruptible power supplies (UPS)	-	-	-	100	6,105	3,433	3,433	Note 1
	Voltronic International H.K. Corp. Limited	Hong Kong	A variety of investment activities	646,249 (USD 20,100)	374,768 (USD 11,600)	155,845	100	2,544,899	470,224	470,224	Note 1

Note 1: As a subsidiary, having been written off upon consolidation.

Note 2: The investment profit and/or loss recognized this term was the net amount with restoration of the preceding term reverse transaction as unrealized gross profit after deducting the unrealized gross profit in reverse transaction this term.

Note 3: For more details about investment in China, please refer to Table No. VI.

Voltronic Power Technology Corp.
Information of Investment in China
January 1 ~ December 31, 2016

Table No. VI

Unit: Thousand NTD, thousand in foreign currencies

1. Names of investees in China, Major business lines, Paid-in capital, Means of investment, facts of inward, outward remittance of capitals, shareholding ratio, investment profit and/or loss, book values of investment and investment profit and/or loss:

Names of investees in China	Major business lines	Paid-in capital	Means of investment (Note 1)	Amount of investment in accumulation remitted outward from Taiwan at beginning of the term	Amount of investment remitted outward or collected this term		Amount of investment in accumulation remitted outward from Taiwan at end of the present term	Profit and/or loss of the investees this term	% of investment by the Company either directly or indirectly	Investment profit and/or loss recognized this term (Note 2 & 3)	Book value of investment at end of the term (Note 2 & 3)	Investment gain having been collected to Taiwan as of end of the present term
					Outward remittance	Retrieval						
Voltronic Power Technology (Shen Zhen) Corp.	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)	$ 64,630 (USD 2,000)	(2)	$ 64,630 (USD 2,000)	$ -	$ -	$ 64,630 (USD 2,000)	$ 336,435	100	$ 336,435	$ 1,710,592	$ -
Orchid Power (Shen Zhen) Manufacturing Company	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)	30,027 (USD 1,000)	(2)	30,027 (USD 1,000)	-	-	30,027 (USD 1,000)	141,143	100	141,143	317,295	-
Zhongshan Voltronic Power Electronic Limited	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)	551,592 (USD 17,100)	(2)	280,111 (USD 8,600)	271,481 (USD 8,500)	-	551,592 (USD 7,100)	(7,354)	100	(7,354)	517,012	-

2. Limit of investment in China: As investment officially approved by Investment Commission, Ministry of Economic Affairs

Amount of investment in China remitted from Taiwan as accumulated at the end of the present term	Amount of investment approved by Investment Commission, Ministry of Economic Affairs	Limit of investment in China as promulgated by Investment Commission, Ministry of Economic Affairs
$ 646,249 (USD 20,100)	$ 901,024 (Note 4) (USD 28,000)	$ 2,572,955

Note 1: Means of investment in three categories below. Please just remark the categories:
(1) Investment in China directly. Investigate in China in accumulation from Taiwan as of end of the present term
(2) Investment in Chinese investees via a third territory.
(3) Other means.

Note 2: The box of investment profit and/or loss recognized this term and box of investment profit and/or loss at end this term:
As the book value of the investment profit and/or loss of 2016 and the book values as of December 31, 2016 recognized by the Company via Voltronic International H.K. Corp. Limited, the Company's subsidiary, through its Investees Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company and Zhongshan Voltronic Power Electronic Limited

Note 3: Calculation based on the financial statements duly audited by the Certified Public Accountant in Taiwan who certified the parent company.

Note 4: As the aggregate total calculated based on the exchange rates in the actual outward remittance. The indirect investment in China as approved by the Investment Commission, Ministry of Economic Affairs US$25,000,000. As of December 31, 2016, a total of US$17,100,000 had been remitted outward, with US$7,900,000 not yet remitted. It was, therefore, converted into New Taiwan Dollars at the exchange rate quoted on the balance sheet day, i.e., 32.25

3. Major transactions with investees in China via enterprises in a third territory:

(1) Amount and percentage of purchases and the balance and percentage at end of the term of the relevant payables:

Unit: Thousand NTD

Names of investees in China	Type of transactions	Amount	% to the aggregate total input (output) values	Trading conditions			Collection (payment) of negotiable instrument, accounts		Unrealized benefits
				Price	Terms of collection (payment)	Comparison with general trading	Balance	Percentage (%)	
Voltronic Power Technology (Shen Zhen) Corp.	Purchase	$ 5,530,543	99	As negotiated and determined by and between both parties	On a monthly basis within 150 days	Incomparable because of lack of the same items.	($ 2,440,684)	(99%)	$ 457

(2) Amount and percentage of sales and the balance and percentage at end of the term of the relevant accounts receivables: Nil.

(3) Amount of property trading and the profit and/or loss so incurred: Nil.

(4) The balance and objectives at end of the term of the negotiable instrument endorsements/guarantees: Nil.

(5) The highest balance of capital financing, balance at end of the term, interest rate range and aggregate total of interest of the current term: Nil.

(6) Other transactions that have significant impact upon the current term profit and/or loss or financial conditions, e.g., provision or acceptance of services: Nil.

6. The financial problems of the Company and its Affiliated Enterprise found as of the printing date of this Annual Report issuance and the impact of such problems upon the Company's financial standing

Nil.

VII. Reassessment & analysis on financial conditions and outcome of business operation as well as risks

1. Financial conditions

Significant changes in assets, liabilities and equity taking place over the past two years, and causes behind and the impact, with explanation of future countermeasures in case of a significant impact:

Comparative analysis of financial conditions

Unit: Thousand NTD; %

Item \ Year	2015	2016	Discrepancy	
			Amount	%
Current assets	5,382,054	5,747,296	365,242	6.79
Property, plant and equipment	930,952	1,062,153	131,201	14.09
Intangible assets	6,103	8,198	2,095	34.33
Other assets	48,942	261,588	212,646	434.49
Total assets	6,368,051	7,079,235	711,184	11.17
Current liabilities	2,273,067	2,772,007	498,940	21.95
Other liabilities	26,629	18,969	(7,660)	(28.77)
Total liabilities	2,299,696	2,790,976	491,280	21.36
Capital stock	743,557	787,055	43,498	5.85
Capital surplus	1,385,450	1,697,404	311,954	22.52
Retained earnings	1,894,778	2,171,080	276,302	14.58
Remuneration not earned by employees	(3,621)	(264,938)	(261,317)	7,216.71
Cumulative translation adjustment	48,191	(102,342)	(150,533)	(312.37)
Aggregate total of shareholders' equity	4,068,355	4,288,259	219,904	5.41

Change over the past two years over 20%, with the change above NT$10,000,000.

Other assets: mainly due to the acquisition of the land utilization right in China by our subsidiary Zhongshan Voltronic Power Electronic Limited in 2016.

Current liabilities: the increase in payables was primarily due to restocking ahead of schedule in expectation for rising prices of materials and commodities.

Total liabilities: primarily due to restocking ahead of schedule in expectation for rising prices of materials and commodities.

Additional paid-in capital: primarily due to the issuance of new shares with limited interests to employees in 2016.

Remuneration not earned by employees: primarily due to the issuance of new shares with limited interests to employees in 2016.

Cumulative translation adjustment: cumulative adjustments due to exchange rate fluctuations.

2. Financial performance

(1) Analysis onto the operating outcome over the past two years

Comparative analyses on financial performance

Unit: Thousand NTD; %

Item \ Year	2015	2016	Amount in increase / decrease	Ratio of change %
Net operating revenue	8,039,323	8,120,220	80,897	1.01
Operating cost	5,602,291	5,634,608	32,317	0.58
Gross operating profit	2,437,032	2,485,612	48,580	1.99
Operating expenses	758,813	806,337	47,524	6.26
Operating net profit	1,678,219	1,679,275	1,056	0.06
Non-operating income and profit	88,284	50,306	(37,978)	(43.02)
Non-operating expenses and losses	5,832	7,360	1,528	26.20
Net profit before tax	1,760,671	1,722,221	(38,450)	(2.18)
Fees of income tax	343,961	293,885	(50,076)	(14.56)
Net profit after tax	1,416,710	1,428,336	11,626	0.82
Operating revenue over the past two years: Significant changes in operating net profit and net profit before tax, with descriptions of the reason why. Non-operating income and profit: the reduction in profits was primarily due to exchange rate fluctuations in 2016. Non-operating expenses and losses: the increase in interest expenses due to the factoring of receivables in 2016.				

(2) Anticipated sales volume and grounds thereof, potential impact upon the Company in future financial conditions and the countermeasures:

1) Anticipated sales volume one year ahead and grounds thereof:

On the grounds of change in the macroeconomy, business operation orientation and future development, with reference to the recent performance by the Company, we duly work out operating targets and anticipate to continually grow over Year 2016. We anticipate to see an increase of operating revenues and profits.

2) Potential impact upon the Company's future financial conditions and the countermeasures: Nil.

3. Analyses on cash flow

(1) Analysis on currency in cash flow in the most recent years:

Item \ Year	2015	2014	Increase (decrease) of change ratio (%)
Cash flow ratio (%)	61.25%	42.99%	(29.81%)
Cash flow adequacy ratio (%)	135.84%	119.52%	(12.02%)
Cash reinvestment ratio (%)	20.50%	2.82%	(86.25%)
A change beyond 20% between the preceding and subsequent terms, primary reasons and analysis of the impact: (1) Decrease of cash flow ratio: The net cash inflows from operating activities dropped, primarily as a result of the change in payment terms of suppliers. (2) Decrease of cash flow adequacy ratio: Nil (3) Decrease of cash reinvestment ratio (%): primarily due to an increase in equity. investments in subsidiaries in 2016.			

(2) Plan to improve inadequate current flow: Nil

(3) Analyses on the cash flow performance in one year ahead (Year 2017):

Unit: Thousand NTD

Cash balance at beginning of the term (1)	Net cash flow in operating activities anticipated for the entire year (2)	Anticipated cash inflow of the entire year (3)	Anticipated cash surplus (shortfall) (4)=(1)+(2)+(3)	Remedy for anticipated cash shortfall	
				Investment plans	Wealth management plan
3,039,601	1,380,000	(1,824,108)	2,595,493	—	—
(1) Analyses on changes in cash flow 2015: A. The net cash inflow in operating activities is anticipated at NT$1,380,000,000, due primarily to growth in profit anticipated in the upcoming one year. B. In Year 2017, the investment activities and relevant cash outflow came to approximately NT$250,000,000. C. The anticipated cash flow for financing activities was to allocate cash dividend NT$1,180,581,000 and the additional paid-in capital at NT$393,527,000 for the issuance of ordinary shares at a premium. (2) Analyses on remedy for cash shortfall and the liquidity: Not applicable, as no cash shortfall is anticipated.					

4. The impact of the significant capital expenditure of the latest year upon the financial conditions:

The Company is currently funding with internal capital the total expenses of construction in progress totaling NT$170 million for the headquarters building and the R&D center in Taipei. As the internal capital is adequate, this major capital expenditure does not affect the financials of the Company. Meanwhile, the establishment of new facilities at Zhongshan Voltronic Power Electronic Limited is also funded with internal capital, without material impacts on our financials.

5. **The outward investment policies in the most recent year, key reasons leading to profit or loss, countermeasures and the investment plan in one year ahead:**

(1) The outward investment plans in the most recent year: To manage and dominate outward investment. The Company has so far duly enacted Procedures for the Acquisition or Disposal of Assets" to firmly dominate financial conditions and business operation facts. Amidst the Internal Control System, besides, the Company has enacted "Surveillance and Management Operations over Subsidiaries" to firmly dominate their financial conditions and relevant operating procedures. Meanwhile, we firmly surveil their implementation or handling. We have, as well, set up the operating risk management mechanism over subsidiaries to exert maximum possible business performance.

(2) Kay causes leading to profit or loss in outward investment in recent year, countermeasures and investment plans on one year ahead:

December 31, 2016; Unit: Thousand NTD

Descriptions / Descriptions	Shareholding ratio %	Profit (loss) recognized Amount	Major causes leading to profit or loss	Countermeasures	Other investment plans in the future
Voltronic International Corp.	100.00	474,214	Due primarily to profit earned from investee Subsidiary Voltronic International H.K. Corp. Limited	—	Continued capital increase of US$7.9 million in coordination with Zhongshan Voltronic Power Electronic Limited in its future business operation
Voltronic International H.K. Corp. Limited	100.00	470,224	Due primarily to profit earned from investees in Subsidiaries Voltronic Power Technology and Orchid Power (Shen Zhen) Manufacturing Company	—	Continued capital increase of US$7.9 million in coordination with Zhongshan Voltronic Power Electronic Limited
Potentia Technology Inc. Limited	100.00	3,433	Due primarily to procurement of raw materials & materiel on behalf with discount.	—	—
Voltronic Power Technology (Shen Zhen) Corp.	100.00	336,435	Due primarily to stable growth in operating scale.	—	—
Orchid Power (Shen Zhen) Manufacturing Company	100.00	141,143	Due primarily to stable growth in operating scale.	—	—
Zhongshan Voltronic Power Electronic Limited	100.00	(7,354)	The year 2016 was its first year in operations. The limited losses were the results of the production and facilities leasing in the second half of the year.	—	In line with future need, the Company would further investment US$7.9 million.

(3) Investment plans in one year ahead:

The investment for the next year will depend on market demand, as we seek to capture business opportunities, expand market shares and our revenue base.

6. Analyzed evaluation required for risks over the issues enumerated below of the most recent year as of Annual Report date

1) Change in interest rates:

A. Impact upon the Company's operating revenues and profitability:
In years 2015 and 2016, the net interest revenues and expenditures came to NT$37,228,000 and NT$33,716,000 respectively, accounting for 0.46% and 0.42% of the net operating revenues respectively, and accounting for 2.11% and 1.96% of the net profit before tax respectively. Accordingly, the change in the interest rate would pose limited impact upon the Company's operating revenue and net profit before tax.

B. Concrete countermeasures:
The Company's interest expenditures primarily incurred by transfer of accounts receivable, with direct relationship of customer credit rating and credit standing with bank transaction. The Company has maintained sound relationship with correspondent banks and has, as a result of, obtained preferential interest rate. Meanwhile, the Company closely watches the updates of banking markets and the potential impact upon the Company and would take countermeasures closely all the time. Accordingly, the changes in interest rate is not supposed to create a significant impact upon the Company.

2) Change in exchange rate

Unit: Thousand NTD

Descriptions＼Year	Year 2015	Year 2016
Profit and/or loss in foreign exchange, net	43,841	303
Net operating income	8,039,323	8,120,220
% to the operating income	0.55%	0.01%
Net profit before tax	1,760,671	1,722,221
% to the operating profit (%)	2.49%	0.02%

Source: The financial statements having been duly audited by Certified Public Accountant.

Concrete countermeasures against change in exchange rate:

The sells products and purchases key raw materials & materiel primarily U. S. Dollars. In the most recent year, use of Renminbi (RMB) has been rising year-by-year. In the part of U. S. Dollars, while in the most recent year amidst more significant fluctuations, in an attempt to minimize the impact upon our revenues and profit from fluctuation in exchange rates, we have appropriately maintained the U. S. Dollars position in revenues from sales ready to meet the need for procurement. In turn, naturally, we accomplish the function of hedging. Meanwhile, we continually watch the potential impact of macroeconomy upon exchange rate. As the actual situations may justify, we shall further launch hedging performance by means of forward foreign exchange.

Aiming at potential risks in Renminbi (RMB), as our subsidiaries are in a need of Renminbi (RMB) to procure from China-based suppliers, we have prepared for a certain position deposits in Renminbi (RMB) ready for natural hedge which will be adjusted in an appropriate manner. Over the risks of Renminbi (RMB), where our major subsidiaries would be in a need of purchase from China based suppliers with Renminbi (RMB). In the future along with the Company's growth, we shall duly adjust such positions and hedge through forward foreign exchange contracts.

3) Changes in inflation:

A. Analysis upon the impact upon the Company
The average consumer commodity price index promulgated by the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan in 2016 was 1.39%, suggesting no significant inflation problem. That is to mean no significant potential impact upon the Company's profit and/or loss in 2016.

B. Concrete countermeasures
(A) We are in a sound position to dominate the price variation in upstream raw materials sources all the time and maintain very intimate ties with suppliers and customers. Such efforts would help us minimize the impact by change in raw materials costs upon our Company's profit and/or loss.
(B) We continually take reference to the research reports and relevant economic data from leading economy research houses both at home and abroad and duly adjust the future inflation possibility in the future to prevent the significant impact of inflation upon our financial conditions.

(2) The major causes behind our engaging in high risk, high leverage investment, funds lent to others, endorsements/guarantees and derivative financial instruments and the future countermeasures :

1) Our engaging in high risk, high leverage investment:
Our Company focuses on principal business lines with heavy stress on development of principal technology & know-how, research & development and sales marketing. Besides, we insist on solid policy in business operation, aiming at sound financial development as the very premise. We, therefore, do not get involved in any investment beyond our principal lines, nor do we engage in high leverage investment.

2) Business in engaging in funds lent to others, endorsements/guarantees and derivative financial instruments:
The Company has duly enacted the "Procedures for Loaning of Funds to Others", "Procedures in Endorsement and Guarantee" and "Procedures for the Acquisition or Disposal of Assets" as the very grounds for relevant business operation. As of the Annual Report issuance date, the Company had not engaged in any such

transactions in lending funds, endorsements/guarantees in business and in derivative financial instruments.

(3) The future research & development plans and the expenses anticipated to be invested:

1) The future research & development plans: High power and high efficiency products.
   - A. Development of UPS series.
   - B. Development of dispersing high voltage direct current UPS 6k/15k modules and monitoring systems.
   - C. Development of high power factor/high efficiency/low current harmonics models.
   - D. Development of dispersing road side UPS module machines.
   - E. Development of three-phase current harmonics compensators.
   - F. Development of DC/DC converters of on-grid Inverter converted to energy storage application.

2) The expenses anticipated to be invested:
The research & development expenses the Company intends to invest will be budgeted based on the step-by-step basis based on our development of new products and new technology & know-how, future growth in sales turnover, and will raise the research & development costs year-by-year in the future. In Year 2016, the aggregate total research & development costs actually invested came to NT$353,985,000. In 2017, we anticipate to invest NT$460,180,000 as our research & development expenses to further boost our competitive edge.

(4) The impact from major domestic policies, change in laws upon the Company's financial conditions and the Company's countermeasures:
In all routines, the Company faithfully complies with laws and ordinances concerned prevalent at home and abroad. As of the present date, we have not confronted any substantial impact upon our business operation or financial conditions. In fact, we always closely watch the trends of development in at home and abroad policies and updates in laws. We closely collect relevant information as handy reference to the managerial level and, in turn, work out countermeasures in response.

(5) The impact from technical and industrial changes upon the Company's financial conditions and the Company's countermeasures:
We closely watch the latest update and trends of change and technical development from time to time on a nonscheduled basis. Meanwhile, thanks to the profound relationship we have built with customers, we are well aware of the potential impact upon our industrial and technical development. All our research & development teammates could aim at the substantial needs in the markets to create the right products to meet such needs. In the most recent year as of the Annual Report issuance date, we had not run into any significant impact upon our business operation and financial conditions.

(6) The impact from change in Corporate Identity System (CIS) upon risk control and our countermeasures:
Since Voltronic Power Technology first came into being, we have focused on business in

our principal business lines and have faithfully complied with laws and ordinances concerned, maintained harmonious labor relationship, solicited top rank research & development talents to assure sound corporate image. In the most recent year as of the Annual Report issuance date, we had not run into any significant impact upon our Corporate Identity System (CIS). We will continually maintain sound corporate image and expand further business horizons.

(7) Benefits anticipated from merger/acquisition (M&A), potential risk and our countermeasures:
As of the Annual Report issuance date, we had not worked out any merger/acquisition (M&A) plans with other counterparts. In case of a merger/acquisition (M&A) plan in the future, we shall exactly follow the laws and ordinances concerned and the Company's managerial regulations. Through such efforts, we shall faithfully assure the Company's interests and shareholders' equity.

(8) Benefits anticipated from expanded factories, potential risks and our countermeasures:
At present, we anticipate to erect new plant buildings in Zhongshan District, Guangdong Province, to live up to the need of future growth. All funds so required will come from our own working capital. At the moment, we hold working capital on hand, free of any risk of a potential shortfall.

(9) Potential risks in concentrated purchases and sales and our countermeasures:

1) Risks in purchases:
At the moment, we do not engage in production or manufacture in Taiwan. We purchase some electronic parts & components and export them to customer terminals. In major UPS and relevant electronic parts & components, we accept Purchase Orders from terminal customers in Taiwan and transfer the purchase orders via our sub-subsidiary Potentia Technology Inc. Limited (hereinafter referred to as Potentia Technology Inc.) toward the production stronghold Voltronic Power Technology (Shen Zhen) Corp. (hereinafter referred to as Voltronic Power Technology) and Zhongshan Voltronic Power Electronic Limited (hereinafter referred to as Zhongshan Voltronic Power Electronic). The Company is in 100% domination over Potentia Technology Inc., Voltronic Power Technology and Zhongshan Voltronic Power Electronic. For procurement by our subsidiaries, the amount of purchase from any single supplier has been below 10%. For all raw materials & materiel, we have maintained a minimum of two regular supply sources. We are, therefore, free of any risk of being concentrated.

2) Risks in sales:
In 2015 and 2016, our sales to the top customer accounted for below 10% of the aggregate total. We are free of any risk of being concentrated in sales.

(10) The impacts and risks in massive changeover or replacement by directors, top shareholders holding over 10% shareholding and our countermeasures:
To strengthen our corporate governance, the Audit Committee was formed with the three independent directors following the shareholders' annual meeting on May 25, 2016. There has been no change to Chairperson, the management team or impact to the management. In the most recent year as of the Prospectus date, the Company

had not seen significant changeover in equity among directors and key shareholders holding over 10% shareholding. Accordingly, the Company is free of a potential significant impact.

(11) The impacts and risks from a change in managerial power and our countermeasures:
As of the Annual Report issuance date, the Company had not seen a change in managerial powers.

(12) The final and irrevocable court judgments, significant pending litigation, non-litigious events involving the Company, the Company's directors, general manager, substantial responsible person, key shareholders holding over 10% shares, auxiliaries with outcome which might significantly affect shareholders' equity, securities prices, the subject facts, target amounts, starting date of litigation, major litigants and the updates as of the As of the Annual Report issuance date:

1) As of the Annual Report issuance date, final and irrevocable court judgments, significant pending litigation, non-litigious, administrative events with outcome which might significantly affect shareholders' equity, securities prices, the subject facts, target amounts, starting date of litigation, major litigants and the updates should be disclosed: Nil.

2) The final and irrevocable court judgments, significant pending litigation, non-litigious, administrative events involving the Company's directors, general manager, substantial responsible person, key shareholders holding over 10% shares with outcome which might significantly affect shareholders' equity, securities prices:

The civil action with claim on infringement upon patent by and among the Company's director FSP Group (hereinafter referred to as FSP Group), Shuo Chieh Technology Co., Ltd. (hereinafter referred to as Shuo Chieh Company) and O2 MICRO INTERNATIONAL LIMITED (hereinafter referred to as O2 Company) is currently pending in Federal Court of the United States, East Texas Marshall Branch. Upon awareness of the litigious dispute by and between both parties Chieh Shuo Company and O2 Company, FSP Group immediately converted into replacement materials free of infringement. According to the intellectual property rights guarantee executed by and between FSP Group and Shuo Chieh Company, For all responsibility, loss, impairment, expenses and other expenditures incurred by FSP Group for the products, Shuo Chieh Company should assume the responsibility for complete indemnity in full. That means the litigation does not mean any significant impact upon FSP Group's financial conditions. In turn, the Company is free of significant impact in shareholders' equity or securities prices.

(13) Other significant risks and countermeasures: Nil

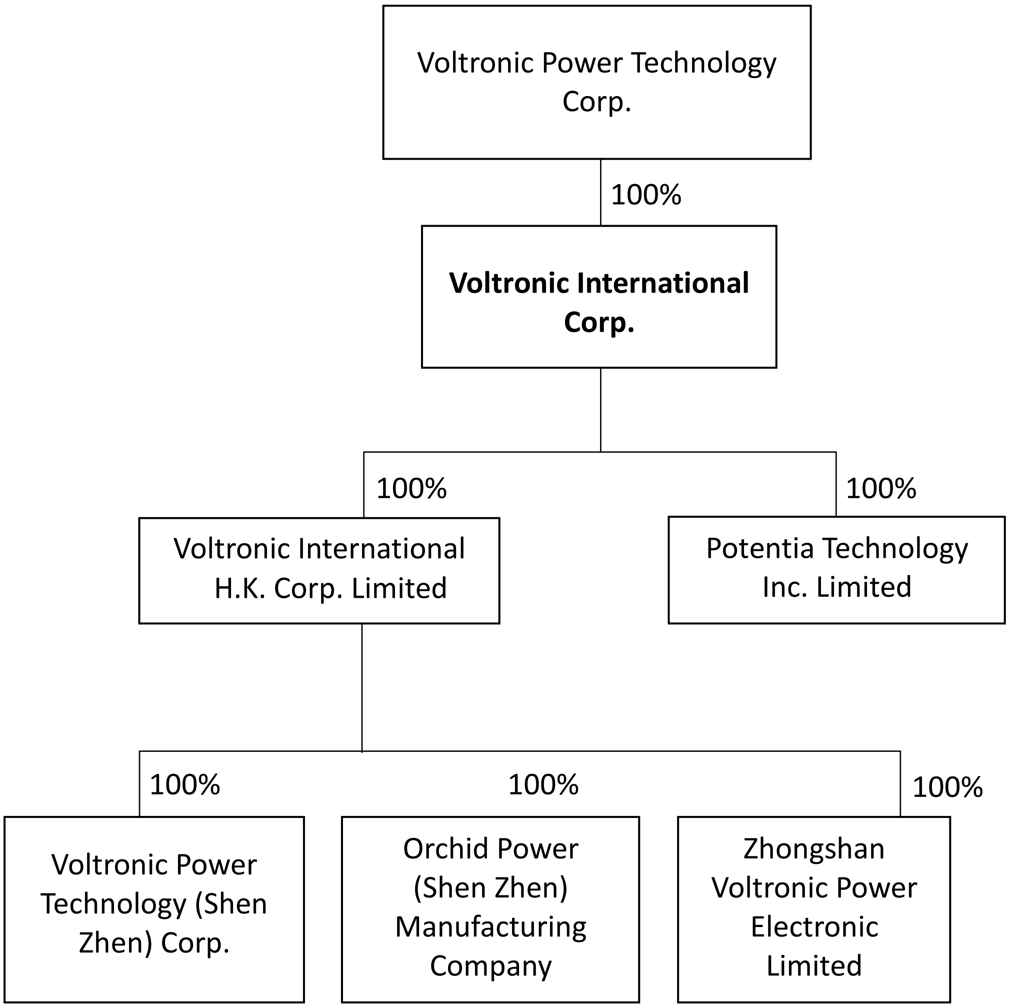
7. Other significant issues

Nil.

VIII. Special Matters of Record

1. Relevant information of Affiliated Enterprise

(1) 1. Organization chart of Affiliated Enterprise:



(1) 2. Basic Information of the Various Affiliated Enterprise:

Unit: Thousand USD

Name of Affiliated Enterprise	Date of Establishment (Month/Year)	Address	Paid-in Capital	Main business or production item
Voltronic International Corp.	May 2008	Hansa Bank Building 1st Floor, Landsome Road, The Valley, Anguilla.	USD20,100	A variety of investment activities
Voltronic International H.K. Corp. Limited	May 2008	Suite 18B 148 Connaught Road Central, Hong Kong.	USD20,100	A variety of investment activities
Potentia Technology Inc. Limited	May 2008	Suite 18B 148 Connaught Road Central, Hong Kong.	-	Buys and sales of uninterruptible power supplies (UPS)
Voltronic Power Technology (Shen Zhen) Corp.	Aug. 2008	1F~4F, Building 5, Yusheng Industrial Area, No. 467 Xixiang Street, Baoan District, National Highway 107 West Part, Shenzhen City	USD2,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)
Orchid Power (Shen Zhen) Manufacturing Company	Nov. 2011	3F, Building 9, Yusheng Industrial Area, No. 467 Xixiang Street, Baoan District, National Highway 107 West Part, Shenzhen City	USD1,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)
Zhongshan Voltronic Power Electronic Limited	Sept. 2015	9F~G District, Torch Building, No. 1, Torch Road, Torch Development Zone, Zhongshan City	USD17,100	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)

(1) 3. Information of Director, Supervisor and General Manager of the Various Affiliated Enterprise:

Unit: Thousand USD; share; %

Name of Affiliated Enterprise	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding rate
Voltronic International Corp.	Director	Representative of Voltronic Power Technology Corp., Hsieh Juor-Ming	20,100	100%
Voltronic International H.K. Corp. Limited	Director	Voltronic International Corp.	155,845	100%
	Director	Hsieh Juor-Ming	-	-
Potentia Technology Inc. Limited	Director	Voltronic International Corp.	0.001	100%
	Director	Hsieh Juor-Ming	-	-
Voltronic Power Technology (Shen Zhen) Corp.	Director	Representative of Voltronic International H.K. Corp. Limited, Hsieh Juor-Ming	Note	100%
	General Manager	Hsieh Juor-Ming	-	-
Orchid Power (Shen Zhen) Manufacturing	Director	Representative of Voltronic International H.K. Corp. Limited, Hsieh	Note	100%

Name of Affiliated Enterprise	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding rate
Company		Juor-Ming		
	General Manager	Hsieh Juor-Ming	-	-
Zhongshan Voltronic Power Electronic Limited	Director	Representative of Voltronic International H.K. Corp. Limited, Hsieh Juor-Ming	Note	100%
	General Manager	Hsieh Juor-Ming	-	-

Note: In the attribute of a "limited company" thus free of face amount and shares

(1) 4. Business Operating Status of the Various Affiliated Enterprise:

Unit: NTD (USD,RMB); thousand dollars

Name of Affiliated Enterprise	Paid-in Capital	Total assets	Total liabilities	Net amount	Operating Revenues	Operating loss	Gain/loss of the current year (After tax)
Voltronic International Corp	USD 20,100	USD 79,101	-	USD 79,101	-	-	USD 14,698
Voltronic International H.K. Corp. Limited	USD 20,100	USD 78,912	-	USD 78,912	-	-	USD 14,592
Potentia Technology Inc. Limited	-	USD 98,909	USD 98,719	USD 190	USD 230,346	(USD 10)	(USD 107)
Voltronic Power Technology (Shen Zhen) Corp.	USD 2,000	RMB 719,702	RMB 351,869	RMB 367,833	RMB 1,170,793	RMB 83,514	RMB 69,461
Orchid Power (Shen Zhen) Manufacturing Company	USD 1,000	RMB 147,114	RMB 78,885	RMB 68,229	RMB 204,824	RMB 39,087	RMB 29,140
Zhongshan Voltronic Power Electronic Limited	USD 17,100	RMB 167,813	RMB 56,638	RMB 111,175	RMB 26,271	(RMB 4,247)	(RMB 1,518)

(1) 5. Consolidated Business Report of Affiliated Enterprise: Not applicable.

(2) Consolidated Financial Statements of Affiliated Enterprise

Declaration of Consolidated Financial Statements of Affiliated Enterprise

In Fiscal Year 2016 (January 1 ~ December 31, 2016), in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", the company which should be covered in Consolidated Financial Statements of Affiliated Enterprise was same as the company for the Consolidated Financial Statements of Parent Company and Subsidiaries as covered in International Financial Reporting Standards (IFRS) #10 and all the information in the Consolidated Financial Statements of Affiliated Enterprise had been disclosed in the Financial Statements of Parent Company and Subsidiaries. Therefore, the Financial Statements of Parent Company and Subsidiaries is unnecessary and is not worked out once more.

This hereby formally declares.

Company Name: Voltronic Power Technology Corp.

Responsible person: Hsieh Juor-Ming

February 24, 2017

(3) Report of affiliated enterprise: Nil.

2. Acts in privately placed securities in categories and names of negotiable securities in the most recent year as of the Annual Report issuance date

Nil.

3. The Company's share certificates being held or disposed of by subsidiaries in the most recent year as of the Annual Report issuance date

Nil.

4. Other supplementary descriptions as necessary

Nil.

5. Occurrence of significant impact upon shareholders' equity or securities prices under Subparagraph 2, Paragraph 2, Article 36 of the Act in the most recent year as of the Annual Report issuance date

(1) A check dishonored because of insufficient deposits, rejected transaction or other forfeiture of creditability: Nil.

(2) Significant impact upon the Company's financial conditions or business operation due to litigation, non-litigation, administrative actions, administrative litigation, security procedures or compulsory enforcement:

Please refer to "VII: Reassessment Analysis and Risks on financial conditions and financial per 6. Facts enumerated below in the most recent year as of the Annual Report issuance date in risk issues which should be analyzed:

(3) Critical cut from production line, or suspension from business operation either in whole or in part, lease out of the Company's plant or major equipment & facilities which would suggest an impact upon the Company's business operation: Nil.

(4) Facts under Paragraph 1, Article 185 of Company Act: Nil.

(5) Ruling to ban transfer of stocks rendered by court in accordance with Subparagraph 5, Paragraph 1 of Article 287: Nil.

(6) Change in the Chairman of the Board, general manager or directors over one-third of the aggregate total: Nil.

(7) Change in certifying Certified Public Accountant except a change resulting from internal reassignment of the Certified Public Accountant Office: Nil.

(8) Execution, change, termination or rescission of major memorandum, reporting statements alliance or other business cooperation plans, or major contract, change in the contents of business plans, completion of new product development, success in products in experiments to enter official volume production, acquisition of other's enterprise, acquirement or outward transfer of patent, trademark, copyright or transaction in intellectual property rights which suggest significant impact upon the Company's financial conditions or business operation: Nil.

(9) Other issues which would adequately affect the Company's continued operation: Nil.

Voltronic Power Technology Corp.

Responsible person: Hsieh Juor-Ming