Stock code: 6409

VOLTRONIC POWER TECHNOLOGY CORP.

ANNUAL REPORT 2017

Published on May 28th, 2018

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

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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:

I. Operations

Our consolidated revenue totaled NT$9,862,230,000 in 2017, up 21.45% year-over-year. Our net income was NT$1,363,644,000, a decline of 4.53% from the previous year. Earnings per share stood at NT$17.46, down 4.33% from NT$18.25 in 2016.

Expressed in Thousands of New Taiwan Dollars

	2017	2016	YoY %
Sales, net	9,862,230	8,120,220	21.45%
Cost of goods sold	7,167,582	5,634,608	27.21%
Gross profits	2,694,648	2,485,612	8.41%
Operating expenses	866,051	806,337	7.41%
Operating profits	1,828,597	1,679,275	8.89%
Non-operating income	(173,407)	42,946	-503.78%
Pre-tax earnings	1,655,190	1,722,221	-3.89%
Net earnings	1,363,644	1,428,336	-4.53%

II. Research & Development

1. R&D activities in 2017

Off Line:

(1) European-specs, high-frequency, standby power strip UPS models
(2) High-end hot swappable line-interactive Rack/Tower models

On Line 1~5KVA:

(1) On line 1~3KVA structured models
(2) On line 1~3KVA series custom development

On Line 6~200KVA:

(1) On line 3/3 6K/10K UL PF=1 Rack UPS models
(2) On line 6K/10K Magellan series custom development
(3) 1-1/3-1/3-3 6/10KVA Arena modular UPS development
(4) On line 3/3 10k/20KVA (battery set) dual bus-bar UPS modules
(5) Online 3/3 10/20/30/40/60/80/100/120KVA vector-controlled industrial UPS models pre-research
(6) On line three-phase active current harmonic compensator development

Inverter, Solar inverter, Charger Controller and Charger:

(1) High voltage PV Off-grid energy storage inverters
(2) 30KW three-phase energy storage inverters development
(3) Three-phase asynchronous-load uniform flow compensator development

Viewpower monitoring software:

(1) 3G wireless communication cards for Inverter development
(2) SNMP Web Pro cards
(3) Wi-Fi cards for Inverter development

1. New products and technologies for 2018
   Off Line:
   (1) Hot swappable line-interactive sine wave Rack/Tower models development

   On Line 1~5KVA:
   (1) Online 1 ~ 3KVA high voltage surge protection (6KVA) model development
   (2) Online 1 ~ 3KVA full-digitized models development

   On Line 6~200KVA:
   (1) Online 6K/10K modular industrial UPS development
   (2) Online 6K/10K (battery set) dual-bus UPS modules Development
   (3) Online 3/3 10/20/30/40/60/80/100/120KVA modular industrial UPS models development
   (4) On line three-phase active current harmonic compensator development

   Inverter, Solar inverter, Charger Controller, Charger and ATS:
   (1) New Off-grid inverter development
   (2) 30A ATS development

   Viewpower monitoring software development:
   (1) 3G wireless communication cards for UPS development
   (2) Bluetooth card development
   (3) Wi-Fi card for UPS development
   (4) HTML 5 version Viewpower Pro development

Prospect for 2018:
Due to the recovery of emerging markets and the continued increase in outsourcing orders from Tier 1 customers, the Company's operations in 2017 resumed its growth momentum, with a 21% increase in revenue. However, since the Quarter 4 of 2016, the continuous, drastic increases in major raw material costs, and the strong gain of NT dollars, 8% in a single year, are impacting US dollar-denominated export companies both on gross margins and dollar exchanges. The Company has already aggressively allocated materials to cope with the compression from material cost increases, in addition, to negotiate with customers to absorb part of the price increase. Therefore, the final tally this year shows a slight decline in net profit, about 4.5%.

2018 outlook:
Although the trends of exchange rates and raw material costs are still high in early 2018, the status of customer orders is stable; thus, these factors will not have much impact on business operations. However, the Company will continue to aggressively improve material cost optimization to reduce the impact of raw material costs and exchange rate fluctuation. A subsidiary, the new Zhongshan Plant, is expected to enter operations in the second half of the year and will be able to inject the momentum needed for growth. The Company will also continue to develop new customers, while actively seeking new orders. It is hoped that, in the new year, both revenue growth and profit improvement will meet shareholders' expectations.

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: None

(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: None

(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 authentications.
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.

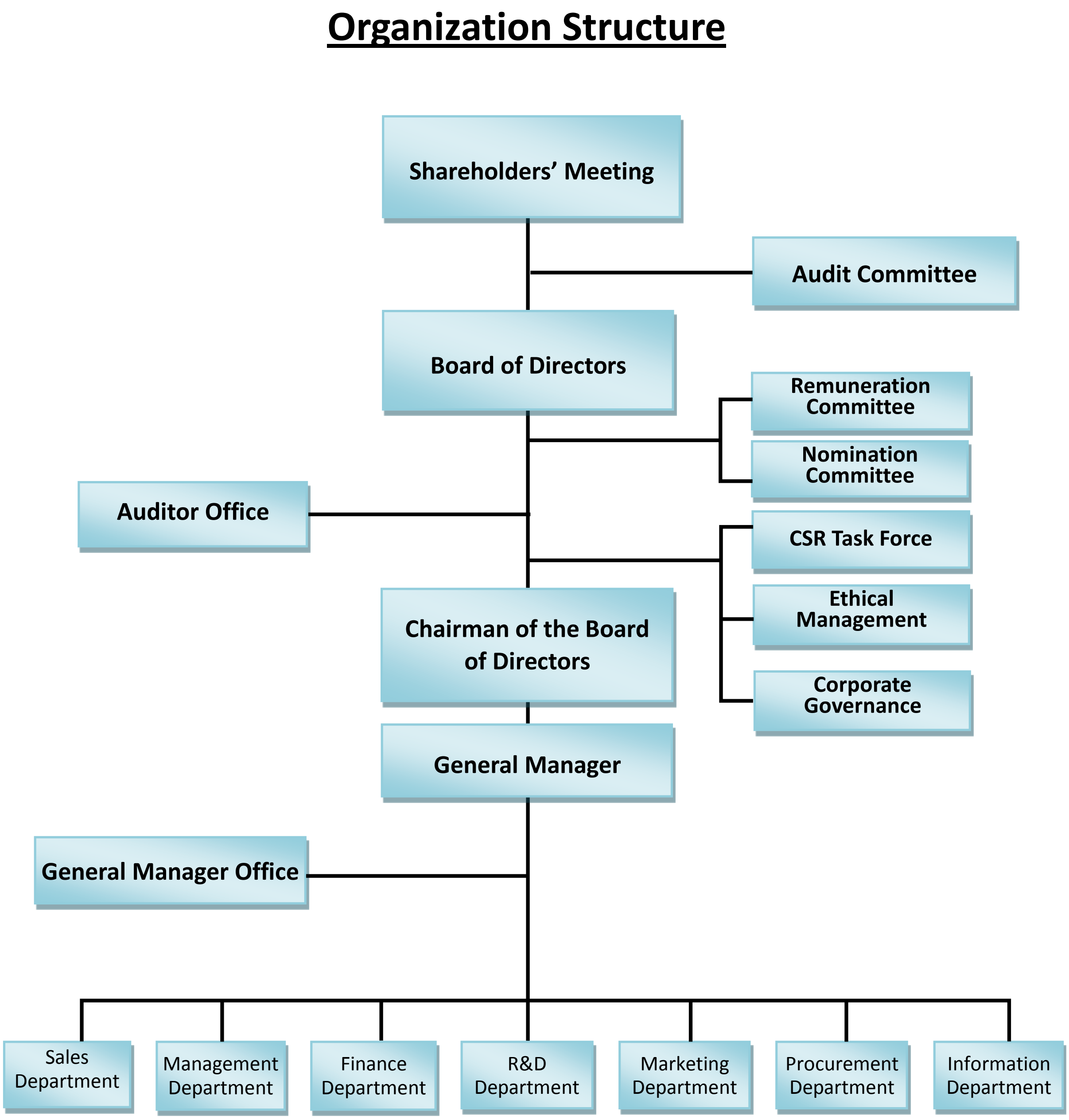
Year	Events
	4. Voltronic Power Technology successfully completed the development of standalone model, combined solar energy system.
	5. We successfully completed development of the high power density PF 0.9 On-line 1~3KVA UPS series.
2011	1. We converted earnings and bonus to employees into capital 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. 2. On July 17, 2017, the Company cut capital in an amount of NT$170, 000 amidst restriction of employees' interests in the new shares. After the capital-cut, the Company’s capital amounts to NT$786,884,300.
2018	1. In February 2018, the Company relocated into its Taipei Headquarters at No. 406 Xinhu 1st Road, Neihu District, Taipei City 2. In April 2018, the Company cut capital in an amount of NT$32,000 amidst restriction of employees' interests in the new shares. After the capital-cut, the Company’s capital amounts T$786, 852, 300. 3. April 2018: ranked top 5% by the 4th 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 7, 2018；Expressed in shares

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: None 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%	4,992,916	6.35%	－	－	－	－	－	－	－	－	－
	Taiwan, R.O.C.	Representative: Cheng Ya-Jen	Male	06/30/2015	3	06/30/2015	－	－	－	－	－	－	－	－	Tatung University	Position served concurrently at this Company: None FSP Group-Chairman 3Y POWER TECHNOLOGY INC.-chairman 3Y POWER TECHNOLOGY INC.-responsible person	－	－	－

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 TECHNOLOGY CO., LTD.-director 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 FSP Generation Technology Inc. (Jiangsu) - – director FSP TECHNOLOGY USA INC. - Responsible person Haohan Electronic Technology Inc.-(Ji'an)- director LeadSolar Energy Co. Ltd - 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 Member of the CPA Discipline Committee of Financial Supervisory Commission 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 Independent supervisor of Taisol Electronics Co., Ltd.	Position served concurrently at this Company: None Full-time professor, Department of Accountancy, National Taipei University Director of Accounting Research and Development Foundation and committee member of Accounting Standards Board Commission member of Public Functionary Disciplinary Sanction Commission Committee member of Securities Listing Review Committee Independent director of Copartner Tech Corp. Independent director of L&K Engineering Co, Ltd. Chairman of Fly-Hawk Accounting Education Director of Taiwan Institute of Ethical Business and Forensics, and committee member of its Corporate Governance Committee	—	—	—
Independent director	Taiwan, R.O.C.	Hsu Chun-An (Note 4)	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	Position served concurrently at this Company: None Director of De Lin Institute of Technology Independent director of Brighton-	—	—	—

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
															Taxation Bureau of the Southern Area, Ministry of Finance Independent director of Brighton-Best International (Taiwan) Inc.	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: None Specially Appointed Associate Professor, Department of Accountancy of National Taipei University 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.
Note 4: Resigned on March 20, 2018.
Note 5: The number of substantial shareholding as of the book closure day for the present shareholders' regular meeting, i.e., April 7, 2018.

1) Major Shareholders of Juristic Person Shareholders

April 30, 2018

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 Electronica 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.

April 30, 2018

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 shareholding ration in the Top 10) 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	—	—	✓	—	—	—	—	—	—	✓	—	✓	✓	None
Representative of Open great international investment limited company: Chen Tsui-Fang	—	—	✓	—	—	—	—	—	✓	✓	—	✓	—	None
Representative of RPS S.P.A: Roberto Facci	—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	None
Representative of FSP Group: Cheng Ya-Jen	—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	None
Lee Chien-Jan	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsu Chun-An (Note 2)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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.

Note 2: Resigned on March 20, 2018.

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

April 17, 2018；Expressed in shares

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	379,338	0.48%	—	—	—	—	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	630,344	0.80%	—	—	—	—	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	70,413	0.09%	—	—	—	—	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	57,271	0.07%	—	—	—	—	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	116,070	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	1,200	0.00%	—	—	—	—	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: The number of substantial shareholding as of the book closure day for the present shareholders' regular meeting, i.e., April 7, 2018.

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

(1) Remuneration paid to directors (including independent directors) in the most recent year(2017):

Expressed in Thousands of New Taiwan Dollars

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Compensation for Directors</th><th colspan="2" rowspan="2">Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax</th><th colspan="8">Compensation Received by Concurrent Employees</th><th colspan="2" rowspan="2">Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 4)</th><th rowspan="4">Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not</th></tr>
<tr><th colspan="2">Compensation (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Compensation from Earnings Distribution (C)</th><th colspan="2">Fees for Performance of Business (D)</th><th colspan="2">Wages, Bonus and Special Disbursement, etc. (E)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee Bonus from Earnings Distribution (G)</th></tr>
<tr><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company (Note 1)</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th colspan="2">This Company (Note 2)</th><th colspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th></tr>
<tr><th>Cash amount</th><th>Cash amount</th><th>Cash amount</th><th>Cash amount</th></tr>
<tr><td>Chairman</td><td>Hsieh Juor-Ming</td><td rowspan="10">1,200</td><td rowspan="10">1,200</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">14.400</td><td rowspan="10">14.400</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">1.14%</td><td rowspan="10">1.14%</td><td rowspan="10">9,598</td><td rowspan="10">9,598</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">14,382</td><td rowspan="10">-</td><td rowspan="10">14,382</td><td rowspan="10">-</td><td rowspan="10">2.90%</td><td rowspan="10">2.90%</td><td rowspan="10">-</td></tr>
<tr><td rowspan="2">Director</td><td>Open Great International Investment Limited Company</td></tr>
<tr><td>Representative: Chen Tsui-Fang</td></tr>
<tr><td rowspan="2">Director</td><td>FSP Group</td></tr>
<tr><td>Representative: Cheng Ya-Jen</td></tr>
<tr><td rowspan="2">Director</td><td>RPS S.P.A</td></tr>
<tr><td>Representative: Roberto Facci</td></tr>
<tr><td>Independent director</td><td>Lee Chien-Jan</td></tr>
<tr><td>Independent director</td><td>Hsu Chun-An</td></tr>
<tr><td>Independent director</td><td>Yang Ching-Hsi</td></tr>
<tr><td colspan="23">＊Other than what disclosed through the Table above, in the recent year, the remuneration received by the director(s) for the services rendered as mentioned in the Company's financial statements (e.g., serving as a consultant to employees): NT$0.</td></tr>
</table>

Note 1: The Company's board of directors resolved on February 26, 2018 to allocate to directors the remunerations totaling NT$14,400,000 (as the finally resolved amount) for 2017. This will

be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 5, 2018, before the distribution of the remunerations.

Note 2: The Company's board of directors resolved on February 26, 2018 to allocate to employees the remunerations totaling NT$70,000,000 (as the finally resolved amount) for 2017. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 5, 2018, 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 parent company only or the individual financial statements of the latest year in the past.

Note 4: Resigned on March 20, 2018.

＊ 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 general manager and vice general managers in the most recent year (2017):

Expressed in Thousands of 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	8,440	8,440	—	—	15,200	15,200	24,300	—	24,300	—	3.52%	3.52%	—
Vice General Manager	Chin Chih-Hsin													
Vice General Manager	Wang Chia-Yi													

Note 1: The Company's board of directors resolved on February 26, 2018 to allocate to employees the remunerations totaling NT$70,000,000 (as the finally resolved amount) for 2017. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 5, 2018, before the distribution of the remunerations.

＊ 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)	—	—
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	—	—
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	Chin Chih-Hsin, Wang Chia-Yi	Chin Chih-Hsin, Wang Chia-Yi
$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

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

December 31, 2017

	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	—	30,982	30,982	2.27%
	Vice General Manager	Chin Chih-Hsin				
	Vice General Manager	Wang Chia-Yi				
	R&D Senior Manager	Lu Yu-Cheng				
	R&D Manager	Feng Wen-Lin				
	Financial Manager	Wang Kuo-Chin				

Note 1: The names and position titles should be disclosed. The profit allocation could be disclosed in an overall manner.

Note 2: 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 prior period. The net profit after tax refers to the net profit after tax in the most recent year. 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 parent company only or the individual financial statements of the most recent year.

(4) 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	2016 Percentage of the aggregate total remuneration to the net earnings after tax (%)		2017 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	1.18%	1.18%	1.14%	1.14%
Supervisor (Note 2)	0.15%	0.15%	-	-
General Manager and Vice General Managers	2.47%	2.478%	3.52%	3.52%

Note 1: The Company's board of directors resolved on February 26, 2018 to allocate to directors the remunerations totaling NT$14,400,000 (as the finally resolved amount) for 2017. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 5, 2018, before the distribution of the remunerations.

Note 2: On May 24, 2016 as the amended Articles of Incorporation were duly resolved in the shareholders' meeting, the Audit Committee was duly founded to replace the responsibilities and powers of the supervisors.

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. Regarding the remuneration to the Company's directors, as expressly provided for in the Articles of Incorporation, the Board of Directors is authorized with plenipotentiary power to fix the amount based on the extent of the participation by the directors in the Company's business operation, value of their contribution with reference to the levels prevalent in horizontal trades. The remuneration to directors amidst distribution of the earnings is duly handled in accordance with the Company's Articles of Incorporation. The ratio so duly resolved in the board of directors is reported to the shareholders' meeting before distribution.

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, 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:

1) In the most recent year (2017), 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	4	1	67%	—
Director	FSP Group Representative: Cheng Ya-Jen	5	1	83%	—
Director	Representative of RPS S.P.A: Roberto Facci	0	2	0%	—
Independent director	Lee Chien-Jan	6	0	100%	—
Independent director	Hsu Chun-An (Note 2)	6	0	100%	—
Independent director	Yang Ching-Hsi	5	1	83%	—

Note 1: In Year 2017, the average participation ratio of directors in the board of directors meetings was 76.19%

Note 1: Resigned on March 20, 2018.

2) In Year 2017, the participation by independent directors in the board of directors meetings v: Participation in person ◎: Participate in through a proxy x: Absent

Year 2017	The 1st meeting	The 2nd meeting	The 3rd meeting	The 4th meeting	The 5th meeting	The 6th meeting
Lee Chien-Jan	v	v	v	v	v	v
Hsu Chun-An (Note 2)	v	v	v	v	v	v

Yang Ching-Hsi	v	v	◎	v	v	v

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	Term	Proposal	Opinions from all the independent directors and the company's response to such opinions
02/24/2017	The 11th meeting of Session Four	Approval of the partial 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	The 12th meeting of Session Four	Approval of the credit line for loans to subsidiaries	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
08/10/2017	The 14th meeting of Session Four	Approval of the credit line for loans to subsidiaries	Opinion from independent directors: none e company's response to such opinions: none Resolution: unanimous consent from all the directors present
09/28/2017	The 15th meeting of Session Four	1. Approval of the "Internal Control System" , "Rules of Procedures Governing Board of Directors Meetings" and such rules 2. Approval of leasehold for the plants and offices	inion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
11/08/2017	The 16h meeting of Session Four	1. Approval of audit plans for Year 2018 2. Approval of increase in the investment in the subsidiary(s) in China.	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
02/26/2018	The 17th meeting of Session Four	1. Approval of the proposals posed by the Remuneration Committee in the 8th Meeting of Session Two. 2. Approval of Declaration of Internal Control System Year 2017. 3. Approval of partial amendment to the "Internal Control System". 4. Approval of change in the Certified Public Accountants in response to the internal adjustment in the Deloitte Touche Tohmatsu International Taiwan	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present

		5. Approval of fees payable to the Certified Public Accountants in Year 2018	
04/13/2018	The 18th meeting of Session Four	Approval of partial amendment to the "Internal Control System".	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. February 24, 2017: The board of directors discussed the decision resolved by the Remuneration Committee in the 5th meeting of Session Two. In the event, Director Hsieh Jour-Ming did not participate in the voting process because of avoidance from conflict of interests.

ii. August 10, 2017: The board of directors discussed the decision resolved by the Remuneration Committee in the 7th meeting of Session Two. In the event, Director Hsieh Jour-Ming and the Representative from Open Great International Investment Limited Company, Chen Tsui-Fang did not participate in the voting process because of avoidance from conflict of interests.

iii. September 28, 2017: The board of directors discussed the issue about leasehold of plants and offices. In the event, Directors Hsieh Jour-Ming and the Representative from Open Great International Investment Limited Company, Chen Tsui-Fang did not participate in the voting process because of avoidance from conflict of interests.

iv. February 26, 2017: The board of directors discussed the decision resolved by the Remuneration Committee in the 8th meeting of Session Two. In the event, Director Hsieh Jour-Ming did not participate in the voting process because of avoidance from 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 of information) 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 2017 by the Fourth 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 2017, 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, 2018, in Year 2017, the results of the board of directors' performance evaluation scored at 87.36 points. 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	Nationality	Compliance							
			Business judgement	Accounting and financial analysis	Business management	Crisis management	Industry knowledge	International outlook	Leadership	Decision- making capability
Hsieh Juor-Ming	Male	R.O.C.	V	V	V	V	V	V	V	V
Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	Female	R.O.C.	V	V	V	V	V	V	V	V
FSP Group Representative of RPS S.P.A: Roberto Facci	Male	Italy	V	V	V	V	V	V	V	V
Representative: Cheng Ya-Jen	Male	R.O.C.	V	V	V	V	V	V	V	V
Lee Chien-Jan	Male	R.O.C.	V	V	V	V	*	V	V	V
Hsu Chun-An	Male	R.O.C.	V	V	V	V	*	V	V	V
Yang Ching-Hsi	Male	R.O.C.	V	V	V	V	*	V	V	V

Note: * refers to partially equipped

Among the entire director seats, female directors account for 14.28% while male directors account for 85.71%. All directors in the board of directors have their age averaged at 60.7.

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

1) Activities of the Audit Committee as follows:
The Audit Committee convened five meetings in 2017 (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	5	0	100%	—
Independent director	Hsu Chun-An (Note 2)	5	0	100%	—
Independent director	Yang Ching-Hsi	5	0	100%	—

Note 1: After the approval by the shareholders' meeting on May 24, 2016, we established Audit Committee.

Note 2: Resigned on March 20, 2018.

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	Term	Proposal	Resolutions from the Audit Committee and the Company's response to such opinions of the Audit Committee
02/24/2017	The 11th meeting of Session Four	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: Duly posed to and unanimously resolved by all present directors in the 11th board of directors meeting of Session Four.
05/04/2017	The 12th meeting of Session Four	1. The personnel regulated under the independence in the Certified Public Accountant Office have duly complied with the professional ethics and have duly issued the independence declaration reports. 2. Approval of the credit line for Company's lending of working capital to subsidiary(ies)	Resolutions from the Audit Committee: unanimous consent from all the committee members present on May 4, 2017. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 12th board of directors meeting of Session Four.
08/10/2017	The 14th meeting of Session Four	Approval of the credit line for Company's lending of working capital to subsidiary(ies)	Resolutions from the Audit Committee: unanimous consent from all the committee members present on August 10, 2017. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 14th board of directors meeting of Session Four.
09/28/2017	The 15th	1. Approval of the partial amendment to	Resolutions from the Audit Committee:

	meeting of Session Four	the Company's "Internal Control System" 2. Approval of leasehold for the plants and offices	unanimous consent from all the committee members present on September 28, 2017. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 15th board of directors meeting of Session Four.
11/08/2017	The 16th meeting of Session Four	1. Approval of the Company's audit plan of Year 2018 2. Approval of newly increased investment in subsidiary(ies) in China	Resolutions from the Audit Committee: unanimous consent from all the committee members present on November 8, 2017. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 16th board of directors meeting of Session Four.
02/26/2018	The 17th meeting of Session Four	1. Approval of the Certified Public Accountants' independence and review over evaluation of their performance in Year 2017 2. Approval of the Year 2017 "Declaration of Internal Control System" 3. Approval of the partial amendment to the Company's "Internal Control System" 4. Approval of change in the Certified Public Accountants in response to the internal adjustment in the Deloitte Touche Tohmatsu International Taiwan 5. Approval of the fees payable to the Certified Public Accountants in Year 2018	Resolutions from the Audit Committee: unanimous consent from all the committee members present on February 26, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 17th board of directors meeting of Session Four.
04/13/2018	The 18th meeting of Session Four	Approval of the partial amendment to the Company's "Internal Control System".	Resolutions from the Audit Committee: unanimous consent from all the committee members present on April 13, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 18th board of directors meeting of Session Four.

(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, contents of the issue, 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 2017.

(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 2017.

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

Date	Key issues	Results
02/24/2017	Explanation by the auditors about the results of their self-evaluation of the internal evaluation.	All the attendees agreed unanimously. CPAs discussed and explains the issues raised by meeting attendees.
05/04/2017	Report by the Certified Public Accountants about the progress of review over the Company's Financial Statements in Quarter I, Year 2017 Review over the independence of the Certified Public Accountants.	CPAs discussed and explains the issues raised by meeting attendees.
08/10/2017	Report by the Certified Public Accountants about the progress of review over the Company's Financial Statements in Quarter II, Year 2017 Explanation and proposals by the Certified Public Accountants about lending of funds inside the Group (among subsidiaries).	CPAs discussed and explains the issues raised by meeting attendees.
09/28/2017	Explanation by the auditors about amendment to the Internal Control System.	All the attendees agreed unanimously.
11/08/2017	Explanation by the auditors about the annual audit plans.	All the attendees agreed unanimously.
11/08/2017	Report by the Certified Public Accountants about the review of the Company's Financial Statements as of Quarter III, Year 2017. Explanations and proposals by the Certified Public Accountants regarding the newly incorporated subsidiaries inside the Group. Explanation and proposals by the Certified Public Accountants about lending of funds inside the Group (among subsidiaries). Explanation by the Certified Public Accountants about the latest update of stock & securities control related laws. Explanation by the Certified Public Accountants about the latest update of taxation related laws and taxation issues.	CPAs discussed and explains the issues raised by meeting attendees.
02/26/2018	Explanation by the auditors about the results of their self-evaluation of the internal evaluation. Explanation by the auditors about the amendment to the Company's Internal Control System.	All the attendees agreed unanimously.
02/26/2018	Report by the Certified Public Accountants about the review of the Company's Financial Statements as of Year 2017. Explanation and proposal by the Certified Public Accountant about the IFRS9 & IFRS15 evaluation applicable to Year 2018. Explanation and proposal by the Certified Public Accountant about the IFRS16 applicable starting from Year 2019. Explanation by the Certified Public Accountants about the impact of the latest update of taxation related laws	CPAs discussed and explains the issues raised by meeting attendees.
04/13/2018	Explanation by the auditors about the amendment to the Internal Control System.	All the attendees agreed unanimously.

(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) All major shareholders of the Company declare their shareholding facts to the Company on a monthly basis. On an annual basis, the Company discloses the list of the top ten shareholders toward the Company's website and special column of 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 accusation reporters' mailbox to prevent the occurrence of insider trading.	No discrepancy
3. Organization and Functions of Board of Directors				

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 Board of Directors prepare diversified guidelines in response to the organization of members and actualize the execution?	V		(1) According to our Procedures for the Selection of Board Directors, the 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. The members in the incumbent session of the Company's board of directors (Session Four) have 7 seats in total, female director holds one seat at 14.28% and male directors hold six seats at 85.71%. On November 12, 2015, our board of directors approved the establishment of the "Nomination Committee", in order to enhance the implementation of diversity of the director nomination process. On January 17, 2018, the Company's Nomination Committee, exactly in accordance with the rules about the number of director seats as set forth under the Articles of Incorporation, resolved the list of directors in Session Five and reported the list to the board of directors. The nomination was duly conducted pursuant to such criteria including the required expertise, technology & know-how, hands-on experiences, genders, nationality and such diversified, comprehensive and multifaceted policies with consideration of the overall disposition.	No discrepancy
(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, 2017. 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.	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	
			A report on how different functional committees function has been uploaded to the Market Observation Post System (MOPS).	
(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 Quarter I for the performance during the prior year. At least in every three years, the Company retains outsourced experts, independent institution or the outsourced scholars and experts into a team to conduct one evaluation. Upon closure of every year, the Company conducts the annual performance evaluation. 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 forwarded to the board. The Nomination Committee presents to the board the performance review and evaluation method for the effectiveness of the board during the previous year. In Year 2017, the board of directors evaluated its own performance into a score of 87.36 points. The board of directors has been in excellent overall performance. The results of such evaluation were submitted into the board of directors for discussion on February 26, 2018. The results of evaluation are disclosed at the section for corporate governance at our company website http://www.voltronicpower.com.tw.	No discrepancy
(4) Does the company periodically evaluate the independence of the certified public accountant?	V		(4) On February 25, 2016, the Company duly stipulated "Regulations Governing Independence and Performance Evaluation of Certified Public Accountants", where under the Company will evaluate the Certified Public Accountants on an annual basis. The method of evaluation (I) Evaluation over independence (II) Evaluation on their performance. The outcome of	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	
			evaluation over Certified Public Accountants' independence and performance of Year 2017 was duly resolved in the Audit Committee and the Board of Directors on February 26, 2018. The outcome proves that both Certified Public Accountants Yu Cheng-Chuan and Chen Chung-Cheng of Deloitte Touche Tohmatsu International Taiwan are satisfactory to the Company's evaluation criteria in independence of the Company and the criteria of independence for Certified Public Accountants. The results of evaluation are disclosed at the section for corporate governance at our company website http://www.voltronicpower.com.tw.	
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		To promote corporate governance, the Company's Corporate Governance Committee is under the jurisdiction of the board of directors to take charge of corporate governance related affairs, under the superintendence by the chairman (The chairman is the executive director in charge of promotion of corporate governance) and to submit report to the board of directors. The corporate governance unit set up by the Company shall carry out the key responsibilities and powers below: (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; commissioning a professional unit to proceed with the Company's alteration registration.	No discrepancy

Evaluation Items	Yes	No	Facts of performance(Note 1) Description of Summary	Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
			(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. (6) Arrangement on a quarterly basis for sound communications by and between the Certified Public Accountants and the independent directors about the update of laws and ordinances concerned.	
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: A. Employees: Convening labor-management conferences on a quarterly basis to provide a sound platform for communications in due time to balance and harmonize relationship by and between the employees and the management. B. Customers: Visiting customers, putting the customers' confidential information into confidentiality. Execution of non-disclosure obligation agreements among in-house employees. C. Investors-The efforts to promulgate the Company's operating revenue performance, financial information through the Company's website and Market Observation Post System (MOPS); to accept invitation from time to time on a nonscheduled basis from the investment institutions to participate in in the investment oriented symposiums to report the Company's business performance, the efforts to take the initiative to work out Corporate Social Responsibility (CSR) report for adequate disclosure of the relevant information. D. Suppliers: The efforts to maximize the entire enterprises toward sounder development, boost all suppliers to faithfully comply with the international human right related laws, labor related laws of the nations and to request all suppliers to put them into sound implementation as a means to render warm concern about	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	
			employees. The Company 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 Accusation reporters' mailbox (whistleblower@voltronic.com.tw) available to interested parties for smooth communication.	
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
(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	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. To efforts to promulgate the shareholders' meeting and juristic person explanation	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	
conference process placement in the company's website, etc.)?			meeting related information toward the Company's website and Market Observation Post System (MOPS).	
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, 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	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	
			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 2017 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 Articles of Incorporation, we may purchase liability insurance for board directors, with the approval from the board. On May 7, 2018, the board agreed to extend the insurance policy with Cathay Century Insurance Co., Ltd. for coverage of $3 million from June 24, 2018 through June 24, 2019, in order to mitigate and diversify the potential losses incurred by the Company in the event of erroneous behavior of board directors. All the	

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	
			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 2017 according the fourth year of corporate governance assessment. For the uncompleted corrective actions, it shall submit concrete explanation and evaluation and shall disclose the mid-term (Quarters I~III) financial statements through the Company's website and Market Observation Post System (MOPS). Implementation of such policy would be commenced in Year 2018.	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 2017:

Title	Name	Date of Advanced Study (mm/dd/yy)	Name of Program	No. of study hour
Director	Hsieh Juor-Ming	Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Representative of juristic person director	Chen Tsui-Fang	Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Representative of juristic person director	Roberto Facci	Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Representative of juristic person director	Cheng Ya-Jen	Aug. 3, 2017	The key points of concern in response to the new laws toward anti-tax avoidance on both sides of Taiwan Strait in Year 2017.	3
		Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Independent director	Lee Chien-Jan	Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Independent director	Yang Ching-Hsi	Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Independent director	Hsu Chun-An	Nov. 8, 2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6

2) Continued education for finance supervisors and auditors in 2017:

Title	Name	Date of Advanced Study (mm/dd/yy)	Name of Program	No. of study hour
Financial Manager	Wang Kuo-Chin	09/26~29/2017	Continued advanced training seminars for accounting heads of issuers and the Taiwan Stock Exchange Corporation (TWSE).	12
		11/08/2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
Division Chief of Audit	Yang Hui-Hua	07/25/2017	The commercial consideration on the business management related policymaking process and analyses onto the statutory risks.	6
		11/08/2017	The gist and hands-on practice of the Functional Committee on Corporate Governance.	6
		12/06/2017	Evaluation over internal auditors about "exchange rate related risks" and a probe into the hedging and superintendence mechanism.	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	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director	Hsu Chun-An (Note 2)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent Director	Yang Ching-Hsi	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A

Note 1: 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.

Note 2: Resigned on March 20, 2018.

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 three meetings (A) in 2017, during the most recent year, 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	3	0	100%	—
Commission member	Hsu Chun-An	3	0	100%	—
Commission member	Yang Ching-Hsi	3	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): None 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：None					

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 (Note 2)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓
Commission member	Liao Kuei-Fang	—	✓	—	✓	—	✓	✓	✓	✓	✓	✓

Note 1: 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.

Note 2: Resigned on March 20, 2018.

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 Nomination Committee did convene meetings twice starting from November 12, 2015 as of the present date (A). 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	2	0	100%	—
Independent Director	Hsu Chun-An	2	0	100%	—
Commission member	Liao Kuei-Fang	2	0	100%	—
Other key points which should be remarked: 1. Where the board of directors does not adopt the proposal posed by the Nomination Committee, the Board should expressly remark the date, term number, contents of the issue, outcome of the decision resolved in the board of directors and measure in response to the opinions of the Nomination Committee`: None 2. In the decision resolved in the Committee, if a Committee member objects or holds s qualified opinion with record in minutes or written declaration, it should expressly remark the date, term number, contents of the issue, opinions of all members and measure in response to the opinions of the member: None					

(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) The Company puts into implementation thoroughly the promotion of the Corporate Social Responsibility (CSR). The Corporate Social Responsibility Committee is under the jurisdiction of the board of directors to assume the business affairs of corporate governance, under direct superintendence by the chairman to assume the responsibility for submittal and implementation of polices, systems, relevant managerial measures and concrete promotion plans and to submit report to the board of directors on a regular basis. Prior to the Quarter II of every year, the Committee issues the written report of the Corporate Social Responsibility and promulgate it through the Company's website.	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	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)	
			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 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. Efficiency of water resource utilization and managerial policies thereof: The Company's office building is located inside the industrial park. In the production and manufacturing process, the Company does not consume water resources (i.e., without a need for industrial water) and only calls for the employees livelihood oriented water which is supplied from the city government. The Company consumes water exactly in accordance with the Regulations Governing Industrial Area Water Supply. That means the Company does not at all produce sewer water. Instead, the Company promotes employees into conservation to minimize water consumption and to cherish water resources. Waste reuse efficiency and managerial policies: But the recycling act lies upon the customer terminal. In the phase of research & development design, the Company put forth maximum possible efforts to minimize waste and try to reuse	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)	
			relevant packaging materials (e.g., corrugated paper, paper boards, cartons, paper pallet boards, wooden materials, etc., the recyclable waste packaging materials and reusable materials and the like. The Company does not at all adopt any substance to damage ozone sphere). Overall, the Company puts forth maximum possible efforts to minimize the impact upon the overall environment and well satisfy laws and ordinances concerned. By means of overall participation and commitment by the entire staff members, the Company accomplishes environmental protection to assure sustainable development. For more details, please refer to the Company's website and the special zone of Corporate Social Responsibility (CSR): http: //www.voltronicpower.com.tw.	
(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
(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) Exactly pursuant to the "GHG Protocol Corporate Accounting and Reporting Standard" requirements promulgated by the World Resources Institute (WRI) and The World Business Council for Sustainable Development (WBCSD), the Company takes into serious account of discharge and emission of greenhouse gases, damaging ozone substances, nitrogen oxide, sulfur oxide and other significant gases. Under the top managerial guiding policy of acting as a *bona fide* environmental protector, we focus on greenhouse gas management toward the targets of energy saving & carbon reduction with wholehearted efforts toward research & development energy conserving products, echoing	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)	
			the government call in energy saving & carbon reduction and development of high efficiency product solution. In the routine business operation, the carbon dioxide (CO2) generated by the outsourced electric power (electricity supply from the city government) would be the only greenhouse gas source from entire Company. The Company is operating amidst the growing phase (with operating revenues at NT$9,862,230 thousand in 2017 and NT$8,120,220 thousand in 2016). Toward carbon dioxide and greenhouse gas discharge, the Company has firmly set up the policies toward "energy conservation, waste minimization and waste reduction". The key publicity and dissemination polices of the Company are enumerated below: As Voltronic Power Technology Corp. has set up the target for energy saving & carbon reduction at 0.75% expense ratio measured by revenues, this target was met for the years 2015, 2016 and 2017. As Voltronic Power Technology Corp. has set up the target for energy saving & carbon reduction at 0.85% expense ratio measured by operating costs, this target was met for the years 2015, 2016 and 2017. As Voltronic Power Technology Corp. has set up the target for energy saving & carbon reduction at 3.85% expense ratio measured by net incomes, this target was met for the years 2015, 2016 and 2017. 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 energy saving & carbon reduction and less paper for photocopying in order to reduce the impact of our operating activities on climate change. The details of our	

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)	
			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 (With subsidiaries inclusive, the Company faithfully complies with the local laws and ordinances concerned and international criteria), 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. Amidst multifaceted and equal opportunity corporate culture, here at the Company we strictly enforce the "equal pay for equal work" and "gender equality" principles. In all key strongholds amidst various categories of staff members, we assure above 100% (inclusive) of the statutory threshold in salary policy as required by the laws prevalent locally, disregarding the gender.	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	V		(3) The Company pays attention to the health and safety of our employees and work environment. We arrange health check-ups	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)	
safety and health education to employees on a periodical basis?			for employees at a standard better than required by the Labour 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	V		(9) All of our suppliers shall adhere to our honest policy by not receiving cash gifts and kickbacks. We've established Guidelines	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)	
is involved with any offense of its corporate social 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?			of Ethical Conduct and Ethical Corporate Management Best 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.	
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.?	V		(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 an accusation reporters' mailbox for stakeholders to report any corruption or violation of the code of ethics.	No discrepancy

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.

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 with thoughtful care to support those in disaster rescue and assistance to the underprivileged and vulnerable groups. In Year 2017, the Company donated household fire alarm devices to the Fire Department of the local government in support of their effort in safeguarding sound and secured living environment.

(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, Renewable Energy India Expo and Solar Show in many countries throughout the world.

(5) Employee benefits: The Employee Benefits Committee offer limited subsidies to educational initiatives or health management efforts by employees.

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 the Annual Report of Year 2017, we faithfully complied with Global Reporting Initiative (GRI) 2016 standards

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)	
promulgated by the Global Sustainability Standards Board（GSSB） focusing on the "Core option". In part of the contents, we referred to "BLOOMBERG ESG SURVEY Disclosure Score" for supplementary disclosure toward the core standards.				

(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 duly stipulated "Ethical Corporate Management Best Practice Principles" to assure good-faith grounded management. The Good Faith Management Committee takes charge of the best practice in enactment of good-faith management policies, countermeasures against a potential offense with faithful superintendence over the sound practice. Details regarding our company's policies for the Good Faith Management and the commitment from the board of directors 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 duly enacted "Ethical Corporate Management Best Practice Principles", "Rules Governing Code of Ethical Conduct" and "Accusation Report system" as well as the regulating procedures which have been put into faithful enforcement. We firmly demand our entire staff members, including all staff members of our subsidiaries, to strictly comply with the ethical conduct criteria, safeguard the Company's goodwill, comply with laws and ordinances concerned to	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	
			maximize performance of assigned duties. Whenever an unfaithful behavior is heard from an accusation report or noticed, the Company will immediately investigate into the fact forthwith. Where a behavior in contravention of laws and ordinances concerned or ethical conduct code, or against the good-faith principles, the Company's management shall immediately demand that offender to discontinue the wrongdoing and impose penalty as appropriate. Through necessary and appropriate statutory procedures, the Company would claim for damage indemnity. These efforts could well safeguard the Company in goodwill and interests. The Company has set up the special mailbox for such purposes: (whistleblower@voltronic.com.tw)	
(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 "Rules Governing Code of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles" to normalize our key personnel's behaviors, and our internal auditing personnel also carry out regular audits to enhance the implementation of policy of Ethical Corporate Management Best Practice Principles. Toward varied law compliance realms, the Company has set up a variety of relevant regulations. These realms include anti-corruption, anti-harassment, environmental protection, preparation of financial statements/internal control system, anti-inside trading, protection over patents, protection of personal information and privacy, custody of documents, management over information security and the like. Here at the Company, we do not build self-brand name. We do not compete against customers. That means under no circumstances shall the Company get involved in an act against competition, against trust and monopolization.	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	
2. Actualize <u>Ethical Corporate Management</u>				
(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. All suppliers commit themselves into Best-Practice Principles on Ethical Corporate Management as well. Through the great teamwork between the up- and down-streams, we never cease efforts to maximize core competitive edge. We try to focus on only such products in the pricing of the maximum possible competitive edge to simplify the transaction behaviors. Under no circumstances shall the Company try to win over a purchase order through not absolutely justifiable means to strive for unjust benefits in competition.	No discrepancy
(2) Does the company establish a sector of exclusive (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?	V		(2) Here at the Company, the Ethical Corporate Management Best Practice Principle Committee is under the jurisdiction of the board of directors and reports to the board of directors on a regular basis. All departments concerned have stipulated respective Best-Practice Principles to assure faithful fulfillment of such Principles. To avoid conflict of interests and provide a whistleblowing channel, the company set up the Ethical Corporate Management Best Practice Principles.	No discrepancy
(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. Accusation reporters' mailbox: (whistleblower@voltronic.com.tw)	No discrepancy
(4) Does the company for actualizing operation in good	V		(4) The Company has set up effective accounting system and	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	
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?			specifically responsible accounting unit. Here at the Company, the internal audit unit also works out the annual audit plan to carry out a variety of audit duties based on the outcome of risk assessment. It also works out the plans for subsequent corrective action to assure sound performance in audit. On a quarterly basis, the unit would report to the board of directors. In the self-evaluation inside the enterprise, all staff members shall conduct self-examination into the Internal Control System design and the effectiveness of the enforcement thereof.	
(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 an accusation reporters' 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 supervisors or other appropriate personnel; external whistleblowers can submit whistleblowing reports to the preceding accusation reporters' 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	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	
			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 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) In the corporate governance evaluation by the government authorities in Session III (Year 2016) and Session IV (Year 2017) for the TWSE/GTSM Listed Companies, the Company ranks among the top 5%.
3) As expressly provided for the Company's Articles of Incorporation, the Company shall have directors in 5~8 seats. In an effort to strengthen performance in corporate governance, in the shareholders' regular meeting 2018, the directors shall be elected in the candidate nomination system. The number of the independent director seats increases from three to four, including one female independent director.

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

Voltronic Power Technology Corp.
Declaration of Internal Control System

Date: February 26, 2018

Over the Company's internal control system of Year 2017, 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, 2017 (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 26, 2018. Six (6) 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 Annual Report issuance date, 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 Annual Report issuance date, the Key Resolutions resolved in the shareholders' meeting and board of directors are as below:

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

Date of the meeting	Key issues in summary	Outcome of resolution	Facts of implementation
June 16, 2017 (Shareholders' regular meeting)	Acknowledgment: 1. 2015 Business report and Financial Statements	Issues to be acknowledged: The balloting outcome: 63,840,238 pro votes (including 32,620,449 votes exercised through electronic voting), accounting for 94.16% of the aggregate total votes; 1,163 con votes, 0 invalid vote, abstention/ Non-voting votes: 3,956,593 votes. The present issue is duly resolved exactly as proposed.	Acknowledgment: 1. Reports and statements distributed to shareholders according to relevant laws and regulations
	2. Appropriation of 2015 earnings	The balloting outcome: 63,861,238 pro votes (including 32,641,449 votes exercised through electronic voting), accounting for 94.19% of the aggregate total votes; 1,163 con votes, 0 invalid vote/abstention/ non-voting votes: 3,935,593 votes. The present issue is duly resolved exactly as proposed.	2. Earnings appropriated accordingly, with the ex-dividend base date scheduled on July 23, 2017. Cash dividend payday on August 18, 2017.
	Issues posed for discussion: 1. It is proposed that the Company take capital surplus into cash dividend.	Issues posed for discussion: The balloting outcome: 63,861,238 pro votes (including 32,641,449 votes exercised through electronic voting), accounting for 94.19% of the aggregate total votes; 1,163 con votes, 0 invalid vote/abstention/ non-voting votes: 3,935,593 votes. The present issue is duly resolved exactly as proposed.	Issues posed for discussion: 1. The issue has been duly completed in enforcement exactly as resolved in the shareholders' meeting; with the base date on July 23, 2017 and the payday on August 18, 2017.
	2. It is proposed that the Company's "Procedures for the Acquisition or Disposal of Assets" be duly amended."	2. The balloting outcome: 63,861,238 pro votes (including 32,641,449 votes exercised through electronic voting), accounting for 94.19% of the aggregate total votes; 1,163 con votes, 0 invalid vote/abstention/ non-voting votes: 3,935,593 votes. The present issue is duly resolved exactly as proposed.	2. The issued had been duly completed in enforcement exactly as amended.

2) Major decisions resolved in the board of directors

Date of the meeting	Key issues in summary
February 24, 2017	1. The results of the Company's self-evaluation 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 appropriation of earnings 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 Operation 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 Quarter I financial report 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 resolved for acquisition or disposal of assets among subsidiaries in response to the overall planning of the Group. 5. It was resolved that the Company purchase "liability insurance for directors and managerial officers" to secure the directors and managerial officers about potential risks in their business performance. 6. It was resolved about the credit line for funds to be lent to subsidiaries.
June 22, 2017	1. It was resolved for cash dividend and capital surplus to be taken to allocate cash, for base payday and the relevant issues.
August 10, 2017	1. Report about the Company's business performance in Quarter II, Year 2017. 2. Report about the Company's Financial Statements in Quarter II, Year 2017 3. It was resolved for the credit line for the Company's lending of its capital to its subsidiaries. 4. The issue about 7th review by the Company's Remuneration Committee in Session Two.
September 28, 2017	1. It was resolved for partial amendment to the Company's "Organizational Rules of the Audit Committee" 2. It was resolved for partial amendment to the Company's "Internal Control System". 3. It was resolved for partial amendment to the Company's "Rules of Procedures Governing Board of Directors Meetings". 4. It was resolved for leasehold of plants and office premises.
November 08, 2017	1. Report about the Company's business performance in Quarter III, Year 2017 2. Report about the Company's Financial Statements in Quarter III, Year 2017 3. Report about lending of funds by subsidiaries to others. 4. It was resolved for the Company's audit plan of Year 2018. 5. It was resolved for partial amendment to the Company's "Regulations Governing Scope of the Independent Directors' Responsibilities and Duties". 6. It was resolved for partial amendment to the Company's "Organizational Rules of the Audit Committee".

	7. It was resolved for the Company's increase in investment in the subsidiary(ies) in China.
February 26, 2018	1. Report about the initial evaluation of the impact of the Company's implementation of International Financial Reporting Standards (IFRS) No.16 "leasehold" upon the Company, the introduction plans thereof. 2. Summarized report about self-evaluation of the Company's internal control system. 3. Report about the Company's business performance in Quarter IV, Year 2017. 4. Report about the subsidiaries' lending of funds to others. 5. Report about evaluation of independence and performance of the Company's Certified Public Accountants in Year 2017. 6. It was resolved for the issue about 8th review by the Company's Remuneration Committee in Session Two 7. It was resolved for the distribution of the remuneration to directors and remuneration to employees for Year 2017. 8. It was resolved for the Company's business report and financial statements for Year 2017. 9. It was resolved for the Company's appropriation of earnings for Year 2017. 10. It was resolved for the Company's plan to take capital surplus for cash distribution. 11. It was duly resolved about the Company's cancellation of new restricted shares to employees and the corresponding capital reduction in 2016 12. It was resolved for the Company's business operation plan for Year 2018. 13. It was resolved for the Company's design for internal control system of Year 2017, evaluation of its enforcement and issuance of "Declaration of Internal Control System". 14. It was resolved for the part of the terms and conditions for the relevant managerial regulations about the "Internal Control System". 15. It was resolved for the Company's change in the Certified Public Accountants in the wake of internal adjustment by the Deloitte & Touche. 16. It was resolved for the Company's fees payable to the Certified Public Accountants in Year 2018. 17. It was resolved for the Company's overall reelection of directors. 18. It was resolved for the Company's list for candidates nominated for directors. 19. It was resolved for acceptance of candidates nominated by the shareholders' regular meeting for directors. 20. It was resolved that the prohibition of business strife should be lifted from the newly elected directors. 21. It was resolved for the time, venue and the related matters to convene the shareholders' regular meeting of Year 2018.
April 13, 2018	1. It was resolved for review of the candidates for directors. 2. It was resolved for the Company's application for financing credit line. 3. It was resolved for acquisition or disposal of assets among subsidiaries in response to the overall planning of the Group. 4. It was resolved for the Company's partial amendment to the relevant regulations governing the "Internal Control System".
May 07, 2018	1. Report about the Company's business performance in Quarter I, Year 2018 2. Report about the draft of the financial statements in Quarter I, Year 2018 as duly resolved by the Audit Committee. 3. It was resolved that the Company purchase "liability insurance for directors and managerial officers" to secure the directors and managerial officers about potential risks in their business performance. 4. It was resolved about the credit line for funds to be lent to subsidiaries.

(12) In the most recent year and as of the Annual Report issuance date, 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 Annual Report issuance date, 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	01/01/2017~ 12/31/2017	-

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 expressed in Thousands of New Taiwan Dollars

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	3,590	638	4.288
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 expressed in Thousands of New Taiwan Dollar

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	3,590	-	25	-	613	638	01.01.2017~ 12.31.2017	Transfer of pricing report 211, global files report 300, for advance payment 102.

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 26, 2017</td></tr>
<tr><td>Cause and explanation of change</td><td colspan="4">In Fiscal 2018, 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 Chen Chung-Chen into Certified Public Accountants Chen Chung-Chen and Chen Chao-Mei.</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">None</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">None</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: None

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: None

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: None

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: None

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: None

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: None

(2) Facts about succeeding Certified Public Accountant: None

(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: None

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

Changes in directors, managerial officers and key shareholders:

Expressed in shares

Title	Name	2017		As of April 30, 2018	
		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)	—	—	—	—
Director	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	—	—	—	—
Director	Representative of FSP Group: Cheng Ya-Jen	(674,000)	—	(19,000)	—
Director	Representative of RPS S.P.A: Roberto Facci	(2,500,000)	—	—	—
Independent Director	Lee Chien-Jan	—	—	—	—
Independent Director	Hsu Chun-An (Note 4)	—	—	—	—
Independent Director	Yang Ching-Hsi	—	—	—	—
Vice General Manager	Chin Chih-Hsin (Note 3)	(156,200)	—	(11,000)	—
Vice General Manager	Wang Chia-Yi (Note 3)				
Assistant Manager for R&D Department.	Lu Yu-Cheng (Note 3)				
R&D Manager	Feng Wen-Lin (Note 3)				
Financial Manager	Wang Kuo-Chin (Note 3)				

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: Including the part of the restricted shares to employees.

Note 4: Resigned on March 20, 2018.

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: None

3) Where a pledge of equity is a related party, the statistical data from the latest date of suspension from share transfer till April 7, 2018: 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 7, 2018；Expressed in shares; %

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Shareholding</th><th colspan="2">Spouse & Minor Shareholding</th><th colspan="2">Shareholding by Nominee Arrangement</th><th colspan="2">Names or Titles and Relations of Top 10 Shareholders who are related parties, Spousal Relationship or are within the Second Degree of Kinship</th><th rowspan="2">Remarks</th></tr>
<tr><th>Number of Shares</th><th>Shareholding rate (%)</th><th>Number of Shares</th><th>Shareholding rate (%)</th><th>Number of Shares</th><th>Shareholding rate (%)</th><th>Title</th><th>Relation</th></tr>
<tr><td rowspan="3">Hsieh Juor-Ming (Note)</td><td rowspan="3">10,024,769</td><td rowspan="3">12.74%</td><td rowspan="3">2,729,807</td><td rowspan="3">3.47 %</td><td rowspan="3">607,772 (Note)</td><td rowspan="3">0.77%</td><td>Open Great International Investment Limited Company</td><td>The representative is the spouse.</td><td>—</td></tr>
<tr><td>Hsieh Yi-Ling</td><td>The second degree of kinship</td><td>—</td></tr>
<tr><td>Chen Tsui-Fang</td><td>Spouse</td><td>—</td></tr>
<tr><td>FSP Group</td><td>4,992,916</td><td>6.35%</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Representative of RPS S.P.A: Roberto Facci</td><td>3,382,680</td><td>4.30%</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Open Great International Investment Limited Company</td><td>3,002,546</td><td>3.82%</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Hsieh Yi-Ling</td><td rowspan="3">2,904,462</td><td rowspan="3">3.69%</td><td rowspan="3">—</td><td rowspan="3">—</td><td rowspan="3">—</td><td rowspan="3">—</td><td>Hsieh Juor-Ming</td><td>The second degree of kinship</td><td>—</td></tr>
<tr><td>Chen Tsui-Fang</td><td>The second degree of kinship</td><td>—</td></tr>
<tr><td>Open great international investment limited company</td><td>The representative is the second degree of kinship.</td><td>—</td></tr>
<tr><td>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.</td><td>2,594,000</td><td>3.30%</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
</table>

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	
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%	—	—	—	—	—	—	—
Citibank (Taiwan) delegated to take charge of custody of investment specially earmarked account of Singaporean government	2,238,227	2.84%	—	—	—	—	—	—	—
The Banking Corporate of Standard Chartered Bank Limited delegated to take charge of custody of FIAM Group's Employee Trust Fringe Benefit Program: FIAM Emerging Markets Investment Portfolio Special Account	1,999,068	2.54%	—	—	—	—	—	—	—
Cathay Life Insurance Company, Ltd.	1,514,141	1.92%	—	—	—	—	—	—	—

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:

Expressed in 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.	28,000	100%	-	-	28,000	100%
Voltronic International H.K. Corp. Limited	217,240	100%	-	-	217,240	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:

April 30, 2018; 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 thousand	—	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 thousand	—	Fu-Chan-Ye-Shang-Zi No.09985123100
Nov. 2010	50	36,000	360,000	31,825	318,250	Increment in cash 25,000 thousand	—	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	—	Fu-Chan-Ye-Shang-Zi No.10085773700
Dec. 2011	60	60,000	600,000	46,222	462,223	Increment in cash 22,000 thousand	—	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 81,25	—	Jing-Shou-Shang-Zi No.10101139360
Mar. 2013	81.41	60,000	600,000	55,848	558,476	New restricted employee shares 15,000 thousand	—	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 thousand Increment in cash 30,000 thousand	—	Jing-Shou-Shang-Zi No.10201143730
Mar. 2014	146	70,000	700,000	67,470	674,700	Increment in cash 58,300 thousand	—	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 thousand	—	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 thousand	—	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 thousand	—	Jing-Shou-Shang-Zi No.10401193990
Mar. 2016	10	80,000	800,000	74,337	743,377	New restricted employee shares recovered for cancellation 180 thousand	—	Jing-Shou-Shang-Zi No.10501044770
Aug. 2016	10	100,000	1,000,000	78,705	787,054	Bonus to shareholders converted into capital increase	—	Jing-Shou-Shang-Zi No.10501222580

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid by property other than cash	Other
						37,178 thousand Issuance of new restricted shares to employees for NT$6,500 thousand		
Jul. 2017	10	100,000	1,000,000	78,688	786,884	New restricted employee shares recovered for cancellation 170 thousand	—	Jing-Shou-Shang-Zi No.10601096850
Mar. 2018	10	100,000	1,000,000	78,685	786,852	New restricted employee shares recovered for cancellation 32 thousand	—	Jing-Shou-Shang-Zi No.10701038020

2. Categories of outstanding shares

Categories of shares	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common shares	78,685,230	21,314,770	100,000,000	Listed stocks

3. Information relevant to overall declaration system: None

(2) Structure of shareholders

April 7, 2018; Expressed in Persons; Shares

Type of Shareholder / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	1	3	42	776	271	1,093
Shares held	113,450	1,538,710	13,963,354	19,583,848	43,485,868	78,685,230
Shareholding rate	0.14%	1.96%	17.75%	24.88%	55.27%	100%

(3) Facts of disperse of shareholding

1. Common shares

April 17, 2018

Shareholding grading	Number of shareholders	Number of shares held	Shareholding percentage %
1 to 999	517	57,381	0.07
1,000 to 5,000	274	494,088	0.63
5,001 to 10,000	56	406,636	0.52
10,001 to 15,000	20	240,118	0.31
15,001 to 20,000	23	408,342	0.52
20,001 to 30,000	22	547,233	0.70
30,001 to 40,000	13	449,663	0.57
40,001 to 50,000	10	464,812	0.59
50,001 to 100,000	50	3,637,067	4.62
100,001 to 200,000	36	5,076,562	6.45
200,001 to 400,000	29	8,600,254	10.93
400,001 to 600,000	14	7,127,712	9.06
600,001 to 800,000	8	5,405,162	6.87
800,001 to 1,000,000	5	4,479,036	5.69
Above 1,000,001	16	41,291,164	52.47
Total	1,093	78,685,230	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	4,992,916	6.35%
RPS S.P.A	3,382,680	4.30%
Open Great International Investment Limited Company	3,002,546	3.82%
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 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 earmarked account.	2,430,886	3.09%
Citibank (Taiwan) delegated to take charge of custody of investment specially earmarked account of Singaporean government.	2,238,227	2.84%
The Banking Corporate of Standard Chartered Bank Limited delegated to take charge of custody of FIAM Group's Employee Trust Fringe Benefit Program: FIAM Emerging Markets Investment Portfolio Special Account	1,999,068	2.54%
Cathay Life Insurance Company, Ltd.	1,514,141	1.92%

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			2016	2017	As of March 31, 2018
Market price per share	Highest		564	607	570
	Lowest		395	400	484
	Average		480.52	492.81	518.22
Net Value per share	Before distribution		54.48	53.11	-
	After distribution		39.48	(Note 2)	-
Earnings per share	Weighted average shares		78,278 thousand shares	78,098 thousand shares	-
	Earnings per share	Before retrospective adjustment	18.25	17.46	-
		After retrospective adjustment	18.25	(Note 2)	-
Dividends per share	Cash dividends		20.00	20.00	-
	Stock dividends	From retained earnings	-	-	-
		From capital surplus	-	-	-
	Retained dividends		-	-	-
ROI	PER		26.33	28.23	-
	Price-dividend ratio		24.03	24.64	-
	Cash dividends yield		4.16	4.06	-

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 appropriation of earnings in 2017 was officially resolved by the board of directors on February 26, 2018 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 distribution 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 appropriated), 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 appropriated, 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 appropriate 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 surplus 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 26, 2018 the appropriation of earnings of Year 2017:

Expressed in New Taiwan Dollars

Descriptions	Amount
Beginning unappropriated retained earnings	338,702,541
Net profit for this period	1,363,642,312
Provision of Legal reserve (10%)	(136,364,231)
Provision of special reserve, by law	(31,899,672)
Distributable net profit for this period Distributable items	1,534,080,950
Bonus to shareholders: $15 per share	(1,180,326,450)
Unappropriated earnings	353,754,500

Pursuant to Article 241 of the Company Act, the board on February 26, 2018 decided to cash dividends with a total of NT$393,442,150 funded with the additional paid-in capital (i.e. the premium over the par value of ordinary shares issued). This translates to NT$ 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 2017 in amounts of NT$70,000,000 and NT$14,400,000, 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 26, 2018, the aforementioned remunerations should be allocated in cash. This is pending the resolution by the shareholders by the board of June 5, 2018. 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$84,400,000.

(2) The percentage of stock bonus to employees as proposed to the aggregate total to the net profit after tax of the parent company only or the individual financial statements and the bonus to employees: None

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 2017, both the estimate and the actual allocation amounted to NT$92,325,000, 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: None

(2) Data of convertible corporate bonds: None

(3) Data of exchange corporate bonds: None

(4) Aggregate total declaration of corporate bonds: None

(5) Data of issuance of the preferred shares with warrants: None

3. Acts on preferred shares

None

4. Acts on global depositary receipts (GDR)

None

5. Acts on employee stock option certificates

None

6. Acts on new restricted employee shares:

March 31, 2018

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 employee shares having been retrieved	0 share

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, 2018

	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%	52,800 shares	Issuance without compensation	—	0%	211,200 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%	59,600 shares	Issuance without compensation	—	0%	238,400 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.
(4) Employees are entitled to 20% of the shares upon expiry of vesting conditions for one year. Date to lift the restriction: August 30, 2017.

7. Facts of merger/acquisition (M&A) or inward transfer of outstanding new shares from another company: None

8. Facts of implementation in utilization of working capital

As of the quarter preceding the Annual Report issuance date, 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: None

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 components
   4. F401010 International trade
   5. IG03010 Energy technology services
   6. E605010 Computing equipment installation
   7. E603050 Automation equipment engineering
   8. CC01010 Electric power generation, electrical transmission and power distribution machinery production
   9. I501010 Product designs
   10. I599990 Other designs
   11. ZZ99999 All business items that are not prohibited or restricted by law and regulations

2) Business Proportion

Expressed in Thousands of New Taiwan Dollars

Year / Product	2016		2017	
	Amount of operating income	Proportion (%)	Amount of operating income	Proportion (%)
Off-Line UPS	3,283,552	40.44	3,872,337	39.26
On-Line UPS	3,063,375	37.72	3,809,661	38.63
Others	1,773,293	21.84	2,180,232	22.11
Total	8,120,220	100.00	9,862,230	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 modular UPS	Energy saving and flexible adjustment according to requirement
On-grid inverter with energy storage application	Solar power energy storage equipment

(2) Business overview

1) Current situation and development in the 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 international branding customers, our products are primarily for export sales. In the past three years, our export exceeded 90% of the total revenues. The Company's unrelenting pursuit in development of innovative and high quality products, at the same time avoid competition with clients, by not making its own brand, and provided customized products and services to meet clients' needs, thus maintaining excellent cooperative relationships with clients.

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

A. UPS Industry

(A) Overview of product development

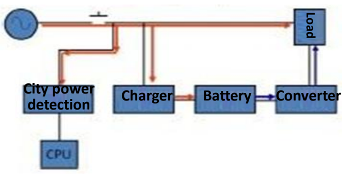
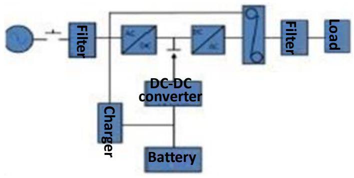
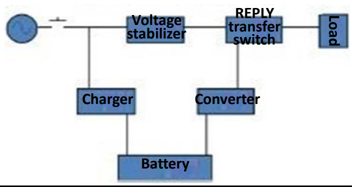
When there are electrical problems such as power outages or destabilizing voltages, UPS can switch the electrical input source to internal batteries automatically; it continues to supply power to PC or peripherals for a short period of time. The PC and peripherals then can utilize the power provided by UPS to shut down the operating systems, prevent damage or data loss. In today's world, we are heavily dependent upon electrical equipment, the benefits of UPS appears in situations of abnormal power conditions, (e.g., power outage, unstable current) it can still provide stable current to electronic equipment. UPS is often used to maintain a stable operation of commercial computer systems, communication equipment, and precision instruments.

The origin of UPS can be traced back to the time before World War II, in the beginning, it was used in communication products via vacuum tube and multivibrator. Its primary function at that time was to maintain a stable voltage. It was later developed into flywheel UPS (also called a 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 reduced 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 consciousness in recent years, some suppliers started using the lithium-ion 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 a battery, power semiconductors, transformers, power converters, resistors, capacitors and other related components. The theory to supply power is when the Grid power supply is nominal, the machine converts the AC from Grid power into DC, and charges the battery. But, when UPS detects a power outage or abnormal voltage from Grid power, it converts the battery-stored DC into AC and provides it to the protected equipment continuously, thus achieving the function of an 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 applications are summarized in the following table:

	Off-line Type	On-line Type	Line 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 scale telecommunication equipment, hospitals, etc.	Enterprise servers.

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

The advancement of human society was facilitated by technical progress, industrialization, and automation. New electronic products were constantly introduced on the market. Many had completely altered the pace of development and outlook of society, propelling us into the information age. However, as the economy prospers, the energy and power shortages started to spread, power failures occurred more frequently, each failure would shut down equipment, cause data loss, interrupted work, sometimes it could also damage the entire electrical equipment and precision instruments, causing economic loss that is hard to quantify, and the primary function of UPS is to monitor the condition of power supply continually. Whenever there is a power outage or when the power quality degrades, UPS can, within a very short time, switch power supply to the batteries within the UPS, to ensure that the protected equipment can continue to operate normally, or to have sufficient time for operators to start appropriate contingency measures in response to the needs of equipment.

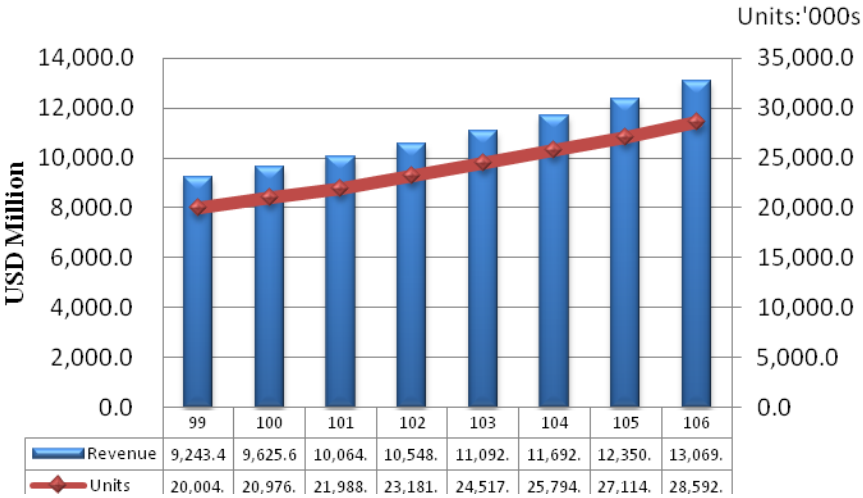
Therefore, the pursuit of stability of electrical energy quality, the reliability of equipment power, data security, became the most significant driving forces of UPS product advancement and technical innovation. In the meantime, as the industrialization of society and the degree of IT applications continue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

(B) Overview of UPS industry

a. Stable growth of the market

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 both production values and volumes from 2010 through 2017 are 5.04% and 5.24%, respectively. In general, the UPS industry is a market with stable growth.

Fig: Global UPS market size, 2010-2017



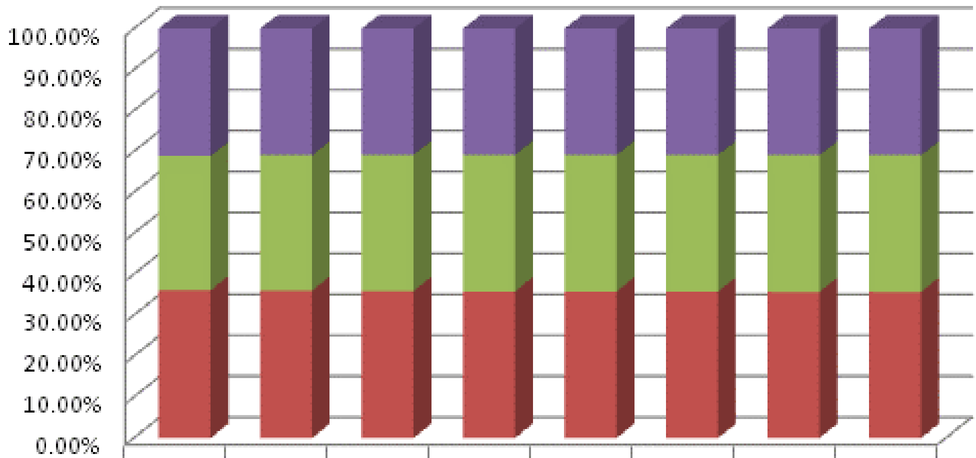
Source: Frost & Sullivan (2012)

b. Even distribution in sales regions

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

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

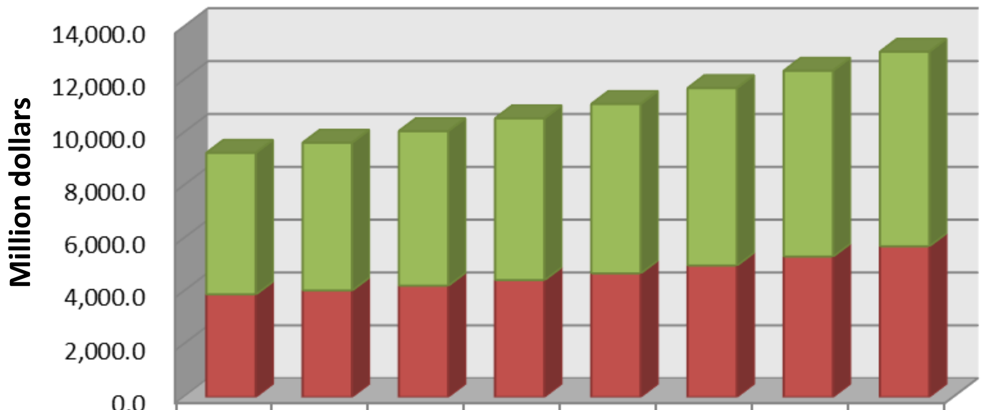
Source: Frost & Sullivan (2012)

c. The majority was from small to medium-sized UPS products

The UPS specifications vary according to their applications; 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 very complex, The separation was placed at 20 KVA, for large capacity products if greater than 20 KVA, medium to small capacity products if less than 20 KVA.

As indicated in the 2012 research report by Frost & Sullivan, medium to small capacity UPS is the principal global market contributor since 2010. In 2014, the medium to 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



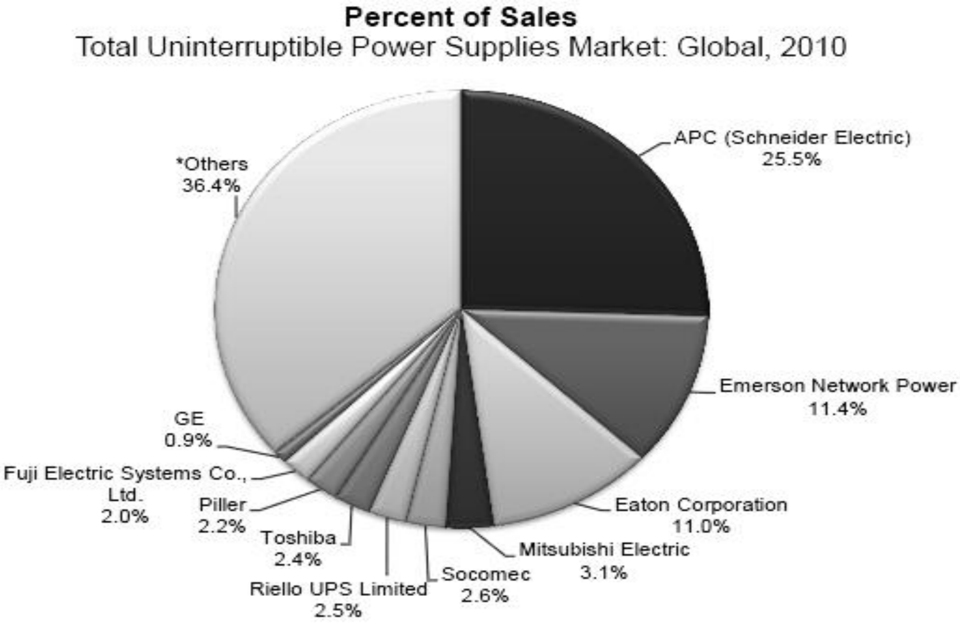
	2010	2011	2012	2013	2014	2015	2016	2017
< 20 KVA	5,355.5	5,588.9	5,847.4	6,117.9	6,406.2	6,710.6	7,026.4	7,358.9
≧ 20 KVA	3,887.9	4,036.7	4,217.1	4,430.2	4,686.2	4,982.3	5,324.0	5,710.8

Source: Frost & Sullivan (2012)

d. Intense market competition

Although UPS is a mature industry with stable growth, over 100 firms are 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 value of 47.9% of global output. The remaining suppliers' production value market share was all less than 5%. Even though in the recent ten years, the top three firms continued to expand market share via merger, and because UPS products involve the power supply condition in various regions, the product design must meet the needs of the local requirements. Therefore, the regional suppliers that are familiar with their local markets and environments have the advantage to stake a share in the market. In general, the competitions in global UPS industry is generally fierce.

Fig: Market share of global UPS industry

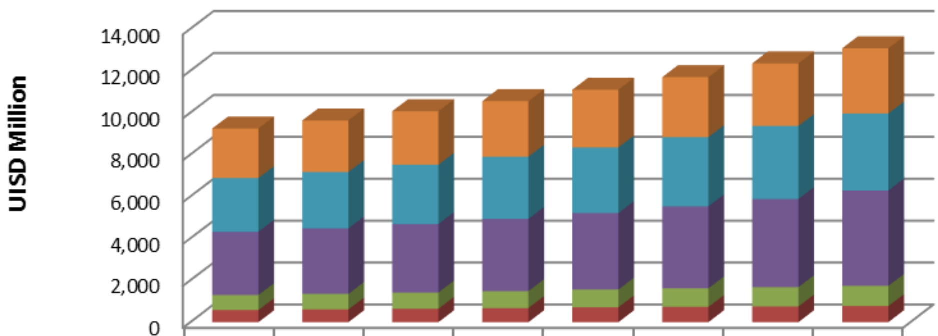


Source: Frost & Sullivan (2012)

(C) Market overview of end-user applications

The market size of end-user applications was the key to driving force for 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 primary application categories are from enterprise infrastructure (the majority was servers) and data center, as depicted in the following figure. In 2017, enterprise server and data center values were $6.79 and $4.56 billion, respectively. They were above 80% of the total production values.

Fig: Market size of UPS end-user applications



	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 reference 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 for the next ten 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 on by the cloud concept. They're committed to conducting product R&D of related applications and controlling market orders.

As to the market demand driven by the cloud opportunities, and the rapid development of cloud computing, many enterprises have started to move toward cloud development when deploying their IT systems, in an attempt to reduce cost. For many companies, due to consideration of internal data security had chosen to establish their private cloud computing cluster, represented by larger enterprise sector. And the pattern of server suppliers is responsible for setting up infrastructure, offering lease options to small to mid-size enterprises.

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

In addition, the constant evolution of cloud computing also drove related applicable services, such as Facebook, is the most well known in related application services. Facebook has over two billion users, and because of its large number of users globally, the traditional server and data centers gradually become insufficient to meet their increasing demands. Facebook then started construction of its own data centers to meet the needs for processing the enormous amount of data. Other large enterprises also experienced the increased applications of cloud computing, they also followed Facebook's approach to expand their server room and data centers, and small to mid-size enterprises were limited by their economic 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 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 424 million units in 2017, down 4.4% year-over-year. In 2017, the global server market was approximately 11.1 million units, up 4% from 2016.

As indicated based on the research outcome by TrendForce DRAMeXchange: In the wake of business transformation while intelligent end-user devices become increasingly popular, a vast majority of services in recent years have been integrated through servers. In particular of such services that call for the massive amount of data for calculation and training, even driven by Virtualization Platform and cloud storage. The demand for servers is growing with each passing day. Among them, application of servers in the Information Center shall become the very key toward the growth in server shipment. As such, we anticipate that in the global markets, the aggregate total of server shipment will grow by 5.53%.

Capital expenditures on IT hardware are the driver for the global server market. The growth momentum is mainly from the infrastructure requirements in emerging markets such as China, Africa, the Middle East and the Asia Pacific except for Japan. Although the growth in the BRIC countries (i.e., Brazil, Russia, India, and China) is slowing down, the demand remains robust. The primary 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 fluctuation in different countries, the market is expected to continue expanding at a steady pace.

b. Data centers

In recent years, the cloud computing trend drove the growth and establishment of global data centers, with the prominence of could service providers and network giants, came many large data centers. Such trend brought on a new movement d to the development of global data centers. The construction of data centers repealed the old patterns of enterprises building and owning equipment. Data centers and cloud services for lease started to gain popularity. They included flexible data center architecture that allows an enterprise to adjust according to rapid changing environments, and even to meet the various needs of enterprises, by combining different models of data centers to satisfy demand. For example, for an enterprise based on IT development, when converting their own data center into a private cloud cluster, they also need to introduce certain public cloud services, even integrating some previous IT outsourcing infrastructure model, as it carried out integration plan according to the confidentiality and cost requirement of the enterprise.

According to a research report by ITRI's IEK, from 2010 through 2016, the market of global data centers will continue to grow with a compound annual growth rate of 6%. Looking from the equipment expenditure of IT hardware, global data centers, driven by the continuous growth, the investment in various IT hardware reflect a growth trend. TechNavio 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 262.5 million in 2017, down 2.82% from 2016. 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 delivery 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 sluggish, 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 is estimated to decline gradually in the future. But, the mid-to-large UPS required by more and more enterprise users' private computer rooms, server rooms, data centers and bank ATMs will expand gradually.

B. Industry overview for PV inverters

Broadly speaking, PV inverter's construction and operation are similar to the UPS. Thus, PV inverter is also a category in the UPS products, Voltronic Power specialized DMS, it provides clients complete service and is optimistic about the growth potential, and investing 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 (DC), and direct current must be converted to alternating current (AC) before it can be channeled into 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 DC to AC. Thus, the performance of PV inverters significantly affects the power generation efficiency in a solar system.

PV inverters can be classified by circuit architecture and output power: they can be categorized into three topologies: 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 the price of solar energy system continues to drop, reducing the cost to generate power, resulting in an increase in the number of solar power stations, driving the market demand for high power PV inverter. In addition, the micro inverter that can increase overall solar power system and the introduction of power optimizer, are gradually gaining popularity in the U.S. markets. Their sales volumes have gradually increased. But, the European markets focus on the development of application products of high energy string inverters. Therefore, the PV inverter market initially for residential and small commercial applications, will split into two different categories (large and small) at the same time.

(B) Industry overview

PV inverter is a key component in a solar energy system, its' 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 further expenditures, the subsidy for solar energy was decreased significantly, causing the market to shrink accordingly, causing the demand for solar energy system to drop in 2012. PV inverter shipment stayed at the same level.

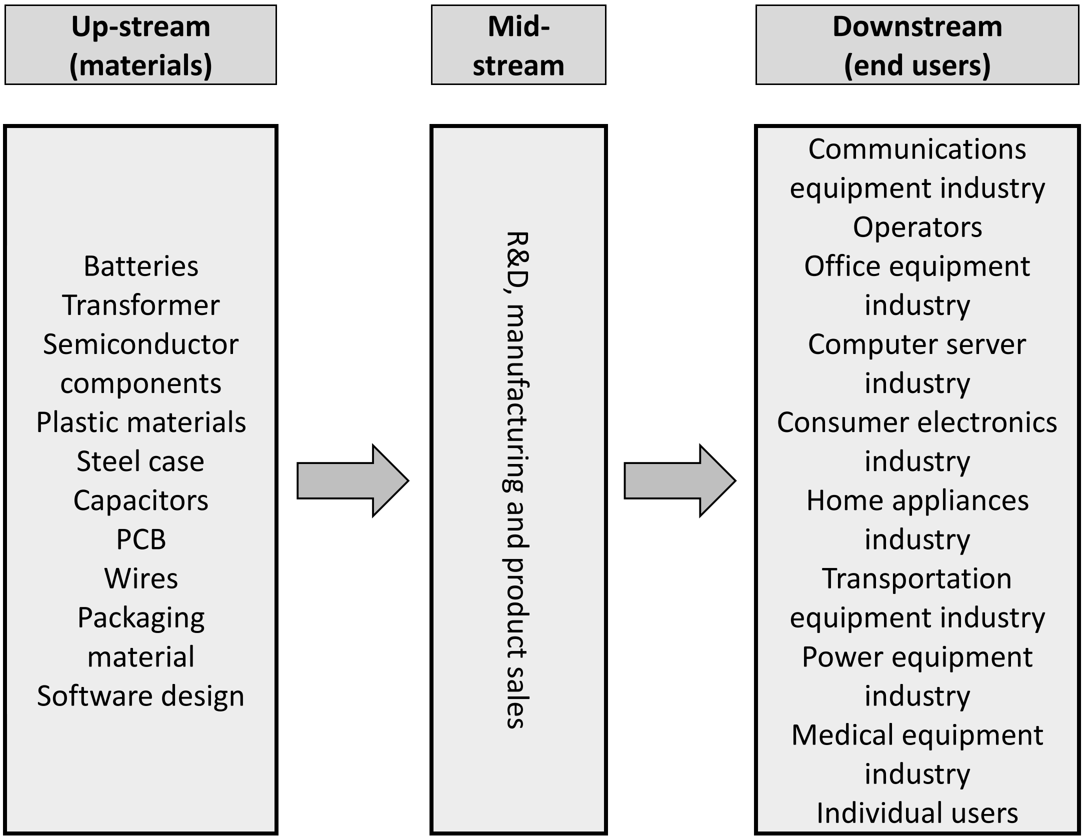
In general, although the European and the American reduced the subsidies for the solar energy industry and caused the industry perform poorly. But a crisis also brings opportunity. The barriers to entering the PV inverter market was high which included R&D and design of sophisticated electrical and electronic engineering. In the past, the market was dominated by European, U.S., and Japanese suppliers in R&D and manufacturing. But with the significant price drop of solar energy products, PV inverters are showing a trend of gradual price reduction. This offered an opportunity for suppliers in Taiwan and China with lower cost products to enter the market with the cost advantage.

According to the data from GTM Research, the global shipment of solar energy inverters in 2017 totaled 78 gigawatts. As the Chinese demand beats market expectations, the industry is amending its forecast for 2018, up 9.4%. The CAGR in 2018-2022 is expected to be at 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 in up, mid, and downstream segment in the industry

Voltronic Power 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. Our company carefully selected suppliers through rigorous quality tests. At present, we have excellent relationships with our suppliers, and the supplies are stable without the risks of price fluctuation and supply shortage.

Our 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 diverse, 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 segments:



The Company operates in the electronics industry, with revenues in the Quarter 2 slightly lower than those in other quarters, this is typical of the electronics manufacturers. However, the seasonality for Voltronic Power has become less evident as the revenue continues to grow. The revenue breakdown for the first and second half was 50:50 in 2016 and 47:53 in 2017. The first half and the second half revenue breakdown during the most recent two years indicates that the company's revenue no longer exhibits pronounced seasonality.

Table: Revenue distributions, Voltronic Power in recent two years

Revenue distributions	Year 2016	Year 2017
First half of the year	50%	47%
Second half of the year	50%	53%

To sum up, our 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 higher power quality, requirements for environmental protection for green, energy-saving are also on the rise, 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 networking era and the popularity of the Internet, UPS does not just safeguard power sources, but goes a step further, becoming a loop within the network, allowing users to manage and monitor systems remotely. To meet this market requirement, according to various applications, UPS started to have multiple communication interfaces. E.g., Dry contact, RS232, RS485, USB and even Ethernet, the purpose is to merge power management into the entire network management, by allowing users to carry out intelligent control of UPS via a network with ease. Our company is one of the few UPS firms that can develop its Dry contact, RS232, RS485, USB, and Ethernet communication functions. In addition, we also own the independently developed power management monitoring software, not just by merely providing equipment to protect power sources, but also moved toward more complete and comprehensive power protection systems.

Also, with technological advancements, UPS design also receive upgrades. UPS adopts the latest digital signal processor (DSP) or microprocessor (MCU), to perform sampling of inspection and testing of control units. It achieves 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 adjusts UPS control in real time, by implementing intelligent management. In a system with parallel redundancy, it also adopts multiple controllers to control the operation of parallel redundancy collectively, this improved the fault tolerance and reliability of the whole system.

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

When many types of equipment required the power protection of UPS, one can choose from either centralized or distributed types. In a large UPS, moving power to the protected equipment, this type of installation is called centralized UPS system. The advantage of such a system is one only needs to maintain one unit. The disadvantage is bearing all risk on a single unit, if an operation error occurs, it could result in failures all protected equipment. Also with only one UPS, it is hard to make an 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 degrees of 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. Technological innovation in UPS product mainly focused on raising energy utilization efficiency and lowering environmental pollution. Therefore, increasing the work efficiency of UPS products and reducing equipment's power loss will be a significant trend in the technical development of future products.

In addition, the harmonic current generated by various power consumption equipment and power devices polluted power grid severely. With the introduction of various policies and regulations, the call for pollution-free green power devices is gaining momentum. Other than adding wave filter on UPS, power factor correction at the input side of power grid should also be adopted. This will reduce the effect of UPS harmonic current in 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 used in the UPS. The knowledge to combine UPS and green energy applications, to generate power more efficiently and to protect power source, and power backup is essential development trends of UPS. Presently, the solar photovoltaic in light energy utilization, power conversion, and green architecture applications convey the concept of creating future green energy. Due to its characteristics of pollution-free and easy to obtain, solar energy has been favored by the new energy industry. A complete solar energy industry chain has been formed; competition is becoming increasingly fierce. Although in recent years, the solar energy industry faced negative impacts such as high power generation costs, declined industry profit, and excessive production capacity, but, the ratio of power generation by solar energy is still low, the development potential is still enormous for the industry.

(D) Product safety and reliability continue to rise

Because UPS products are advertised to offer stable temporary power during a power outage or in an emergency, by allowing users to avoid damaging electronic products and the potential loss of important data. With the upgrade in the high tech industry, due to the more expensive equipment and precision manufacturing processes, their requirement for power quality has also increased. Therefore, the demand for the reliability of UPS products increased accordingly.

In addition, the market demand for the traditional large machine room and equipment applications, grow in concurrency with the need for small to mid-size electronic products; based on applications of various products and their configuration of electrical circuits, the design and development of UPS products changed accordingly. Thus, it provides more secure and complete protection.

(E) Development of cloud industry drove demand for On-line UPS

With the concept of cloud computing gaining popularity, and a large number of the establishment of related computer IT supporting hardware such as servers, large workstations, data centers. Because of 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 crucial focus in PV Inverter. Presently, the highest efficiency can be reached at 97-98%. But market average efficiency is around 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, the market has never stopped requesting for higher conversion efficiency, and it’s also the goal of future R&D for suppliers.

(b) Bidirectional applications of PV inverter products

In recent years, the various government gradually reduced the subsidies for On-Grid based PV inverter systems. Because when sunshine is abundant, feeding a significant amount of electricity into the electrical grid when the load was exceeded the Grid limit will cause the system to go off-line completely. They cannot be utilized at night, it caused excessive energy fluctuation in the electrical grid, and it was a problem for power distribution and unstable power supply. Therefore, to avoid a situation where installation of solar energy becomes widespread but causing a degradation to the safety of electrical grid, consideration was put in place to increase safety and stability to the electrical grid. At present, the market trend of PV inverter is being developed with self-consumption as the priority, in solar energy-related systems. Germany and the U.S. both plan to subsidize products that do not feed 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 approach is to invest in setting 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 production has become mainstream.

Mainland China and Taiwan are located in the Asia Pacific regions and have a 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 brands, the products they made for clients compete with their brands which created irreconcilable market conflicts.

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

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

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

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

(3) Overview of technology and R&D

1) Technical levels and R&D of operating business

The Company was founded in May 2008. Enormous amount 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 inverters.

2) Educational background and experience of R&D staff

Year		2017 (Expressed in persons)	Current year up to March 2018 (Expressed in persons)
Beginning headcount		232	246
New staff		17	25
Staff who left		38	34
Laid off and retirement		0	0
Department changes		2	1
Total R&D staff at period end		211	236
Average length of service		2.91	2.65
Turnover rate		15.26%	14.05%
Distribution of degrees	PhD	0	0
	Master	29	25
	University and College	167	195
	High school	15	16

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

Expressed in Thousands of New Taiwan Dollars; %

Item \ Year	2016	2017
R&D expenses	358,263	359,575
Net operating income	8,120,220	9,862,230
R&D expenses/Net operating income	4.41%	3.65%

4) Successful technologies or products or development in recent years

Year	R & D achievements	Content description
2017	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 (6) On-line three camera active current harmonic compensator development	(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 a single machine to modularization, parallel operation, implementing one-stop, complete solution service by building 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," our company integrated and merged parts, centralized production bases, modularized common circuits, to optimize supply chain management.

Operational management focuses on reduce production costs, shorten delivery, and inventory reduction.

C. Sales strategy

Continue to expand all major sales market globally. Utilizing the current product lines as a basis to develop new clients in new markets proactively, and gain a deeper understanding of existing markets' client requirement, and with 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 enhancing product reliability with scale production, value analysis, value engineering cycles, continue raising the entry barriers from competitors, and to maintain the growth momentum. Gradually increasing the revenues generated by new products each year, and raise the revenues proportion of high-end products.

B. Production strategy

Focus on cost control and strengthen cooperation with supply chains, utilizing automation to increase production efficiency, adequately reflect the cost-effectiveness of large-scale production.

C. Sales strategy

Pushback against low price competitors via independent R&D capabilities, increase ODM orders from leading regional firms (Regional leading manufacturer), expand the product applications into specialized areas such as industry, transportation, medical, and communication.

D. Financial strategy

Continue to monitor changes in interest rates and exchange rates, control interest expense and working capital accurately, do not get into investments in unfamiliar industries, utilizing 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

Expressed in Thousands of New Taiwan Dollars; %

Sales regions		Year 2016		Year 2017	
		Amount	Percentage	Amount	Percentage
Domestic sales		344,238	4.24%	424.436	4.30%
Exports	Asia	3,996,717	49.22%	4,821,576	48.89%
	Others	3,779,265	46.54%	4,616,218	46.81%
	Total exports	7,775,982	95.76%	9,437,794	95.70%
Total		8,120,220	100.00%	9,862,230	100.00%

2) Market shares

The Company's major shipment of UPS is under 20KVA. In 2017, the combined shipments were 5,790,000 units. According to market analysis report by Frost & Sullivan on global UPS, it's estimated that the global UPS market size in 2017 is around 28,590,000 units, in terms of UPS shipments to global markets. The company's share is about 20%.

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

A. UPS industry

The overview of the global production of UPS industry in recent years shows that UPS industry belongs in a sector of stable growth. With the flourishment in global communication products, Internet, cable TV, Radio base station, smart grid, cloud computing. Developed end-user applications such as personal desktop PC, enterprise large data center, and the large equipment room for public infrastructure, all require protection from a stable power source, making UPS indispensable equipment, global UPS industry is then able to grow steadily.

Although the UPS industry has shown a trend of stable growth, but looking from the product mix, UPS products above 20KVA, benefited from large data centers of enterprise users, and public infrastructure equipment room in recent years, the annual growth speed was higher than that of UPS products below 20KVA and the overall UPS production growth rate. At present, our company's revenues still primarily came from UPS products less than 20KVA. However, with R&D capability, The company already introduced UPS at 300KVA(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 that in 2017, the global shipment would reach 1,110,000 units, a growth of 5.4% compared with 2016. With the development of the Internet, business opportunities in cloud computing continue to grow, some applications derived from 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 US$3.5 trillion in 2018, up 4.3% from 2017.

	2017 spending	2017 growth (%)	2018 spending	2018 growth (%)
Data Center Systems	173	1.7	176	1.8
Business software	354	8.5	387	9.4
Installations	664	5.3	697	5.0
IT services	931	4.0	980	5.3
Communication services	1,387	0.9	1,417	2.2
IT TOTAL	**3,508**	**3.3**	**3,658**	**47.3**

The demand for data center systems and installations will continue to grow at 1.8% and 5%, respectively. The growth of software and IT services will be higher, at 9.4% and 5.3%. With the maturity of Internet and cloud computing, 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 to large data centers, and data access to 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 such as the U.S. and Europe, markets in emerging countries, led by Asia, their rapid growth in enterprises, accelerated demand for construction of new data centers. It is expected that future global markets' demand for data centers will continue to grow aggressively.

(C) Personal computers

Bal penetration of smartphones 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 shrink in 2017, with the shipment for desktops, notebooks, and tablets decline by 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 smartphones.

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 power energy. The same also drove the prices of various components in a solar energy system lower. The market primarily depends on the government subsidies to stimulate the development of the solar energy industry. The efficiency of PV inverter goes up each year, but the continuous declining of average price 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-user applications, coupled with the mass production in mainland China, caused price per watt from PV inverter continued to drop. A large number of suppliers resulting in increasing price competitions, resulted in PV inverter market to grow at a slow pace. But, in the long run, because various countries adopted the goal to replace traditional fossil energy with renewable energy, PV inverter will face small fluctuation due to inventory adjustments in supply and demand. But a trend of stable growth each year will take shape. According to statistics with market study report by EnergyTrend, the Year 2017 was the year while the global market hit 100GW mark for the first time, with annual growth up to 26% Year-Over-Year 2016. PV Inverter markets have been growing significantly and rapidly.

4) Competitive niche

A. Business strategy focusing on DMS areas

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

B. Market orientation

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

C. The R&D capability of rapid innovation

The Company’s management team of business, development, and manufacturing areas has had many years of experience, have cultivated clients from various regions with different needs for a long time, thus was able to seize key market position quickly, and gained the leading edge. Our sizable R&D team continued to improve localization and innovation product specification and technology, introduced innovative products quarterly. On the one hand, using rapid efficiency and innovation and the most extensive product line in the industry, continue to separate the technical gap from 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 2017, The Company holds 20% of global market shares, in terms of shipment volume, and become world’s largest DMS UPS manufacturer. Thus relative to competition, the company enjoys apparent economic scale in procurement costs, therefore was able to maintain The Company’s cost-competitiveness.

(B) Flexible production

Because UPS is a high-mixture, low volume industry. 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 production grid, introduced automation equipment, supply chain management and key components manufacturing with vertical integration, allowing The Company to maintain cost-competitive production model with a high yield rate and efficiency.

E. Complete product offerings

The company and its subsidiaries have a professional R&D team of 200 highly-qualify engineers, focusing on different products. From the development of monitoring software or the development and maintenance of various UPS models or even for the development and design of PV inverter and other accessories and products. All have dedicated teams fully accountable for each project. 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 team from the company, depending on the level of customization, The company can complete the development in 2-12 weeks, making The Company the most experienced 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, with the growth momentum gradually recovered after 2011. In addition to continually introducing new innovative products that satisfy the demand for power backups, India blackout that occurred at the end of July 2012 highlighted the fact of one-third of world's population is still experiencing problems with stable power supply. Besides, with the continued development in Internet and telecommunications industry and data center equipment rooms. Industry new trends in cloud computing and the smart grid will also increase demand for UPS related products. In the future, there is room for continuous and continued growth for the UPS industry.

(B) Strong R&D team

R&D staff includes 200 highly-qualify engineers in the Company and its subsidiaries focusing on different products. From the development of monitoring software or the development and maintenance of various UPS models or even for the development and design of PV inverter and other accessories and products. All have dedicated teams fully accountable for each project.

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

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

In addition, there are many UPS firms globally, with average selling price declining in recent years due to intense competition. But Voltronic Power Technology, due to its economic scale in production and superior ability to control costs, highlights our competitiveness in seizing the market and improve our performances.

(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 a close working relationship with the leading companies in each local country, by providing 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 primarily affected by the debt storm, not only the end-user demand slowed down, the entire European market showed no apparent growth.

Countermeasures:

The Company continues to serve its existing European clients, but also expand markets into other regions, as well as focus on developing high-end products, expanding the existing product mix. In the overall weak economic environment, internationally renowned manufacturers and local brand leader will also conduct an assessment on make-buy, cost-effectiveness, and the DMS services offered by our company ensures quality in line with clients' expectation. To facilitate the orders from renowned international firms and local leading brands by obtaining the most favorable position. Therefore, even when the overall environment is poor or unfavorable, The Company still has a chance to expand its client base.

(B) Difficulties in developing talents

UPS industry must continuously invest in talent development. It is challenging to develop qualified R&D staff and gather experience at the same time, as The Company conducts the DMS business model, it must possess sufficient and highly qualify R&D staff, to respond to the need of client customizations.

Countermeasures:

Other than to increase staff salaries and various benefits, we also establish core values for our employees to identify company's operating direction and strategy. We also cooperate with major universities, to create a smooth pipeline in hiring future talents.

The Company also set up R&D units in Taiwan, by developing our own R&D staff, offer a solid training foundation from product appearance to electronic circuit configuration, etc. in an attempt to identify 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 branding manufacturer. Also in 2007, large international branding company Eaton acquired Taiwan's largest UPS manufacturer Phoenixtec Limited. Related mergers have a significant impact on global UPS industry. Their operating strategy and direction, and the possibility to purchase or merge with local brands in regional countries will impact their in-house or out-sourcing decisions. And because DMS is our company's current business model, there are uncertainties caused by these transactions.

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 a 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 broadening our client base, to minimize the impact of any single client. In addition, The Company continues to improve product quality, technological capabilities, and high-end product development. If a client is being merged with an international branding company, with the Company's competitive advantage in DMS services, it would be an opportunity to penetrate the supply chain of this particular international brand.

(D) The rising of manufacturing costs

In recent years, our operational expenditure was affected by the ever-increasing cost in both the wage and the lease of production floor capacity to our major manufacturing facilities in China.

Countermeasures:

The Company continues to improve on process efficiency, by introducing automation equipment and reduction in human labor. Thus, offsetting the negative impact by rising labor costs. In addition, by accelerating the product mix improvement, making the high-end technology-intensive product to take on a higher business proportion, thus reducing the effect of rising labor and material costs on business performance.

(E) Risks of foreign exchange rates

The Company's business model focuses 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.

<u>Countermeasures:</u>

Financial department is responsible for gathering data from various financial institutions, monitoring international economic climate, grasp the trend of future exchange rates at any time. Depending on the need of capitals and the pattern of foreign currency, be flexible in holding of foreign currencies, to reduce the exchange rate risk due to import and 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 the fluctuation of exchange rates.

(2) Important applications and production processes of major products

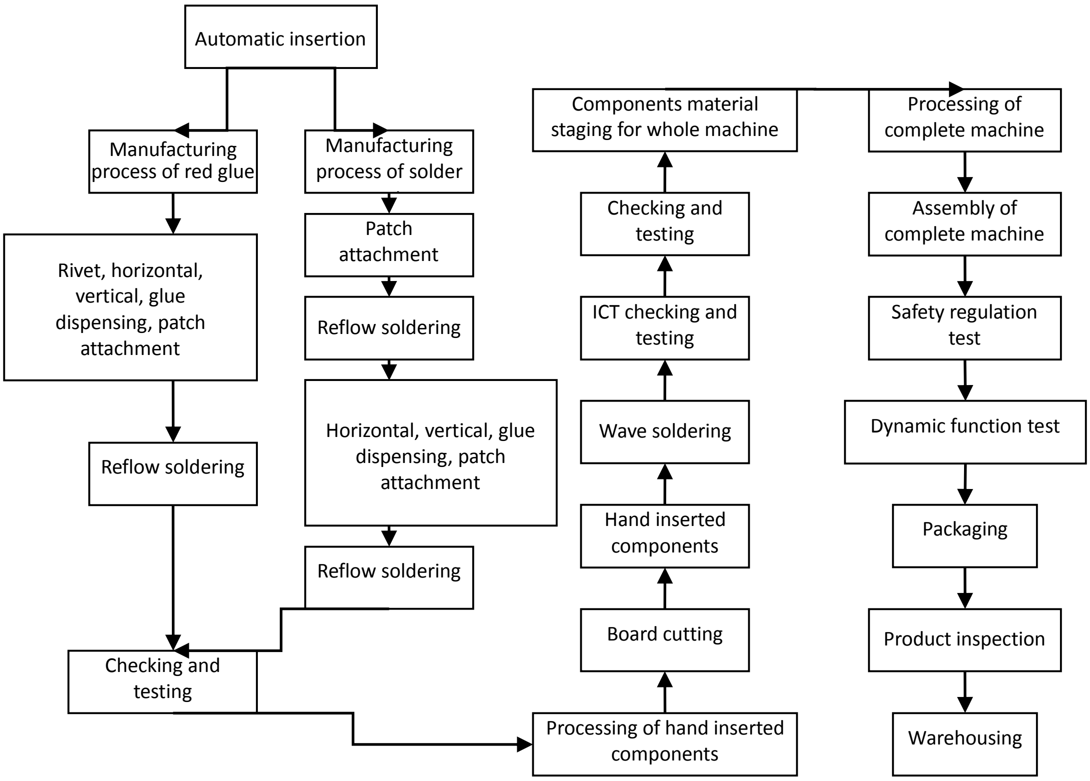
1) Important applications of major products

● Major products	● Important applications
UPS system	● Equipment that provides uninterrupted AC to electrical load and key equipment in situations of abnormal Grid 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 primary materials for 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 significant share of materials, thus, incoming sources are not overly centralized. The company also maintain long-term and excellent relations with suppliers, to ensure the stability of supply sources, along 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, of any year, with purchasing volume exceeded 10%, the client's company name, purchasing amount and proportion, and with an explanation for their reasons to increase or decrease purchasing. But 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 2017 through the Quarter I of 2018, there was not one client that had over 10% of our purchasing volume.

2) In recent two years, of any year, with sales volume exceeded 10%, the client company name, sales amount and proportion, and with an explanation for their reasons to increase or decrease sales. But 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 2017 through the Quarter I of 2018, there was not one firm that had sales over 10% of our sales volume.

(5) Table of purchasing volume in recent two years

Expressed in Thousands of Units/Thousands of New Taiwan Dollars

Year / Output value / Major product	2016			2017		
	Production capacity	Output	Output values	Production capacity	Output	Output value
On-line UPS systems	490	421	2,011,553	600	552	3,809,661
Off-line UPS systems	4,280	4,141	2,456,426	5,550	5,240	3,872,338
Inverter and other products	—	—	1,166,629	—	—	2,181,232
Total			5,634,608			9,863,231

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

Expressed in Thousands of Units/Thousands of New Taiwan Dollars

Year / Sales values / Major products	2016				2017			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
On-line UOS systems	13	98,803	408	2,964,572	18	105,528	534	3,704,133
Off-line UPS systems	95	107,425	4,046	3,176,127	117	121,390	5,433	3,750,947
Inverter and other products		138,010		1,635,283		197,518		1,982,714
Total		344,238		7,775,982		424,436		9,437,794

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

Expressed in persons

Year		2016	2017	Current year up to March 31, 2018
Number of employees	Direct	997	1,136	1,302
	Indirect	872	1,101	1,075
	Total	1,869	2,237	2,377
Average age		28.66	27.42	27.01
Average years of service (year)		2.44	1.37	1.28
Ratios of degree distribution (%)	PhD	0%	0%	0%
	Master	2.3%	1.70%	1.64%
	College	18.99%	17.08%	16.42%
	High school and below	78.71%	81.22%	81.94%

4. Information on expenditure for environmental protection

The most recent year and as of this Annual Report issuance date, total amount of penalties (including compensations) and loss due to polluting the environment, and describe the countermeasures in the future (including improvement measures) and possible expenditures (including estimated amount of loss, penalties, and compensations if countermeasures are not adopted. If it cannot be estimated reasonably, this fact should be stated.

The Company does not have this issue.

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) Employee welfare measures

In addition to labor and health insurance and pension contributions as required by laws, the Company provides allowance for the following: travel expenses, year-end banquets, year-end bonuses, Labor Day gift benefit, Mid-Autumn Festival gift benefit, subsidies for weddings, funerals, hospital stays, childbirths, group insurance, training and education, assistance in health management and emergency loans. 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 higher 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 of 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 for new employees, to help new employees quickly merge into the organizational team. Managers and employees of each department, in responding to the operating condition of The Company, can request special program, sponsorship for companywide or department-wide, international or domestic training courses and seminars, to improve employees' expertise and core competencies, and strengthen the channel for employees to receive complete training and advanced studies.

In an efforts to cultivate talented resources for the society, power supply industry calls for continued efforts and investment in human resources cultivation. Those research & development talents have a hard time to be cultivated to accumulate their hands-on experiences. The Company is supposed to foster adequate and high-level research & development oriented candidate as the seed talents. So far the Company has participated in the research & development teams of the Ministry of the Interior with candidates amidst draftees-to-be for substitute services in the Year 2015 and Year 2018. Meanwhile, the Company has cultivated such talents through students studied in the related department of electronics at universities through the practicum platforms to shoulder the responsibility to foster potential research & development environments toward a sustainable managerial system. Through inheritance of hands-on experiences, the Company virtually creates the sound ambiance to cultivate research & development talents from newcomer of the society.

3) Retirement system and implementation status

Starting on July 1, 2005, implemented the (new system) of labor pension regulation. The Company was founded in 2008, all employees are applicable to the new system of labor pension regulations, adopting a predefined contribution system, according to the provisions of labor pension Act of the Company, no less than 6% of monthly salary are to be transferred or saved toward the individual special account of retired labor in Bureau of Labor Insurance.

4) Agreements between labor and management

The Company has faithfully complied with the Labor Standards Act as the very guiding principle for all of rules & regulations and has duly set up the Employee Welfare Committee for Employees through which all employees have a mean to communicate with the Company management about their regarding a variety of concerns in their working environments. Most significantly, the labor-management conferences are duly convened on a quarterly basis as a convenient platform to bridge the opinions between the labor and the management. In fact, the Company is proud of the highly harmonious labor relations. Never has the Company run into a labor dispute that calls for external mediation at all.

5) Implementation status of safeguarding various employee rights

The Company has a complete system and regulations, indicate clearly all managerial standards, 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 truthfully to 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, The Company strictly adheres to Employment Services Act, The Workplace Gender Equality Act, etc. and 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, without discrimination.

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

(2) The most recent year up to this Annual Report's issuance date, the loss due to labor/management dispute, also revealed/disclosed possibly occurred estimated amount and countermeasures current and future. If it cannot be estimated reasonably, this fact should be stated.

The Company does not have this issue.

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,	None

			Voltronic Power	

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－International Financial Reporting Standards (IFRS)

A. The consolidated financial statements

Expressed in Thousands of New Taiwan Dollars

Item \ Year		Financial information for the past five years					As of March 31, 2018
		2013	2014	2015	2016	2017	
Current Assets		3,436,793	4,521,822	5,382,054	5,747,296	5,679,633	5,721,121
Property, plant and equipment		143,869	893,157	930,952	1,062,153	1,295,195	1,600,344
Intangible assets		6,315	7,160	6,103	8,198	6,691	7,125
Other assets		16,616	31,540	48,942	261,588	255,655	283,625
Total assets		3,603,593	5,453,679	6,368,051	7,079,235	7,237,174	7,612,215
Current liabilities	Before distribution	1,616,858	2,022,873	2,273,067	2,772,007	3,058,182	3,062,305
	After distribution	2,109,389	2,787,982	3,388,402	3,952,588	(Note 3)	—
Non-current liabilities		8,820	25,705	26,629	18,969	231	292
Total liabilities	Before distribution	1,625,678	2,048,578	2,299,696	2,790,976	3,058,413	3,062,597
	After distribution	2,118,209	2,813,687	3,415,031	3,971,557	(Note 3)	—
The equity contributed to the parent company		1,977,915	3,405,101	4,068,355	4,288,259	4,178,761	4,549,618
Capital stock		616,400	708,435	743,557	787,055	786,885	786,853
Capital surplus		600,258	1,387,138	1,385,450	1,697,404	1,295,700	1,294,160
Retained earnings	Before distribution	809,010	1,278,140	1,894,778	2,171,080	2,354,143	2,652,744
	After distribution	282,744	477,609	742,265	990,499	(Note 3)	—
Other equity		(47,753)	31,388	44,570	367,280	(257,967)	(184,139)
Treasury stock		—	—	—	—	—	—
Non-controlled Equity		—	—	—	—	—	—
Total equity	Before distribution	1,977,915	3,405,101	4,068,355	4,288,259	4,178,761	4,549,618
	After distribution	1,485,384	2,639,992	2,953,020	3,107,678	(Note 3)	—

Note 1: The 2013 ~2017 financial statements had been duly certified by Certified Public Accountant.

Note 2: The financial data for the Quarter I of 2018 was reviewed by Certified Public Accountants.

Note 3: The appropriation of earnings in Year 2017 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. Parent company only financial statements

Expressed in Thousands of New Taiwan Dollars

Item \ Year		Financial information for the past five Years				
		2013	2014	2015	2016	2017
Current Assets		2,564,274	3,387,726	3,964,318	3,740,140	3,587,828
Investment of equity method adopted		743,816	1,236,878	1,986,219	2,550,549	3,469,418
Property, plant and equipment		27,789	743,087	771,999	860,456	933,168
Intangible assets		3,875	3,826	4,379	7,270	6,037
Other assets		1,231	2,961	3,583	28,569	53,030
Total assets		3,340,985	5,374,478	6,730,498	7,186,984	8,049,481
Current liabilities	Before distribution	1,354,495	1,943,926	2,635,767	2,880,022	3,870,720
	After distribution	1,847,026	2,709,035	3,751,102	4,060,603	(Note 2)
Non-current liabilities		8,575	25,451	26,376	18,703	—
Total liabilities	Before distribution	1,363,070	1,969,377	2,662,143	2,898,725	3,870,720
	After distribution	1,855,601	2,734,486	3,777,478	4,079,306	(Note 2)
The equity contributed to the parent company		1,977,915	3,405,101	4,068,355	4,288,259	4,178,761
Capital stock		616,400	708,435	743,557	787,055	786,885
Capital surplus		600,258	1,387,138	1,385,450	1,697,404	1,295,700
Retained earnings	Before distribution	809,010	1,278,140	1,894,778	2,171,080	2,354,143
	After distribution	282,744	477,609	742,265	990,499	(Note 2)
Other equity		(47,753)	31,388	44,570	367,280	(257,967)
Treasury stock		—	—	—	—	—
Non-controlled Equity		—	—	—	—	—
Total equity	Before distribution	1,977,915	3,405,101	4,068,355	4,288,259	4,178,761
	After distribution	1,485,384	2,639,992	2,953,020	3,107,678	(Note 2)

Note 1: The 2013 ~2017 financial statements had been duly certified by Certified Public Accountant.

Note 2: The appropriation of earnings in Year 2017 had been resolved in the board of directors but not been resolved by the shareholders' meeting.

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

A. The consolidated financial statements

Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share

Item \ Year	Financial information for the past five Years					As of March 31, 2018
	2013	2014	2015	2016	2017	
Operating revenue	5,491,112	6,723,027	8,039,323	8,120,220	9,862,230	2,516,689
Gross operating profit	1,322,821	1,760,712	2,437,032	2,485,612	2,694,648	644,021
Operating gain/loss	762,680	1,135,161	1,678,219	1,679,275	1,828,597	440,528
Non-Operating revenues and expenditures	(9,920)	96,533	82,452	42,946	(173,407)	(62,428)
Net profit before tax	752,760	1,231,694	1,760,671	1,722,221	1,655,190	378,100
Net profit for the year of continuing operations	610,538	995,396	1,416,710	1,428,336	1,363,644	298,537
Loss from discontinued operations	—	—	—	—	—	—
Net profit for the year（loss）	610,538	995,396	1,416,710	1,428,336	1,363,644	298,537
Other consolidated gain/loss for the year (net after tax)	27,326	38,760	(13,240)	(150,533)	(31,899)	50,328
Total amount of consolidated gain/loss for the year	637,864	1,034,156	1,403,470	1,277,803	1,331,745	348,865
Net profit contributed to the Parent Company	610,538	995,396	1,416,710	1,428,336	1,363,644	298,537
Net profit contributed to the Non-controlled equity	—	—	—	—	—	—
Total amount of consolidated gain/loss contributed to the Parent Company	637,864	1,034,156	1,403,470	1,277,803	1,331,745	348,865
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	—	—	—
Earnings per share	9.72	14.33	19.05	18.25	17.46	3.82

Note 1: The 2013 ~2017 financial statements had been duly certified by Certified Public Accountant.

Note 2: The financial data for the Quarter I of 2018 was reviewed by Certified Public Accountants.

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

B. Parent company only financial statements

Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share

Item \ Year	Financial information for the past five Years				
	2013	2014	2015	2016	2017
Operating revenue	5,254,214	6,325,522	7,365,875	7,111,206	8,710,973
Gross operating profit	798,456	963,561	1,418,672	1,512,514	1,490,846
Operating gain/loss	458,442	606,290	1,013,105	1,105,793	1,024,748
Non-Operating revenues and expenditures	240,292	507,367	605,824	532,796	472,018
Net profit before tax	698,734	1,113,657	1,618,929	1,638,589	1,496,766
Net profit for the year of continuing operations	610,538	995,396	1,416,710	1,428,336	1,363,644
Loss from discontinued operations	—	—	—	—	—
Net profit for the year(loss)	610,538	995,396	1,416,710	1,428,336	1,363,644
Other consolidated gain/loss for the year (net after tax)	27,326	38,760	(13,240)	(150,533)	(31,899)
Total amount of consolidated gain/loss for the year	637,864	1,034,156	1,403,470	1,277,803	1,331,745
Net profit contributed to the Parent Company	610,538	995,396	1,416,710	1,428,336	1,363,644
Net profit contributed to the Non-controlled equity	—	—	—	—	—
Total amount of consolidated gain/loss contributed to the Parent Company	637,864	1,034,156	1,403,470	1,277,803	1,331,745
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	—	—
Earnings per share	9.72	14.33	19.05	18.25	17.46

Note: The 2013 ~2017 financial statements had been duly certified by Certified Public Accountant.

(2) 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
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
2017	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

(2) International Financial Reporting Standards (IFRS)

A. The consolidated financial statements

Item	Year	Financial information for the past five years					As of March 31, 2018
		2013	2014	2015	2016	2017	
Capital Structure	Liabilities to assets ratio (%)	45.11	37.56	36.11	39.42	42.26	40.23
	Long-term funds to property, plant and equipment ratio (%)	1,380.93	384.12	439.87	405.52	322.65	284.31
Liquidity	Current ratio (%)	212.56	223.53	236.77	207.33	185.72	186.82
	Quick Ratio (%)	194.86	203.12	218.42	177.55	149.18	148.14
	Interest coverage ratio (times)	149.50	254.43	302.90	235.00	172.75	89.71
Operating ability	Accounts receivable turnover rate (times)	6.57	6.14	6.42	5.88	5.94	5.73
	Average days of accounts receivable (days)	56	59	57	62	61	64
	Inventory turnover rate (times)	18.92	16.54	15.61	10.29	8.70	8.33
	Accounts payable turnover rate (times)	3.54	3.57	3.60	3.12	3.27	3.24
	Average days of sales (days)	19	22	23	35	42	44
	Property, plant and equipment turnover rate (times)	39.47	12.97	8.81	8.15	8.37	6.95
	Total assets turnover rate (times)	1.71	1.48	1.36	1.21	1.38	1.36
Profitability	Return on assets (%)	19.15	22.07	24.05	21.33	19.16	16.2
	Return on equity (%)	35.85	36.98	37.91	34.18	32.21	27.36
	Net gains before tax to paid-in capital ratio (%)	122.12	173.86	236.79	218.82	210.35	192.21
	Net gains ratio (%)	11.12	14.81	17.62	17.59	13.83	11.86
	Earnings per share ($)	9.72	14.33	19.05	18.25	17.46	3.82
Cash flow	Cash flow ratio (%)	34.73	66.60	60.70	49.74	56.94	7.09
	Cash flow adequacy ratio (%)	199.04	141.97	141.15	117.68	98.28	97.08
	Cash reinvestment ratio (%)	7.99	23.53	14.19	5.80	3.78	4.53
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00
	Financial leverage	1.01	1.00	1.00	1.00	1.01	1.01

Causes behind the increase/decrease ratio change up to 20% of various financial ratios over the past two years:
Decrease in long-term funds to property, plant and equipment ratio (%): Due primarily to the fact that in Year 2017, the Company successively increased the construction costs of the Operating Headquarters and plants.
Decrease in interest coverage ratio (times): Due primarily to the facts that in Year 2017, the interest expense incurred by sales of accounts receivable increased.
Decrease in net gains ratio (%): Due primarily to stable growth in sales revenues, but the rising raw materials prices and losses in foreign exchange in the wake of fluctuation in exchange rate, the net profit dropped.
Decrease in Cash reinvestment ratio (%): Due primarily to the facts that in Year 2017, the Company successively increased the construction costs for the Operating Headquarters and plants.

Note 1: The 2013 ~2017 financial statements had been duly audited and certified by Certified Public Accountant.
Note 2: The financial data for the Quarter I of 2018 was reviewed by Certified Public Accountants.

B. Parent company only financial statements

Item	Year	2013	2014	2015	2016	2017
		Financial information for the past five Years				
Capital Structure	Liabilities to assets ratio (%)	40.80	36.64	39.55	40.33	48.09
	Long-term funds to property, plant and equipment ratio (%)	7,148.48	461.66	530.41	500.54	447.80
Liquidity	Current ratio (%)	189.32	174.27	150.40	129.86	92.69
	Quick Ratio (%)	188.47	173.56	149.90	129.40	92.36
	Interest coverage ratio (times)	138.84	230.15	278.59	223.63	156.31
Operating ability	Accounts receivable turnover rate (times)	6.40	5.93	5.93	5.53	6.06
	Average days of accounts receivable (days)	57	62	62	66	60
	Inventory turnover rate (times)	972.24	1,572.88	1,561.36	2,368.81	7,942.93
	Accounts payable turnover rate (times)	4.28	3.78	3.04	2.38	2.42
	Average days of sales (days)	0.38	0.23	0.23	0.15	0.05
	Property, plant and equipment turnover rate (times)	181.20	16.41	9.72	8.71	9.71
	Total assets turnover rate (times)	1.79	1.45	1.22	1.02	1.14
Profitability	Return on assets (%)	20.98	22.93	23.49	20.61	18.00
	Return on equity (%)	35.85	36.98	37.91	34.18	32.21
	Net gains before tax to paid-in capital ratio (%)	113.36	157.20	217.73	208.19	190.21
	Net gains ratio (%)	11.62	15.74	19.23	20.09	15.65
	Earnings per share ($)	9.72	14.33	19.05	18.25	17.46
Cash flow	Cash flow ratio (%)	28.63	63.89	61.25	42.99	40.27
	Cash flow adequacy ratio (%)	192.39	133.86	135.84	119.52	98.88
	Cash reinvestment ratio (%)	Note 1	21.60	20.50	2.82	Note 1
Leverage	Operating leverage	1.17	1.14	1.09	1.09	1.15
	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:
Decrease in current ratio (%) and quick ratio (%): Due primarily to the change in terms of payment for suppliers wherein the accounts payable increased.
Decrease in interest coverage ratio (times): Due primarily to the facts that in Year 2017, the interest expense incurred by sales of accounts receivable increased.
Increase in inventory turnover ratio (times) and Average days of sales (days): Due primarily to the facts that raw materials prices were continually on the rise where the sales costs increased.
Decrease in net gains ratio (%): Due primarily to stable growth in sales revenues, but the rising raw materials prices and losses in foreign exchange in the wake of fluctuation in exchange rate, the net profit dropped.

Source: Financial statements having been audited by Certified Public Accountants I 2013~2017

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

Note 2: 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 2017 financial statements (including consolidated statements), operational reports and earning appropriation proposal. Meanwhile, the financial statements (including consolidated statements) have been audited by Deloitte Taiwan, who has issued unqualified opinions.

Hence, the 2017 financial statements (including consolidated statements), operational reports and earning appropriation 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:
2018 shareholders’ meeting of Voltronic Power Technology Corp.

Convener of Audit Committee: Jan-Zan Lee

March 2, 2018

4. Financial reports in the most recent year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Voltronic Power Technology Corp. and its affiliates as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements." Information required to be disclosed in the consolidated financial statements of affiliates has all been included in the consolidated financial statements. Thus, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

VOLTRONIC POWER TECHNOLOGY CORP.

By:

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JUOR-MING HSIEH
Chairman

February 26, 2018

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, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities 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, 2017. 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.

The key audit matters in the audit of the Group's consolidated financial statements of for the year ended December 31, 2017 are stated below:

Sales Revenue from Related Parties

For the year ended December 31, 2017, the Group's revenue was $9,862,230 thousand, net profit before income tax was $1,655,190 thousand, and its basic earnings per share was $17.46. It is expected that management will encounter pressure in achieving profitable targets to maintain outstanding sales performance. Although the customer base for sales is scattered, the primary sales customers are related parties. The transactions with related parties, especially the occurrence of sales to related parties, are a significant matter and concern to the management, shareholders, public investors, and other users of the financial reports. Therefore, we deemed the occurrence of the revenue from related parties to be a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 to Group's the consolidated financial statements.

In connection with the sales from related parties, we performed the following audit procedures:

1. We verified the occurrence of the sales to related parties through understanding the implementation of the controls and test procedures regarding sales recognition.

2. We obtained sales details for primary customers and performed background checks on them to inspect whether new primary customers were classified as related parties.

3. We further examined the related party sales transaction samples' external shipping documents, receipts, and amounts to confirm the occurrence of the related party sales transactions; the settlement of trade receivables and trade terms with related parties were audited as well.

4. We performed the tests on significant post-sales returns and allowances to confirm the occurrence of the sales revenue.

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 amounted to $104,124 thousand as of December 31, 2017. The Group's management believed the amount to be recoverable; hence, we deemed the assessment of the impairment of the past due trade receivables to be a key audit matter. Refer to Note 4 and Note 5 to the accompanying consolidated financial statements for the accounting policy for the impairment of trade receivables and for relevant, critical accounting estimates and judgments, respectively.

In connection with past due trade receivables, we performed the following audit procedures:

1. We understood and tested the effectiveness of the design and implementation of internal controls over the receivables' management process for the sales revenue collection cycle.

2. We examined the overdue trade receivables and understood the reasons thereof and confirmed the Group's safeguard adopted against such receivables.

3. We performed substantial testing procedures for the collectability of overdue receivables to ensure the reasonableness of the estimates used for the impairment assessments of such 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, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 26, 2018

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,694,876	37	$ 3,039,601	43
Notes receivable (Notes 4 and 7)	27,776	-	21,694	-
Trade receivables (Notes 4, 5 and 7)	1,618,011	22	1,392,944	20
Trade receivables from related parties (Notes 4 and 26)	145,221	2	108,307	2
Other receivables (Note 7)	76,384	1	117,123	2
Inventories (Notes 4 and 8)	904,007	13	725,603	10
Prepayments (Notes 12 and 13)	213,358	3	100,061	1
Other financial assets - current (Note 13)	-	-	241,963	3
Total current assets	5,679,633	78	5,747,296	81
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4 and 10)	1,295,195	18	1,062,153	15
Other intangible assets (Notes 4 and 11)	6,691	-	8,198	-
Deferred income tax assets (Notes 4 and 19)	47,821	1	43,983	1
Long-term prepayments for leases (Note 12)	169,869	2	177,133	2
Other non-current assets (Notes 13 and 26)	37,965	1	40,472	1
Total non-current assets	1,557,541	22	1,331,939	19
TOTAL	$ 7,237,174	100	$ 7,079,235	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 14)	$ 23	-	$ 7	-
Trade payables (Note 14)	2,360,051	33	2,022,359	28
Trade payables to related parties (Note 26)	521	-	260	-
Other payables (Note 15)	526,275	7	546,456	8
Current income tax liabilities (Notes 4 and 19)	94,626	1	124,403	2
Other current liabilities (Notes 15 and 26)	76,686	1	78,522	1
Total current liabilities	3,058,182	42	2,772,007	39
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 19)	-	-	18,703	-
Other non-current liabilities (Note 15)	231	-	266	-
Total non-current liabilities	231	-	18,969	-
Total liabilities	3,058,413	42	2,790,976	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)				
Share capital				
Ordinary shares	786,885	11	787,055	11
Capital surplus	1,295,700	18	1,697,404	24
Retained earnings				
Legal reserve	549,457	8	406,623	6
Special reserve	102,342	1	-	-
Unappropriated earnings (Note 19)	1,702,344	24	1,764,457	25
Total retained earnings	2,354,143	33	2,171,080	31
Other equity (Notes 4, 17 and 21)	(257,967)	(4)	(367,280)	(5)
Total equity	4,178,761	58	4,288,259	61
TOTAL	$ 7,237,174	100	$ 7,079,235	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4 and 26)	$ 9,862,230	100	$ 8,120,220	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 18 and 26)	(7,167,582)	(72)	(5,634,608)	(69)
GROSS PROFIT	2,694,648	28	2,485,612	31
OPERATING EXPENSES (Notes 18 and 26)				
Selling and marketing expenses	(229,248)	(2)	(212,484)	(3)
General and administrative expenses	(277,228)	(3)	(235,590)	(3)
Research and development expenses	(359,575)	(4)	(358,263)	(4)
Total operating expenses	(866,051)	(9)	(806,337)	(10)
PROFIT FROM OPERATIONS	1,828,597	19	1,679,275	21
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 18)	65,146	-	46,288	-
Other gains and losses (Note 18)	(228,916)	(2)	4,018	-
Finance costs (Note 18)	(9,637)	-	(7,360)	-
Total non-operating income and expenses	(173,407)	(2)	42,946	-
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,655,190	17	1,722,221	21
INCOME TAX EXPENSE (Notes 4 and 19)	(291,546)	(3)	(293,885)	(3)
NET PROFIT FOR THE YEAR	1,363,644	14	1,428,336	18
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Notes 4 and 17)	(38,433)	-	(181,365)	(2)
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 17 and 19)	6,534	-	30,832	-
Other comprehensive loss for the year, net of income tax	(31,899)	-	(150,533)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,331,745	14	$ 1,277,803	16

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	$ 17.46		$ 18.25	
Diluted	$ 17.37		$ 18.20	

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Company							
			Retained Earnings			Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2016	$ 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 loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(150,533)	-	(150,533)
Total comprehensive income (loss) 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
Appropriation of the 2016 earnings (Note 17)								
Legal reserve	-	-	142,834	-	(142,834)	-	-	-
Special reserve	-	-	-	102,342	(102,342)	-	-	-
Cash dividends distributed by the Company	-	(393,527)	-	-	(1,180,581)	-	-	(1,574,108)
Share-based payment transactions (Notes 17, 18 and 21)	(170)	(8,177)	-	-	-	-	141,212	132,865
Net profit for the year ended December 31, 2017	-	-	-	-	1,363,644	-	-	1,363,644
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(31,899)	-	(31,899)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,363,644	(31,899)	-	1,331,745
BALANCE AT DECEMBER 31, 2017	$ 786,885	$ 1,295,700	$ 549,457	$ 102,342	$ 1,702,344	$ (134,241)	$ (123,726)	$ 4,178,761

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,655,190	$ 1,722,221
Adjustments for:		
Depreciation expenses	60,503	55,303
Amortization expenses	3,640	3,156
Impairment loss recognized on trade receivables	1,609	657
Amortization of prepayments for lease	3,517	1,264
Finance costs	9,637	7,360
Interest income	(33,201)	(41,076)
Compensation costs of employee share options	132,865	57,436
Net loss (gain) on disposal of property, plant and equipment	715	(195)
Write-downs of inventories	1,185	2,375
Net loss (gain) on foreign currency exchange	153,785	(42,878)
Changes in operating assets and liabilities		
Notes receivable	(6,104)	4,744
Trade receivables	(264,353)	(204,500)
Trade receivables from related parties	(39,857)	51,647
Other receivables	36,573	(23,903)
Inventories	(192,101)	(420,678)
Prepayments	(109,763)	(36,030)
Other financial assets	233,790	(106,269)
Notes payable	16	(2,469)
Trade payables	414,725	562,466
Trade payables to related parties	261	(8,069)
Other payables	(6,726)	72,633
Other current liabilities	(1,380)	29,917
Cash generated from operations	2,054,526	1,685,112
Interest received	33,556	40,916
Interest paid	(9,637)	(7,360)
Income tax paid	(337,090)	(339,873)
Net cash generated from operating activities	1,741,355	1,378,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(297,436)	(184,806)
Proceeds from the disposal of property, plant and equipment	619	881
Increase in refundable deposits	-	(3,836)
Decrease in refundable deposits	771	-
Acquisition of intangible assets	(2,155)	(5,361)
Increase in prepayments for equipment	(8,733)	(10,156)
Increase in prepayments for leases	-	(189,543)
Net cash used in investing activities	(306,934)	(392,821)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	$ (30)	$ -
Cash dividends paid	(1,574,108)	(1,115,335)
Net cash used in financing activities	(1,574,138)	(1,115,335)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(205,008)	(165,089)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(344,725)	(294,450)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,039,601	3,334,051
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,694,876	$ 3,039,601

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

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 26, 2018.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on Voltronic Power Technology Corp. and its subsidiaries' (the "Group") accounting policies:

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 and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, 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. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 26 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments 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
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
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 amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Classification, measurement and impairment of financial assets

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

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

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

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

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

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 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.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

When IFRS 9 and related amendment are effective, that would not have any material impact for the Group.

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.

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, that would not have any material impact for the Group.

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

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

In addition, in determining whether to recognize a deferred tax asset, the 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 amendments also stipulate 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.

In assessing a deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

4) 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 will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

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 leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the 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.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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.

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

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.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 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.

d. 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).

e. Foreign currencies

In preparing the financial statements of each individual 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.

f. 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.

g. Property, plant and equipment

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

Freehold land is not depreciated.

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.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

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, 2017 and 2016 were $1,618,011 thousand and $1,392,944 thousand (deducting $3,840 thousand and $2,211 thousand as allowance for impairment of trade receivables for the years ended December 31, 2017 and 2016, respectively).

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 979	$ 830
Demand deposits	1,347,968	1,664,427
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	1,345,929	1,374,344
	$ 2,694,876	$ 3,039,601

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

	December 31	
	2017	2016
Range of interest rates	0.05%-4.96%	0.05%-4%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31

	2017	2016
Notes receivable		
Notes receivable - operating	$ 27,776	$ 21,694
Trade receivables		
Trade receivables	$ 1,621,851	$ 1,395,155
Less: Allowance for impairment loss	(3,840)	(2,211)
	$ 1,618,011	$ 1,392,944
Other receivables		
Tax refund receivables	$ 66,370	$ 105,261
Interest receivables	3,173	3,685
Others	6,841	8,177
	$ 76,384	$ 117,123

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	
	2017	2016
Not overdue	$ 1,480,003	$ 1,235,149
Overdue 60 days	123,667	134,895
Overdue 61-120 days	10,074	11,885
Overdue beyond 120 days	8,107	13,226
	$ 1,621,851	$ 1,395,155

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	
	2017	2016
Overdue 60 days	$ 89,563	$ 123,711
Overdue 61-120 days	7,583	11,885
Overdue beyond 120 days	6,978	10,210
	$ 104,124	$ 145,806

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, 2016	$ -	$ 1,554	$ 1,554
Add: Impairment losses recognized on receivables	-	657	657
Balance at December 31, 2016	$ -	$ 2,211	$ 2,211
Balance at January 1, 2017	$ -	$ 2,211	$ 2,211
Add: Impairment losses recognized on receivables	-	1,609	1,609
Foreign exchange translation gains and losses	-	20	20
Balance at December 31, 2017	$ -	$ 3,840	$ 3,840

The Group recognized no impairment loss on trade receivables which related to customers that in severe financial difficulties with balance as of December 31, 2017 and 2016. The Group did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 612,616	$ 516,810
Supplies	1,297	2,017
Semi-finished goods	45,953	42,067
Work in progress	102,593	75,125
Finished goods	141,548	89,584
	$ 904,007	$ 725,603

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $7,167,582 thousand and $5,634,608 thousand, respectively. The cost of goods sold included inventory write-downs of $1,185 thousand and $2,375 thousand, respectively.

9. SUBSIDIARIES

Entities included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2017	2016	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%	Main operation risk is foreign exchange rate risk
	Potentia Technology Inc. Limited	Sale of uninterruptible power systems (UPS)	100%	100%	Main operation risk is foreign exchange rate risk
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%	Main operating risks are foreign exchange rate risks, statute of limitation and political uncertainty between China and Taiwan
	Zhongshan Voltronic Power Electronics Limited	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

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, 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
Cost								
Balance at January 1, 2017	$ 720,761	$ 253,071	$ 6,840	$ 36,082	$ 52,116	$ 84,666	$ 148,590	$ 1,302,126
Additions	-	59,097	2,115	2,169	6,755	15,466	206,419	292,021
Disposals	-	(35,661)	(1,534)	(4,770)	-	(7,686)	-	(49,651)
Reclassified (Note)	-	-	-	-	4,910	-	-	4,910
Effect of foreign currency exchange differences	-	(3,838)	(135)	(623)	(797)	(1,650)	1,302	(5,741)
Balance at December 31, 2017	$ 720,761	$ 272,669	$ 7,286	$ 32,858	$ 62,984	$ 90,796	$ 356,311	$ 1,543,665
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ 131,801	$ 2,925	$ 21,711	$ 31,283	$ 52,253	$ -	$ 239,973
Depreciation expense	-	35,575	1,122	3,905	10,885	9,016	-	60,503
Disposals	-	(35,310)	(1,498)	(4,139)	-	(7,370)	-	(48,317)
Effect of foreign currency exchange differences	-	(1,831)	(66)	(335)	(401)	(1,056)	-	(3,689)
Balance at December 31, 2017	$ -	$ 130,235	$ 2,483	$ 21,142	$ 41,767	$ 52,843	$ -	$ 248,470
Carrying amounts at December 31, 2017	$ 720,761	$ 142,434	$ 4,803	$ 11,716	$ 21,217	$ 37,953	$ 356,311	$ 1,295,195

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

For the years ended December 31, 2017 and 2016, 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, 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
Cost	
Balance at January 1, 2017	$ 27,992
Additions	2,155
Effect of foreign currency exchange differences	(79)
Balance at December 31, 2017	$ 30,068
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 19,794
Amortization expense	3,640
Effect of foreign currency exchange differences	(57)
Balance at December 31, 2017	$ 23,377
Carrying amounts at December 31, 2017	$ 6,691
	(Concluded)

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 LEASES

	December 31	
	2017	2016
Current assets (included in prepayments)	$ 3,564	$ 3,640
Non-current assets	169,869	177,133
	$ 173,433	$ 180,773

As of December 31, 2017 and 2016, prepaid lease payments include land use right with carrying amount of $173,433 thousand and $180,773 thousand, respectively, which are located in mainland China.

13. OTHER ASSETS

	December 31	
	2017	2016
Current		
Prepayments	$ 213,358	$ 100,061
Other financial assets (Note)	-	241,963
	$ 213,358	$ 342,024
Non-current		
Refundable deposits	$ 29,169	$ 30,528
Prepayments for equipment	8,796	9,815
Other	-	129
	$ 37,965	$ 40,472

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	
	2017	2016
Notes payable		
Operating	$ 23	$ 7
Trade payables		
Operating	$ 2,360,051	$ 2,022,359

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	
	2017	2016
Current		
Other payables		
Payables for salaries and bonuses	$ 222,585	$ 230,993
Payables for employee compensation	122,036	113,746
Payables for remuneration of directors and supervisors	14,400	17,325
Payables for commission	63,811	80,161
Payables for welfare funds	36,735	36,467
Payables for sales tax	19,841	28,228
Payables for purchases of equipment	10,234	15,649
Others	36,633	23,887
	$ 526,275	$ 546,456
Other liabilities		
Advance receipts	$ 75,211	$ 77,226
Receipts under custody	1,475	1,296
	$ 76,686	$ 78,522
Non-current		
Other liabilities		
Guarantee deposits	$ 231	$ 266

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

a. Share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,688	78,705
Shares issued	$ 786,885	$ 787,055

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.

Per resolution of the board of directors on May 4, 2017 and February 25, 2016, the Company retired $170 thousand and $180 thousand of restricted employee shares, respectively, at $10 par value, totaling 17 thousand and 18 thousand shares, respectively. The Company designated that the basis date of the capital reduction was June 30, 2017 and February 26, 2016, where the approval of the Ministry of Economic Affairs (MOEA) was obtained on July 17, 2017 and March 14, 2016, respectively.

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

The Company issued $6,500 thousand of new restricted employee shares at par value of $10, totaling 650 thousand shares on May 24, 2016 per resolution of the board meeting. The Company designated that the basis date of the capital reduction was August 30, 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, 2016	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
Retirement of recognized employee restricted shares	(17)	(170)
Balance at December 31, 2017	78,688	$ 786,885

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuing ordinary shares	$ 886,496	$ 1,280,023
May be used for offset a deficit		
Premium from employee restricted shares	165,626	104,731
May not be used for any purpose		
Employee restricted shares	243,578	312,650
	$ 1,295,700	$ 1,697,404

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	Premium from Employee Restricted Shares		Employee Restricted Shares	
Balance at January 1, 2016	$ 1,280,023	$ 43,300		$ 62,127	
Issued employee restricted shares	-	-		312,650	
Vested employee restricted shares	-	60,842		(60,842)	
Retirement employee restricted shares	-	589	(Note 1)	(1,285)	(Note 2)
Balance at December 31, 2016	$ 1,280,023	$ 104,731		$ 312,650	
Balance at January 1, 2017	$ 1,280,023	$ 104,731		$ 312,650	
Vested employee restricted shares	-	60,895		(60,895)	
Retirement employee restricted shares	-	-		(8,177)	(Note 3)
Distributed as cash dividends	(393,527)	-		-	
Balance at December 31, 2017	$ 886,496	$ 165,626		$ 243,578	

Note 1: Accumulated share dividends of $589 thousand for withdrawn restricted shares was

recognized as a salary expense.

Note 2: The reversed compensation cost of $1,465 thousand for restricted shares was net of retired share capital of $180 thousand.

Note 3: The reversed compensation cost of $8,347 thousand for restricted shares was net of retired share capital of $170 thousand.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on 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 unappropriated 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 of directors and supervisors before and after amendment, refer to employee benefits expense in Note 18.

Distribution of the compensation may be made by way of a cash dividend or share 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 employees' bonuses and remuneration of 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.

Items referred to under Rule No. 1010012865 should be appropriated to or reversed from a special reserve by the Company.

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 2016 and 2015 earnings approved in the shareholders' meetings on June 16, 2017 and May 24, 2016, respectively, were as follows:

	Appropriation **of Earnings**		**Dividends Per Share (NT$)**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 142,834	$ 141,671	$ -	$ -
Special reserve	102,342	-	-	-
Cash dividends	1,180,581	1,115,335	15.00	15.00
Share dividends	-	37,178	-	0.50

The Company's shareholders also resolved to issue share dividends and cash dividends from capital surplus of $393,527 thousand, in the shareholders' meeting on June 16, 2017.

The appropriation of earnings for 2017 had been proposed by the Company's board of directors on February 26, 2018. The appropriations and dividends per share were as follows:

	Appropriation **of Earnings**	**Dividends Per Share (NT$)**
Legal reserve	$ 136,364	$ -
Special reserve	31,899	-
Cash dividends	1,180,326	15.00

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 5, 2018.

The board of directors on February 26, 2018 propose to issue cash dividends of $393,442 thousand from capital surplus, a proposal that is subject to the resolution of the shareholders' meeting held on June 5, 2018.

e. Special reserve

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ -	$ -
Appropriation in respect of:		
The debit to other equity items	102,342	-
Balance at December 31	$ 102,342	$ -

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (102,342)	$ 48,191
Exchange differences on translating foreign operations	(38,433)	(181,365)
Income tax related to exchange differences arising on translating to the presentation currency	6,534	30,832
Balance at December 31	$ (134,241)	$ (102,342)

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 (refer to Note 21).

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (264,938)	$ (3,621)
Issuance of shares	-	(319,150)
Share-based payment expenses recognized (Note)	132,865	56,368
Retired restricted employee shares (Note)	8,347	1,465
Balance at December 31	$ (123,726)	$ (264,938)

Note: Deducted from compensation cost of restricted shares amounting $8,347 thousand and $1,465 thousand for the years ended December 31, 2017 and 2016, respectively.

18. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

	For the Year Ended December 31	
	2017	**2016**
Interest income		
Bank deposits	$ 33,201	$ 41,076
Government grants	26,300	3,644
Others	5,645	1,568
	$ 65,146	$ 46,288

b. Other gains and losses

	For the Year Ended December 31	
	2017	**2016**
Loss (gain) on disposal of property, plant and equipment	$ (715)	$ 195
Net foreign exchange losses (gains)	(228,180)	303
Others	(21)	3,520
	$ (228,916)	$ 4,018

c. Finance costs

	For the Year Ended December 31	
	2017	**2016**
Other interest expense	$ 9,637	$ 7,360

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 60,503	$ 55,303
Intangible assets	3,640	3,156
	$ 64,143	$ 58,459
An analysis of depreciation by function		
Operating costs	$ 46,425	$ 39,793
Operating expenses	14,078	15,510
	$ 60,503	$ 55,303
An analysis of amortization by function		
Selling and marketing expenses	$ 338	$ 270
General and administrative expenses	2,577	1,554
Research and development expenses	725	1,332
	$ 3,640	$ 3,156

e. Employee benefits expense

	For the Year Ended December 31			
	2017		2016	
Salary expenses	$ 904,550		$ 927,909	
Other employee benefits	60,644		60,891	
Share-based payments				
Equity-settled share-based payments	132,865	(Note 1)	57,436	(Note 2)
Post-employment benefits				
Defined contribution plans	50,799		41,353	
Total employee benefits expense	$ 1,148,858		$ 1,087,589	
An analysis of employee benefits expense by function				
Operating costs	$ 595,647		$ 520,782	
Operating expenses	553,211		566,807	
	$ 1,148,858		$ 1,087,589	

Note 1: The share-based payments included the equity-settled share-based payments $132,865 thousand in 2017.

Note 2: The share-based payments included the equity-settled share-based payments $56,368 thousand and the withdrawn accumulative share dividends $1,068 thousand in 2016.

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates between 3.75% and 11.5% and no higher than 3.75%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on February 26, 2018 and February 24, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	4.43%	4.33%
Remuneration of directors and supervisors	0.91%	1.00%

Amount

	For the Year Ended December 31			
	2017		**2016**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 70,000	$ -	$ 75,000	$ -
Remuneration of directors and supervisors	14,400	-	17,325	-

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 of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	**2016**
Foreign exchange gains	$ 245,608	$ 370,616
Foreign exchange losses	(473,788)	(370,313)
	$ (228,180)	$ 303

19. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2017	2016
Current tax		
Current year	$ (325,966)	$ (308,778)
Income tax on unappropriated earnings	(258)	(12,252)
Adjustments for prior years	18,138	24,567
	(308,086)	(296,463)
Deferred tax		
Current year	16,540	9,915
Adjustments to deferred tax attributable to changes in tax rates	-	(7,337)
	16,540	2,578
Income tax expense recognized in profit or loss	$ (291,546)	$ (293,885)

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

	For the Year Ended December 31	
	2017	2016
Profit before tax	$ 1,655,190	$ 1,722,221
Income tax expense calculated at the statutory tax rate	$ (428,704)	$ (379,479)
Deferred tax effect of earnings of subsidiaries	121,595	80,616
Income tax on unappropriated earnings	(258)	(12,252)
Unrecognized deductible temporary differences	(2,317)	-
Effect of tax rate changes	-	(7,337)
Adjustments for prior years' tax	18,138	24,567
Income tax expense recognized in profit or loss	$ (291,546)	$ (293,885)

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 2017 and 2016 which used tax rate of 15% due to the high-tech enterprise certificate.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and would increase by $7,155 thousand in 2018.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Current year:		
Translation of foreign operations	$ 6,534	$ 30,832

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax liabilities		
Income tax payable	$ 94,626	$ 124,403

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Exchanges differences on foreign operations	$ 20,962	$ -	$ 6,534	$ -	$ 27,496
Unrealized loss on write-down of inventories	1,468	94	-	(29)	1,533
Unrealized employee compensation	19,200	(6,643)	-	(431)	12,126
Allowance for impaired receivables	-	381	-	6	387
Unrealized exchange loss	-	6,279	-	-	6,279
	41,630	111	6,534	(454)	47,821
Tax losses	2,353	(2,274)	-	(79)	-
	$ 43,983	$ (2,163)	$ 6,534	$ (533)	$ 47,821
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gain	$ (18,703)	$ 18,703	$ -	$ -	$ -

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive 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)	-	-	-	-
	19,833	9,659	20,962	(7,337)	(1,487)	41,630
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)

e. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2017 and 2016, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $466,288 thousand and $344,693 thousand, respectively.

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ -
Generated on and after January 1, 1998	1,702,344	1,764,457
	$ 1,702,344	$ 1,764,457
Shareholder - imputed credit account	$ 152,110	$ 144,054

	For the Year Ended December 31	
	2017 (Expected)	2016 (Actual)
Creditable ratio for distribution of earning	Note	14.62%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected.

g. Income tax assessments

The Company's tax returns through 2015 have been assessed by the tax authorities. As of December 31, 2017, the Group has no unsettled lawsuit in related with tax.

20. EARNINGS PER SHARE

Expressed in NTD Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share		
Net income	$ 1,363,644	$ 1,428,336
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,098	78,278
Basic earnings per share	$ 17.46	$ 18.25
Diluted earnings per share		
Net income	$ 1,363,644	$ 1,428,336
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,098	78,278
Effect of potentially dilutive ordinary shares:		
Bonus to employees	162	195
Employee restricted shares	266	-
Weighted average number of ordinary shares in computation of diluted earnings per share	78,526	78,473
Diluted earnings per share	$ 17.37	$ 18.20

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 SHARES PLAN FOR EMPLOYEES

On December 10, 2012, the shareholders approved a restricted shares 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 or the agency designated by the Company acting as the trust custodian and cooperate in complying with all related procedures and preparing the required documents.

b. The employees shall not 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 ordinary shareholders of the Company, include but are not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.

d. The employees shall entrust the handling or execution of the related proposals, statements, voting rights and other equity-related matters for the shareholders' meeting to the acting trust custody agency.

The vesting conditions of restricted shares is when employee received the restricted shares, the restriction of acquiring the shares 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 $0 thousand and $3,224 thousand were recognized, respectively, within the vesting period for the years ended December 31, 2017 and 2016.

On May 24, 2016, the shareholders approved a restricted share 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 or the agency designated by the Company acting as the trust custodian and cooperate in complying with all related procedures and preparing the required documents.

b. The employees shall not sell, pledge, transfer, donate or, in any other way, dispose of these shares.

c. The employees which hold equity under the custody of the trust agency do not have the right to attend shareholders' meetings or to engage in motions, speech, and voting therein.

d. The employees' other rights, which are the same as those of ordinary shareholders of the Company, include but are not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.

The vesting conditions of restricted shares are when employee received the restricted shares, the restriction of acquiring the shares 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 $132,865 thousand and $54,212 thousand were recognized, respectively, within the vesting period for the years ended December 31, 2017 and 2016.

22. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 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, 2017 and 2016, the un-settled payments for purchase of property, plant and equipment was $10,234 thousand and $15,649 thousand, respectively, 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	
	2017	2016
Up to 1 year	$ 77,154	$ 71,714
Later than 1 year and not later than 5 years	47,222	74,707
	$ 124,376	$ 146,421

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

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	$ 90,135	$ 80,733

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

a. 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.

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Loans and receivables (1)	$ 4,525,067	$ 4,846,899
Financial liabilities		
Amortized cost (2)	2,471,504	2,142,589

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, 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.

c. 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	
	2017	**2016**
Profit or loss	$ 21,300	$ 27,066

	RMB Impact	
	For the Year Ended December 31	
	2017	**2016**
Profit or loss	$ (25,422)	$ (18,569)

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 decreased during the current period mainly because of a decrease in USD bank deposits. The Group's sensitivity to RMB increased during the current period mainly because of an increase 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	
	2017	**2016**
Interest rate risk on fair value		
Financial assets	$ 1,345,929	$ 1,374,344
Interest rate risk on cash flow		
Financial assets	1,347,968	1,906,390

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, 2017 and 2016 would have increased/decreased by $13,480 thousand and $19,064 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 decreased during the current period mainly because of the decrease 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 11% and 17% of total trade receivables as of December 31, 2017 and 2016, 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 fluctuation in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

<u>Liquidity and interest rate risk table for non-derivative financial liabilities</u>

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.

<u>December 31, 2017</u>

	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	$ 1,211,966	$ 1,259,307	$ 231	$ -

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	$ -

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.

a. Related parties and nature of relationships

Related Name	Related Party Category
RPS. SPA	Key management personnel
RIELLO UPS (ASIA) Co., Ltd.	Essential related parties (whose parent company is the key management personnel of the Group)
RIELLO UPS (SHANGHAI) Co., Ltd.	Essential related parties (whose parent company is the key management personnel of the Group)
FSP Technology Inc.	Key management personnel
Juor-Ming Hsieh	Key management personnel
Ya-Chin Hsieh	Essential related parties
Ya-Chen Hsieh	Essential related parties
Ming Fang International Investment Co., Ltd.	Essential related parties
Soltec Power Co., Ltd.	Essential related parties

b. Sales of goods

		For the Year Ended December 31	
Line Item	Related Party Category	2017	2016
Sales	Key management personnel	$ 660,343	$ 618,526
	Essential related parties	4,095	4,161
		$ 664,438	$ 622,687

The selling prices are not comparable due to same product not sold to third party in 2017 and 2016. Payment terms of related parties are advance receipt to 150 days and 60-150 days after every month end close, respectively, and of third parties are 0-180 days.

c. Purchases of goods

Related Party Category	For the Year Ended December 31 2017	2016
Key management personnel	$ 2,694	$ 3,263
Essential related parties	-	5,998
	$ 2,694	$ 9,261

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2017 and 2016. Payment terms of related parties are 150 days and 60-150 days after every month end close, respectively, and of third parties are 30-90 days.

d. Trade receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category	December 31 2017	2016
Trade receivables from related parties	Key management personnel	$ 145,221	$ 108,307

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

e. Trade payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	December 31 2017	2016
Trade payables to related parties	Key management personnel	$ 521	$ 260

The outstanding trade payables from related parties are unsecured.

f. Other transactions with related parties

Line Item	Related Party Category	December 31 2017	2016
Receipts in advance	Key management personnel	$ 1,722	$ 1,602
	Essential related parties	532	-
		$ 2,254	$ 1,602
Refundable deposits	Key management personnel	$ 207	$ 207
	Essential related parties	1,067	568
		$ 1,274	$ 775
Rental expenses	Key management personnel	$ 1,283	$ 1,283
	Other related parties	3,110	3,110

Line Item	Related Party Category	December 31	
		2017	2016
		$ 4,393	$ 4,393

In 2017 and 2016, 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.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 83,777	$ 84,517
Post-employee benefits	747	566
Share-based payments	54,984	16,336
	$ 139,508	$ 101,419

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	
	2017	2016
Acquisition of property, plant and equipment	$ 656,419	$ 260,731

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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 87,993	29.7600 (USD:NTD)	$ 2,618,658
USD	282	6.5342 (USD:RMB)	8,393
RMB	194,766	4.5545 (RMB:NTD)	887,061
RMB	770,146	0.1530 (RMB:USD)	3,507,629
			$ 7,021,741
Financial liabilities			
Monetary items			
USD	$ 2,120	29.7600 (USD:NTD)	$ 63,091
USD	14,581	6.5342 (USD:RMB)	433,934
RMB	770,146	4.5545 (RMB:NTD)	3,507,629
RMB	752,935	0.1530 (RMB:USD)	3,429,239
			$ 7,433,893

(Concluded)

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

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			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1.00 (NTD:NTD)	$ (146,960)	1.00 (NTD:NTD)	$ 12,924
USD	30.2992 (USD:NTD)	(14,390)	32.2258 (USD:NTD)	31,367
RMB	4.4929 (RMB:NTD)	7,565	4.8470 (RMB:NTD)	(1,413)
		$ (153,785)		$ 42,878

29. SEGMENT INFORMATION

a. 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.

b. Geographical information

The Group's revenue from external customers by location of operations and information on its non-current assets by location of assets are shown below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	$ 8,710,973	$ 7,111,206	$ 951,690	$ 870,942
China	1,151,257	1,009,014	558,030	417,014
	$ 9,862,230	$ 8,120,220	$ 1,509,720	$ 1,287,956

Non-current assets excluded non-current assets classified as deferred tax assets.

c. Major customers

No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

5. The parent company only 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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.

The key audit matters in the audit of the Company's financial statements of for the year ended December 31, 2017 are stated below:

<u>Sales Revenue from Related Parties</u>

For the year ended December 31, 2017, the Company's revenue was $8,710,973 thousand, net profit before income tax was $1,496,766 thousand, and its basic earnings per share was $17.46. It is expected that management will encounter pressure in achieving profitable targets to maintain outstanding sales performance. Although the customer base for sales is scattered, the primary sales customers are related parties. The transactions with related parties, especially the occurrence of sales to related parties, are a significant matter and concern to the management, shareholders, public investors, and other users of the financial reports. Therefore, we deemed the occurrence of the revenue from related parties to be a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 to the Company's financial statements.

In connection with the sales from related parties, we performed the following audit procedures:

1. We verified the occurrence of the sales to related parties through understanding the implementation of the controls and test procedures regarding sales recognition.

2. We obtained sales details for primary customers and performed background checks on them to inspect whether new primary customers were classified as related parties.

3. We further examined the related party sales transaction samples' external shipping documents, receipts, and amounts to confirm the occurrence of the related party sales transactions; the settlement of trade receivables and trade terms with related parties were audited as well.

4. We performed the tests on significant post-sales returns and allowances to confirm the occurrence of the sales revenue.

Impairment of Trade Receivables

As explained in Note 7 to the accompanying financial statements, the past due, but not impaired, trade receivables of the Company amounted to $98,104 thousand as of December 31, 2017. The Company's management believed the amount to be recoverable; hence, we deemed the assessment of the impairment of the past due trade receivables to be a key audit matter. Refer to Note 4 and Note 5 to the accompanying financial statements for the accounting policy for the impairment of trade receivables and for relevant, critical accounting estimates and judgments, respectively.

In connection with past due trade receivables, we performed the following audit procedures:

1. We understood and tested the effectiveness of the design and implementation of internal controls over the receivables' management process for the sales revenue collection cycle.

2. We examined the overdue trade receivables and understood the reasons thereof and confirmed the Company's safeguard adopted against such receivables.

3. We performed substantial testing procedures for the collectability of overdue receivables to ensure the reasonableness of the estimates used for the impairment assessments of such 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2018

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,988,824	25	$ 2,415,115	34
Notes receivable (Notes 4 and 7)	20,504	-	18,225	-
Trade receivables (Notes 4, 5 and 7)	1,405,259	18	1,175,006	16
Trade receivables from related parties (Notes 4 and 24)	145,221	2	108,307	2
Other receivables (Note 7)	13,200	-	10,040	-
Inventories (Notes 4 and 8)	467	-	636	-
Prepayments (Note 12)	14,353	-	12,811	-
Total current assets	3,587,828	45	3,740,140	52
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 9)	3,469,418	43	2,550,549	36
Property, plant and equipment (Notes 4 and 10)	933,168	12	860,456	12
Other intangible assets (Notes 4 and 11)	6,037	-	7,270	-
Deferred income tax assets (Notes 4 and 18)	40,545	-	25,353	-
Other non-current assets (Notes 12 and 24)	12,485	-	3,216	-
Total non-current assets	4,461,653	55	3,446,844	48
TOTAL	$ 8,049,481	100	$ 7,186,984	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 13)	$ 23	-	$ 7	-
Trade payables (Note 13)	6,516	-	16,986	-
Trade payables to related parties (Note 24)	3,507,629	43	2,440,684	34
Other payables (Note 14)	238,390	3	249,828	3
Current income tax liabilities (Notes 4 and 18)	57,935	1	113,883	2
Other current liabilities (Notes 14 and 24)	60,227	1	58,634	1
Total current liabilities	3,870,720	48	2,880,022	40
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 18)	-	-	18,703	-
Total liabilities	3,870,720	48	2,898,725	40
EQUITY (Note 16)				
Share capital - ordinary shares	786,885	10	787,055	11
Capital surplus	1,295,700	16	1,697,404	24
Retained earnings				
Legal reserve	549,457	7	406,623	6
Special reserve	102,342	1	-	-
Unappropriated earnings (Note 18)	1,702,344	21	1,764,457	24
Total retained earnings	2,354,143	29	2,171,080	30
Other equity (Notes 4, 16 and 20)	(257,967)	(3)	(367,280)	(5)
Total equity	4,178,761	52	4,288,259	60
TOTAL	$ 8,049,481	100	$ 7,186,984	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4 and 24)	$ 8,710,973	100	$ 7,111,206	100
OPERATING COSTS				
Cost of goods sold (Notes 8 and 24)	(7,220,127)	(83)	(5,598,692)	(79)
GROSS PROFIT	1,490,846	17	1,512,514	21
OPERATING EXPENSES (Notes 17 and 24)				
Selling and marketing expenses	(168,141)	(2)	(160,853)	(2)
General and administrative expenses	(188,153)	(2)	(159,690)	(2)
Research and development expenses	(109,804)	(1)	(86,178)	(1)
Total operating expenses	(466,098)	(5)	(406,721)	(5)
PROFIT FROM OPERATIONS	1,024,748	12	1,105,793	16
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 17)	26,318	-	37,126	-
Other gains and losses (Note 17)	(259,929)	(3)	28,816	-
Finance costs (Note 17)	(9,637)	-	(7,360)	-
Share of profit of subsidiaries, associates and joint ventures (Note 4)	715,266	8	474,214	7
Total non-operating income and expense	472,018	5	532,796	7
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,496,766	17	1,638,589	23
INCOME TAX EXPENSE (Notes 4 and 18)	(133,122)	(1)	(210,253)	(3)
NET PROFIT FOR THE YEAR	1,363,644	16	1,428,336	20
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Notes 4 and 16)	(38,433)	(1)	(181,365)	(2)
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 16 and 18)	6,534	-	30,832	-
Other comprehensive loss for the year, net of income tax	(31,899)	(1)	(150,533)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,331,745	15	$ 1,277,803	18

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 19)				
Basic	$ 17.46		$ 18.25	
Diluted	$ 17.37		$ 18.20	

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2016	$ 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 loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(150,533)	-	(150,533)
Total comprehensive income (loss) 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
Appropriation of the 2016 earnings (Note 16)								
Legal reserve	-	-	142,834	-	(142,834)	-	-	-
Special reserve	-	-	-	102,342	(102,342)	-	-	-
Cash dividends distributed by the Company	-	(393,527)	-	-	(1,180,581)	-	-	(1,574,108)
Share-based payment transactions (Notes 16, 17 and 20)	(170)	(8,177)	-	-	-	-	141,212	132,865
Net profit for the year ended December 31, 2017	-	-	-	-	1,363,644	-	-	1,363,644
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(31,899)	-	(31,899)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,363,644	(31,899)	-	1,331,745
BALANCE AT DECEMBER 31, 2017	$ 786,885	$ 1,295,700	$ 549,457	$ 102,342	$ 1,702,344	$ (134,241)	$ (123,726)	$ 4,178,761

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,496,766	$ 1,638,589
Adjustments for:		
Depreciation expenses	6,742	7,816
Amortization expenses	2,979	2,073
Impairment loss recognized on trade receivables	68	657
Finance costs	9,637	7,360
Interest income	(26,120)	(35,635)
Compensation costs of employee share options	132,865	57,436
Share of profit of subsidiaries, associates and joint ventures	(715,266)	(474,214)
Net loss on disposal of property, plant and equipment	53	-
Write-downs of inventories	-	347
Net loss (gain) on foreign currency exchange	146,960	(12,924)
Changes in operating assets and liabilities		
Notes receivable	(2,279)	(6,870)
Trade receivables	(263,435)	(73,799)
Trade receivables from related parties	(39,857)	52,382
Other receivables	(3,672)	(4,445)
Inventories	169	836
Prepayments	(1,542)	(1,320)
Notes payable	16	(2,469)
Trade payables	(10,452)	11,092
Trade payables to related parties	1,032,072	222,945
Other payables	(9,246)	41,715
Other current liabilities	1,593	18,315
Cash generated from operations	1,758,051	1,449,887
Interest received	26,632	35,475
Interest paid	(9,637)	(7,360)
Income tax paid	(216,431)	(239,774)
Net cash generated from operating activities	1,558,615	1,238,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment accounted for using the equity method	(242,036)	(271,481)
Acquisition of property, plant and equipment	(79,507)	(96,273)
Increase in prepayments for equipment	(8,707)	-
Increase in refundable deposits	(562)	-
Acquisition of intangible assets	(1,746)	(4,964)
Net cash used in investing activities	(332,558)	(372,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(1,574,108)	(1,115,335)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (78,240)	$ (15,907)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(426,291)	(265,732)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,415,115	2,680,847
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,988,824	$ 2,415,115

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

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 26, 2018.

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

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

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

   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 and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

   The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company, 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. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 24 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments 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
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
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 amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 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.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

When IFRS 9 and related amendment are effective, that would not have any material impact for the Company.

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.

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, that would not have any material impact for the Company.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

In addition, in determining whether to recognize a deferred tax asset, the 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 amendments also stipulate 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.

In assessing a deferred tax asset, the Company currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

4) 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 will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

(Concluded)

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

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 leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the 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.

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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.

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis.

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 these parent company only 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 parent company only 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 the parent company 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 these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 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.

d. 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.

e. 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, an 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 the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are 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 using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over 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 excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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 the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Freehold land is not depreciated.

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.

h. 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.

i. 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.

j. 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 held by the company 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, 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.

k. 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.

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.

l. 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.

m. 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.

n. 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 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.

o. 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.

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, 2017 and 2016 were $1,405,259 thousand and $1,175,006 thousand, respectively (deducting $2,279 thousand and $2,211 thousand as allowance for impairment of trade receivables for the years ended December 31, 2017 and 2016, respectively).

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 451	$ 403
Demand deposits	1,101,369	1,406,498
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	887,004	1,008,214
	$ 1,988,824	$ 2,415,115

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

	December 31	
	2017	2016
Range of interest rates	0.05%-4.425%	0.05%-4%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable		
Notes receivable - operating	$ 20,504	$ 18,225
Trade receivables		
Trade receivables	$ 1,407,538	$ 1,177,217
Less: Allowance for impairment loss	(2,279)	(2,211)
	$ 1,405,259	$ 1,175,006
Other receivables		
Tax refund receivables	$ 10,027	$ 6,320
Interest receivables	3,173	3,685
Other	-	35
	$ 13,200	$ 10,040

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	
	2017	2016
Not overdue	$ 1,284,920	$ 1,058,388
Overdue 60 days	107,244	104,068
Overdue 61-120 days	7,775	3,178
Overdue beyond 120 days	7,599	11,583
	$ 1,407,538	$ 1,177,217

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	
	2017	2016
Overdue 60 days	$ 84,421	$ 92,884
Overdue 61-120 days	7,163	3,178
Overdue beyond 120 days	6,520	8,566
	$ 98,104	$ 104,628

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, 2016	$ -	$ 1,554	$ 1,554
Add: Impairment losses recognized on receivables	-	657	657
Balance at December 31, 2016	$ -	$ 2,211	$ 2,211
Balance at January 1, 2017	$ -	$ 2,211	$ 2,211
Add: Impairment losses recognized on receivables	-	68	68
Balance at December 31, 2017	$ -	$ 2,279	$ 2,279

The Company recognized no impairment loss on trade receivables which related to customers that in severe financial difficulties with balance as of December 31, 2017 and 2016. The Company did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2017	2016
Merchandise	$ 467	$ 636

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $7,220,127 thousand and $5,598,692 thousand, respectively. The cost of goods sold included inventory write-downs of $0 and $347 thousand, respectively.

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries- Voltronic International Corp.	$ 3,469,418	$ 2,550,549

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	
	2017	2016
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, 2017 and 2016 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	Office Equipment	Leasehold Improve-ments	Other Equipment	Property under Construction	Total
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

(Continued)

	Freehold Land	Machinery and Equipment	Office Equipment	Leasehold Improve-ments	Other Equipment	Property under Construction	Total
Cost							
Balance at January 1, 2017	$ 720,761	$ 57,322	$ 7,904	$ 6,533	$ 742	$ 126,813	$ 920,075
Additions	-	4,862	-	-	-	74,645	79,507
Disposals	-	(476)	(20)	-	-	-	(496)
Balance at December 31, 2017	$ 720,761	$ 61,708	$ 7,884	$ 6,533	$ 742	$ 201,458	$ 999,086
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 47,115	$ 6,496	$ 5,360	$ 648	$ -	$ 59,619
Depreciation expense	-	5,275	1,093	346	28	-	6,742
Disposals	-	(423)	(20)	-	-	-	(443)
Balance at December 31, 2017	$ -	$ 51,967	$ 7,569	$ 5,706	$ 676	$ -	$ 65,918
Carrying amounts at December 31, 2017	$ 720,761	$ 9,741	$ 315	$ 827	$ 66	$ 201,458	$ 933,168

(Concluded)

For the years ended December 31, 2017 and 2016, 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	5 years
Office equipment	2-3 years
Leasehold improvements	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, 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

(Continued)

	Computer Software
Cost	
Balance at January 1, 2017	$ 23,873
Additions	1,746
Balance at December 31, 2017	$ 25,619
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 16,603
Amortization expense	2,979
Balance at December 31, 2017	$ 19,582
Carrying amounts at December 31, 2017	$ 6,037
	(Concluded)

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	
	2017	2016
Current		
Prepayments	$ 14,353	$ 12,811
Non-current		
Refundable deposits	$ 3,715	$ 3,153
Prepayments for equipment	8,770	63
	$ 12,485	$ 3,216

13. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Operating	$ 23	$ 7
Trade payables		
Operating	$ 6,516	$ 16,986

14. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Payables for salaries and bonuses	$ 32,971	$ 32,230
Payables for employee compensation	122,036	113,746
Payables for remuneration of directors and supervisors	14,400	17,325
Payables for commission	63,811	80,161
Others	5,172	6,366
	$ 238,390	$ 249,828
Other liabilities		
Advance receipts	$ 59,197	$ 57,552
Receipts under custody	1,030	1,082
	$ 60,227	$ 58,634

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

a. Share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,688	78,705
Shares issued	$ 786,885	$ 787,055

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.

Per resolution of the board of directors on May 4, 2017 and February 25, 2016, the Company retired $170 thousand and $180 thousand of restricted employee shares, respectively at $10 par value, totaling 17 thousand shares and 18 thousand shares, respectively. The Company designated that the basis date of the capital reduction was June 30, 2017 and February 26, 2016, respectively, where the approval of the Ministry of Economic Affairs (MOEA) was obtained on July 17, 2017 and March 14, 2016, respectively.

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

The Company retired $6,500 thousand of new restricted employee shares at par value of $10, totaling 650 thousand shares on May 24, 2016 per resolution of the board meeting. The Company designated that the basis date of the capital reduction was August 30, 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, 2016	74,355	$ 743,557
Capital transferred from retained earnings	3,718	37,178
Issued employee restricted shares (Note 20)	650	6,500
Retirement of recovered employee restricted shares	(18)	(180)
Balance at December 31, 2016	78,705	$ 787,055
Balance at January 1, 2017	78,705	$ 787,055
Retirement of recovered employee restricted shares	(17)	(170)
Balance at December 31, 2017	78,688	$ 786,885

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuing ordinary shares	$ 886,496	$ 1,280,023
May be used to offset a deficit only		
Premium from employee restricted shares	165,626	104,731
May not be used for any purpose		
Employee restricted shares	243,578	312,650
	$ 1,295,700	$ 1,697,404

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	Premium from Employee Restricted Shares		Arising from Employee Restricted Shares	
Balance at January 1, 2016	$ 1,280,023	$ 43,300		$ 62,127	
Issued employee restricted shares	-	-		312,650	
Vested employee restricted shares	-	60,842		(60,842)	
Retirement employee restricted shares	-	589	(Note 1)	(1,285)	(Note 2)
Balance at December 31, 2016	$ 1,280,023	$ 104,731		$ 312,650	
Balance at January 1, 2017	$ 1,280,023	$ 104,731		$ 312,650	
Vested employee restricted shares	-	60,895		(60,895)	
Retirement employee restricted shares	-	-		(8,177)	(Note 3)
Distributed as cash dividends	(393,527)	-		-	
Balance at December 31, 2017	$ 886,496	$ 165,626		$ 243,578	

Note 1: Accumulated share dividends of $589 thousand for withdrawn restricted shares was recognized as a salary expense.

Note 2: The reversed compensation cost of $1,465 thousand for restricted shares was net of retired share capital of $180 thousand.

Note 3: The reversed compensation cost of $8,347 thousand for restricted shares was net of retired share capital of $170 thousand.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on 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 unappropriated 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 of directors and supervisors before and after amendment, refer to employee benefits expense in Note 17,f.

Distribution of the compensation may be made by way of a cash dividend or share 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 employees' bonuses and remuneration of 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.

Items referred to under Rule No. 1010012865 should be appropriated to or reversed from a special reserve by the Company.

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 2016 and 2015 earnings approved in the shareholders' meetings on June 16, 2017 and May 24, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 142,834	$ 141,671	$ -	$ -
Special reserve	102,342	-	-	-
Cash dividends	1,180,581	1,115,335	15.00	15.00
Share dividends	-	37,178	-	0.50

The Company's shareholders also resolved to issue share dividends and cash dividends from capital surplus of $393,527 thousand, in the shareholders' meeting on June 16, 2017.

The appropriations of earnings for 2017 had been proposed by the Company's board of directors on February 26, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 136,364	$ -
Special reserve	31,899	-
Cash dividends	1,180,326	15.00

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 5, 2018.

The board of directors on February 26, 2018 propose to issue cash dividends of $393,442 thousand from capital surplus, a proposal that is subject to the resolution of the shareholders' meeting held on June 5, 2018.

d. Special reserve

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ -	$ -
Appropriation in respect of:		
The debit to other equity items	102,342	-
Balance at December 31	$ 102,342	$ -

e. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (102,342)	$ 48,191
Exchange differences on translating foreign operations	(38,433)	(181,365)
Income tax related to exchange differences arising on translating to the presentation currency	6,534	30,832
Balance at December 31	$ (134,241)	$ (102,342)

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	
	2017	2016
Balance at January 1	$ (264,938)	$ (3,621)
Issuance of shares	-	(319,150)
Share-based payment expenses recognized	132,865	56,368
Retired restricted employee shares (Note)	8,347	1,465
Balance at December 31	$ (123,726)	$ (264,938)

Note: Deducted from compensation cost of restricted shares amounting $8,347 thousand and $1,465 thousand for the years 2017 and 2016, respectively.

17. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 26,120	$ 35,635
Others	198	1,491
	$ 26,318	$ 37,126

b. Other gains and loss

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment	$ (53)	$ -
Net foreign exchange (losses) gains	(259,876)	28,816
	$ (259,929)	$ 28,816

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Other interest expense	$ 9,637	$ 7,360

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 6,742	$ 7,816
Intangible assets	2,979	2,073
	$ 9,721	$ 9,889
An analysis of depreciation by function		
Operating expenses	$ 6,742	$ 7,816
An analysis of amortization by function		
Selling and marketing expenses	$ 338	$ 270
General and administrative expenses	2,178	1,059
Research and development expenses	463	744
	$ 2,979	$ 2,073

e. Employee benefits expense

	For the Year Ended December 31			
	2017		2016	
Salary expenses	$ 177,760		$ 183,612	
Other employee benefits				
Labor and health insurance	7,487		7,386	
Other employee benefits	6,604		5,798	
Share-based payments				
Equity-settled share-based payments	132,865	(Note 1)	57,436	(Note 2)
Post-employment benefits				
Defined contribution plans	3,815		3,646	
Total employee benefits expense	$ 328,531		$ 257,878	
An analysis of employee benefits expense by function				
Operating expenses	$ 328,531		$ 257,878	

Note 1: The share-based payments included the equity-settled share-based payments $132,865 thousand in 2017.

Note 2: The share-based payments included the equity-settled share-based payments $56,368 thousand and the withdrawn accumulative share dividends $1,068 thousand in 2016.

As of December 31, 2017 and 2016, the Company's employee number was 82 and 84, respectively.

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates between 3.75% and 11.5% and no higher than 3.75%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on February 26, 2018 and February 24, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	4.43%	4.33%
Remuneration of directors and supervisors	0.91%	1.00%

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 70,000	$ -	$ 75,000	$ -
Remuneration of directors and supervisors	14,400	-	17,325	-

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 of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	$ 51,673	$ 211,107
Foreign exchange losses	(311,549)	(182,291)
	$ (259,876)	$ 28,816

18. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2017	2016
Current tax		
Current year	$ (160,215)	$ (199,770)
Income tax on unappropriated earnings	(258)	(12,252)
Adjustments for prior years	(10)	(58)
	(160,483)	(212,080)
Deferred tax		
Current year	27,361	1,827
Income tax expense recognized in profit or loss	$ (133,122)	$ (210,253)

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

	For the Year Ended December 31	
	2017	2016
Profit before tax	$ 1,496,766	$ 1,638,589
Income tax expense calculated at the statutory tax rate	$ (254,449)	$ (278,559)
Deferred tax effect of earnings of subsidiaries	121,595	80,616
Income tax on unappropriated earnings	(258)	(12,252)
Adjustments for prior years' tax	(10)	(58)
Income tax expense recognized in profit or loss	$ (133,122)	$ (210,253)

The statutory tax rate used above was the corporate tax rate of 17% payable by the Company in ROC.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and would increase by $7,155 thousand in 2018.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Current year:		
Translation of foreign operations	$ 6,534	$ 30,832

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax liabilities		
Income tax payable	$ 57,935	$ 113,883

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences				
Unrealized loss on write-down of inventories	$ 87	$ (52)	$ -	$ 35
Unrealized employee compensation	4,304	2,431	-	6,735
Unrealized exchanges loss	-	6,279	-	6,279
Exchanges difference on foreign operations	20,962	-	6,534	27,496
	$ 25,353	$ 8,658	$ 6,534	$ 40,545
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gains	$ (18,703)	$ 18,703	$ -	$ -

For the year ended December 31, 2016

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
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)

(Concluded)

e. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2017 and 2016, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $466,288 thousand and $344,693 thousand, respectively.

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ -
Generated on and after January 1, 1998	1,702,344	1,764,457
	$ 1,702,344	$ 1,764,457
Shareholder - imputed credit account	$ 152,110	$ 144,054

	For the Year Ended December 31	
	2017 (Expected)	2016 (Actual)
Creditable ratio for distribution of earning	Note	14.62%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected.

g. Income tax assessments

The Company’s tax returns through 2015 have been assessed by the tax authorities. As of December 31, 2017, the Company has no unsettled lawsuit in related with tax.

19. EARNINGS PER SHARE

Expressed in NTD Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share		
Net income	$ 1,363,644	$ 1,428,336
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,098	78,278
Basic earnings per share	$ 17.46	$ 18.25
Diluted earnings per share		
Net income	$ 1,363,644	$ 1,428,336
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,098	78,278
Effect of potentially dilutive ordinary shares:		
Bonus to employees	162	195
Employee restricted shares	266	-
Weighted average number of ordinary shares in computation of diluted earnings per share	78,526	78,473
Diluted earnings per share	$ 17.37	$ 18.20

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 SHARES PLAN

On December 10, 2012, the shareholders approved a restricted shares 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 or the agency designated by the Company acting as the trust custodian and cooperate in complying with all related procedures and preparing the required documents.

b. The employees shall not 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 ordinary shareholders of the Company, include but are not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.

d. The employees shall entrust the handling or execution of the related proposals, statements, voting rights and other equity-related matters for the shareholders' meeting to the acting trust custody agency.

The vesting conditions of restricted shares is when employee received the restricted shares, the restriction of acquiring the shares 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 $0 and $3,224 thousand were recognized, respectively, within the vesting period for the years ended December 31, 2017 and 2016.

On May 24, 2016, the shareholders approved a restricted shares 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 or the agency designated by the Company acting as the trust custodian and cooperate in complying with all related procedures and preparing the required documents.

b. The employees shall not sell, pledge, transfer, donate or, in any other way, dispose of these shares.

c. The employees which hold equity under the custody of the trust agency do not have the right to attend shareholders' meetings or to engage in motions, speech, and voting therein.

d. The employees' other rights, which are the same as those of ordinary shareholders of the Company, include but are not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.

The vesting conditions of restricted shares is when employee received the restricted shares, the restriction of acquiring the shares 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 $132,865 thousand and $54,212 thousand were recognized respectively within the vesting period for the years ended December 31, 2017 and 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	
	2017	2016
Up to 1 year	$ 4,474	$ 5,003
Later than 1 year and not later than 5 years	1,239	308
	$ 5,713	$ 5,311

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

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	$ 7,619	$ 7,031

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

a. 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.

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Loans and receivables (1)	$ 3,566,696	$ 3,723,526
Financial liabilities		
Amortized cost (2)	3,583,151	2,544,204

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) 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.

c. 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	
	2017	**2016**
Profit or loss	$ 60,250	$ 54,866

	RMB Impact	
	For the Year Ended December 31	
	2017	**2016**
Profit or loss	$ (26,206)	$ (18,309)

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	
	2017	**2016**
Interest rate risk on fair value		
Financial assets	$ 887,004	$ 1,008,214
Interest rate risk on cash flow		
Financial assets	1,101,369	1,406,498

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, 2017 and 2016 would have increased/decreased by $11,014 thousand and $14,065 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 decreased during the current period mainly because of the decrease 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 13% and 20% of total trade receivables as of December 31, 2017 and 2016, 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 fluctuation in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

<u>Liquidity and interest rate risk table for non-derivative financial liabilities</u>

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.

<u>December 31, 2017</u>

	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	$ 3,582,414	$ 737	$ -	$ -

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	$ 2,470,959	$ 73,245	$ -	$ -

24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

Related Name	Related Party Category
RPS. SPA	Key management personnel
FSP Technology Inc.	Key management personnel
Juor-Ming Hsieh	Key management personnel
Ya-Chin Hsieh	Essential related parties
Ya-Chen Hsieh	Essential related parties
Ming Fang International Investment Co., Ltd.	Essential related parties
Soltec Power Co., Ltd.	Essential related parties
Voltronic International H.K. Corp. Limited	Subsidiaries
Voltronic Power Technology (Shen Zhen) Corp.	Subsidiaries
Zhongshan Voltronic Power Electronics Limited	Subsidiaries

a. Sales of goods

		For the Year Ended December 31	
Line Item	Related Party Category	2017	2016
Sales	Key management personnel	$ 660,343	$ 617,473
	Subsidiaries	-	73
	Essential related parties	-	4,161
		$ 660,343	$ 621,707

The selling prices are not comparable due to same product not sold to third party in 2017 and 2016. Payment terms of related parties are 135-150 days and 60-150 days after every month end close, respectively, and of third parties are 0-180 days.

b. Purchases of goods

	For the Year Ended December 31	
Related Party Category	2017	2016
Subsidiaries - Voltronic International H.K. Corp. Limited	$ 7,170,445	$ 5,530,543

Subsidiaries	145	-
Essential related parties	-	5,998
	$ 7,170,590	$ 5,536,541

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2017 and 2016. Payment terms of related parties are 150 days and 60-150 days after every month end close, respectively, and of third parties are 30-90 days.

c. Trade receivables from related parties (excluding loans to related parties)

		December 31	
Line Item	**Related Party Category**	**2017**	**2016**
Trade receivables from related parties	Key management personnel	$ 145,221	$ 108,307

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

d. Trade payables to related parties (excluding loans from related parties)

		December 31	
Line Item	**Related Party Category**	**2017**	**2016**
Trade payables to related parties	Subsidiaries - Voltronic International H.K. Corp. Limited	$ 3,507,629	$ 2,440,684

The outstanding trade payables from related parties are unsecured.

e. Other transactions with related parties

		December 31	
Line Item	**Related Party Category**	**2017**	**2016**
Receipts in advance	Key management personnel	$ 1,722	$ 1,602
Refundable deposits	Key management personnel	$ 207	$ 207
	Essential related parties	419	419
	Essential related parties - Ming Fang International Investment Co., Ltd.	648	149
		$ 1,274	$ 775

		December 31	
Line Item	**Related Party Category**	**2017**	**2016**
Rental expenses	Key management personnel	$ 1,283	$ 1,283
	Essential related parties	3,110	3,110
		$ 4,393	$ 4,393

In 2017 and 2016, 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.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 83,777	$ 84,517
Post-employee benefits	747	566
Share-based payments	54,984	16,336
	$ 139,508	$ 101,419

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	
	2017	2016
Acquisition of property, plant and equipment	$ 188,802	$ 252,834

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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 204,572	29.7600 (USD:NTD)	$ 6,088,076
RMB	194,766	4.5545 (RMB:NTD)	887,061
			$ 6,975,137
Financial liabilities			
Monetary items			
USD	2,120	29.7600 (USD:NTD)	$ 63,091

RMB	770,146	4.5545 (RMB:NTD)	3,507,629
			$ 3,570,720

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

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.4929 (RMB:NTD)	$ (27,911)	4.8470 (RMB:NTD)	$ 15,643
USD	30.2992 (USD:NTD)	(119,049)	32.2258 (USD:NTD)	(1,359)
		$ (146,960)		$ 14,284

6. **The financial problems of the Company and its Affiliated Enterprise found as of the Annual Report issuance date and the impact of such problems upon the Company's financial standing: None**

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

Expressed in Thousands of New Taiwan Dollars; %

Item \ Year	2016	2017	Discrepancy	
			Amount	%
Current assets	5,747,296	5,679,633	(67,663)	(1.18)
Property, plant and equipment	1,062,153	1,295,195	233,042	21.94
Intangible assets	8,198	6,691	(1,507)	(18.38)
Other assets	261,588	255,655	(5,933)	(2.27)
Total assets	7,079,235	7,237,174	157,939	2.23
Current liabilities	2,772,007	3,058,182	286,175	10.32
Other liabilities	18,969	231	(18,738)	(98.78)
Total liabilities	2,790,976	3,058,413	267,437	9.58
Capital stock	787,055	786,885	(170)	(0.02)
Capital surplus	1,697,404	1,295,700	(401,704)	(23.67)
Retained earnings	2,171,080	2,354,143	183,063	8.43
Remuneration unearned by employees	(264,938)	(123,726)	141,212	(53.30)
Cumulative translation adjustment	(102,342)	(134,241)	(31,899)	31.17
Aggregate total of shareholders' equity	4,288,259	4,178,761	(109,498)	(2.55)

Change over the past two years over 20%, with the change above NT$10,000,000.
Property, plant and equipment: Due primarily to the facts that in Year 2017, the Company increased the construction costs for the Operating Headquarters and plants for subsidiaries.
Other liabilities: Due primarily to the facts that in Year 2017, deferred income tax liability decreased.
Capital surplus: Due primarily to the facts that in Year 2017, the capital surplus was taken for distribution of cash dividend and for recognition of shares-based payment.
Remuneration unearned by employees: Due primarily to the facts that in Year 2017, the shares-based payment was recognized.
Cumulative translation adjustment: cumulative adjustments due to exchange rate fluctuation.

2. Financial performance

(1) Analysis onto the operating outcome over the past two years

Comparative analyses on financial performance

Expressed in Thousands of New Taiwan Dollars; %

Item \ Year	2016	2017	Amount in increase / decrease	Ratio of change %
Net operating revenues	8,120,220	9,862,230	1,742,010	21.45
Operating costs	5,634,608	7,167,582	1,532,974	27.21
Gross operating profit	2,485,612	2,694,648	209,036	8.41
Operating expenses	806,337	866,051	59,714	7.41
Operating net profit	1,679,275	1,828,597	149,322	8.89
Non-operating revenues & profits	50,306	65,146	14,840	29.50
Non-operating expenses & losses	7,360	238,553	231,193	3,141.21
Net profit before tax	1,722,221	1,655,190	(67,031)	(3.89)
Fees of income tax	293,885	291,546	(2,339)	(0.80)
Net profit after tax	1,428,336	1,363,644	(64,692)	(4.53)
Operating revenue over the past two years: Significant changes in operating net profit and net profit before tax, with descriptions of the reason why. Net operating revenues and operating costs: Due primarily to stable growth in operating revenues. Non-operating revenues & profits and non-operating expenses & losses: Due primarily to the rising loss in foreign exchange in the wake of fluctuation in exchange rate in Year 2017.				

(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 2017. We anticipate to see an increase of operating revenues and profits.

2) Potential impact upon the Company’s future financial conditions and the countermeasures: None

3. Analyses on cash flow

(1) Analysis on currency in cash flow in the most recent years:

Item \ Year	2016	2017	Increase (decrease) of change ratio (%)
Cash flow ratio (%)	42.99%	40.27%	(6.34%)
Cash flow adequacy ratio (%)	119.52%	98.88%	(17.27%)
Cash reinvestment ratio (%)	2.82%	—	—
A change beyond 20% between the preceding and subsequent terms, primary reasons and analysis of the impact: (1) Decrease of cash flow ratio: None (2) Decrease of cash flow adequacy ratio: None (3) Decrease of cash reinvestment ratio (%): None			

(2) Plan to improve inadequate current flow: None

(3) Analyses on the cash flow performance in one year ahead (Year 2018):

Expressed in Thousands of New Taiwan Dollars

Cash balance, beginning of year (1)	Net cash flow in operating activities anticipated for the entire year (2)	Anticipated cash outflow in the year-round investment and capital-raising activities (3)	Anticipated cash surplus (shortfall) (4)=(1)+(2)+(3)	Remedy for anticipated cash shortfall	
				Investment plans	Wealth management plan
2,694,876	1,415,626	2,226,907	1,883,595	—	—
(1) Analyses on changes in cash flow 2015: A. The net cash inflow in operating activities is anticipated at NT$1,415,626 thousand, due primarily to growth in profit anticipated in the upcoming one year. B. As anticipated for Year 2018, the cash outflow of investment activities amounts to approximately NT$653,138 thousand, due primarily to the need for capital expenditures for the Research & Development Headquarters in Taipei and the expenditure for construction of Zhongshan Plant. C. The anticipated cash flow for capital-raising activities was to allocate cash dividend NT$1,180,327 thousand and the additional paid-in capital at NT$393,442 thousand 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, 2017; Expressed in Thousands of New Taiwan Dollars

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	715,266	Due primarily to profit earned from investee Subsidiary Voltronic International H.K. Corp. Limited	—	—
Voltronic International H.K. Corp. Limited	100.00	710,456	Due primarily to profit earned from investees in Subsidiaries Voltronic Power Technology and Orchid Power (Shen Zhen) Manufacturing Company	—	—
Potentia Technology Inc. Limited	100.00	4,710	Due primarily to procurement of raw materials & materiel on behalf with discount.	—	—
Voltronic Power Technology (Shen Zhen) Corp.	100.00	381,043	Due primarily to stable growth in operating scale.	—	—
Orchid Power (Shen Zhen) Manufacturing Company	100.00	150,105	Due primarily to stable growth in operating scale.	—	—
Zhongshan Voltronic Power Electronic Limited	100.00	179,308	Due primarily to stable growth in operating scale.	—	In response to the requirements in expanded self-manufacture of parts & components in the future, the Company anticipates to investment RMB36 million to erect a new subsidiary, i.e., Zhongshan Xuqi Electronic Co., Ltd.

(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 2016 and 2017, the net interest revenues and expenditures came to NT$33,716 thousand and NT$23,564 thousand, respectively, and accounting for 0.42% and 0.24% of the net operating revenues, respectively, and accounting for 1.96% and 1.42% 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 change in interest rate is not supposed to create a significant impact upon the Company.

2) Change in exchange rate

Expressed in Thousands of New Taiwan Dollars

Descriptions╲Year	2016	2017
Profit and/or loss in foreign exchange, net	303	(228,180)
Net operating income	8,120,220	9,862,230
% to the operating income	0.01%	(2.31%)
Net profit before tax	1,722,221	1,655,190
% to the operating profit (%)	0.02%	(13.79%)

Source: The financial statements having been duly audited by Certified Public Accountant.

Concrete countermeasures against change in exchange rate:

The Company sells primarily in U. S. Dollars and procures materials & supplies primarily in RMB and secondarily in U. S. Dollars. In the part of U. S. Dollars, given the fact of significant fluctuation in exchange rate in recent years, the Company tries to maintain the U. S. Dollars position obtained from sales revenues in an effort to minimize the impact from fluctuation in exchange rates upon sales revenues and profitability. Such efforts might further function for hedging purposes. Following the trend of fluctuation in exchange rates, the Company will, step-by-step, adjust toward a balance between U.S. Dollars based assets and U.S. Dollars based liabilities as a sound countermeasures.

The risk on RMB was primarily incurred by the need by the Company's subsidiaries to procure materials & supplies from manufactures in China payable in RMB. In response to the trend of fluctuation in exchange rates, the Company will, step-by-step, adjust toward a balance between RMB based assets and RMB based liabilities as a sound countermeasures.

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 2017 was 0.62%, suggesting no significant inflation problem. That is to mean no significant potential impact upon the Company's profit/loss in 2017.

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 /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 2017, the aggregate total research & development costs actually invested came to NT$359,575 thousand. In 2018, we anticipate to invest NT$357,263 thousand 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 2016 and 2017, 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: None

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.

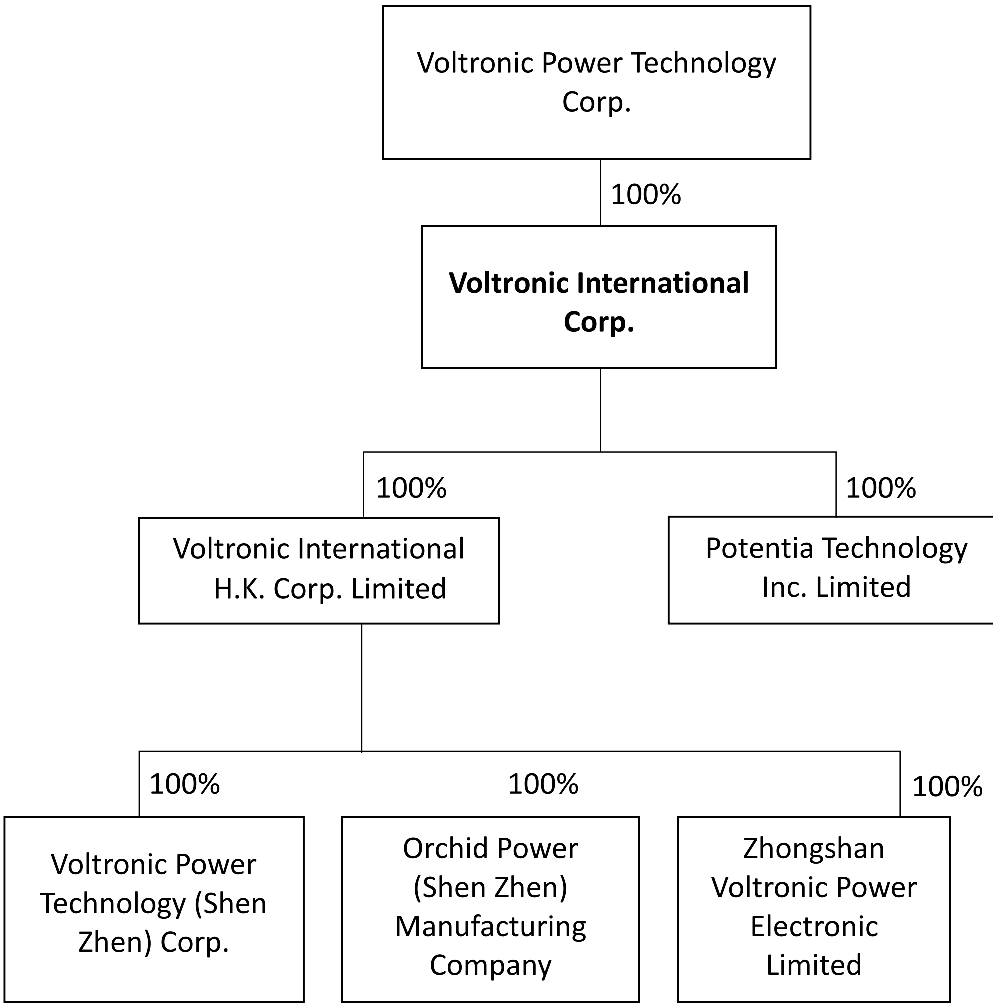
(13) Other significant risks and countermeasures: None

7. **Other significant issues:** None

VIII. Special Matters of Record

1. Relevant information of Affiliated Enterprise

(1) Organization chart of Affiliated Enterprise:



(2) Basic Information of the Various Affiliated Enterprise:

Expressed in Thousands of 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.	USD28,000	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	USD25,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)

(1) 3. Information of Director, Supervisor and General Manager of the Various Affiliated Enterprise:

Expressed in Thousands of USD; shares; %

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	28,000	100%
Voltronic International H.K. Corp. Limited	Director	Voltronic International Corp.	217.240	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:

Expressed in Thousands of NTD (USD,RMB)

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 28,000	USD 116,592	-	USD 116,592	-	-	USD 23,603
Voltronic International H.K. Corp. Limited	USD 28,000	USD 116,247	-	USD 116,247	-	-	USD 23,448
Potentia Technology Inc. Limited	-	USD 140,000	USD 139,655	USD 345	USD 306,494	(USD 26,115)	(USD 155)
Voltronic Power Technology (Shen Zhen) Corp.	USD 2,000	RMB 690,257	RMB 237,622	RMB 452,635	RMB 923,188	RMB 84,880	RMB 84,801
Orchid Power (Shen Zhen) Manufacturing Company	USD 1,000	RMB 183,346	RMB 81,711	RMB 101,635	RMB 254,292	RMB 42,830	RMB 33,406
Zhongshan Voltronic Power Electronic Limited	USD 25,000	RMB 483,656	RMB 278,141	RMB 205,515	RMB 764,970	RMB 51,339	RMB 39,905

(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 2017 (January 1 - December 31, 2017), 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 Consolidated Financial Statements of Affiliated Enterprises 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 26, 2018

(3) Report of affiliated enterprise: None

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:** None

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:** None

4. Other supplementary descriptions as necessary: None

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: **None**

(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: **None**

(4) Facts under Paragraph 1, Article 185 of Company Act: **None**

(5) Ruling to ban transfer of stocks rendered by court in accordance with Subparagraph 5, Paragraph 1 of Article 287: **None**

(6) Change in the Chairman of the Board, general manager or directors over one-third of the aggregate total: **None**

(7) Change in certifying Certified Public Accountant except a change resulting from internal reassignment of the Certified Public Accountant Office: **None**

(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: **None**

(9) Other issues which would adequately affect the Company's continued operation: **None**

Voltronic Power Technology Corp.

Responsible Person: Hsieh Juor-Ming