



Enabling Smart Manufacturing through integration of state-of-the-art software and hardware

DELTA ELECTRONICS, INC. 2016 ANNUAL REPORT

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A Letter to Our Shareholders



Yancey Hai, Chairman

Dear Shareholders:

Thanks to the strong commitment and efforts from all Delta team members, we are pleased to report that Delta has successfully delivered good business results with growth in both revenues and earnings in 2016, despite of uncertain global economic outlooks and weak market sentiment. The consolidated revenues increased 5% from previous year to NT\$214.4 billion in 2016. Gross profits amounted to NT\$59.5 billion, 7% higher than last year, with 27.8% gross margin. Net operating profits also increased 2% from 2015 to NT\$20.8 billion with 9.7% net operating margin. Our net income after tax also grew slightly from previous year to NT\$18.8 billion, which represented 8.8% of revenues. Delta's 2016 earnings per share (EPS) was NT\$7.24 and the return on equity (ROE) ratio was 15.1%. In addition to overall satisfactory financial performances, Delta also achieved significant business progress in developing energy-saving technologies and commercializing new energy-efficient products and solutions. Below summarizes our 2016 business results and prospect for the future.

Power Electronics

Founded on the core value to pursue technology advancement and continuous innovation, Delta has been the global leader in switching power supply, brushless DC fan, thermal management and miniaturized component businesses along with the prosperity of IT, communications and consumer electronics industries. With our efforts and rich experiences from past decades to enhance the business platforms Delta has built for technology development and operations excellence, we are able to gauge market trends and provide customers with new products to address their needs in new areas such as automotive electronics, electric cars, medical care, cloud applications, data analytics, and smart home requirements. Our solid foundation and

agility helped to expand Delta's business horizon and create higher added value to customers, making Delta an indispensable strategic partner to many global industry leaders. For instance, Delta outperformed thousands of vendors and earned the Vendor Innovation Award from General Motors last year as a strong recognition for our 96.5% high energy conversion efficiency, smaller in size yet more reliable on board charger for its next-generation hybrid electric vehicles. With the trend of increasing awareness of the need for energy conservation and environmental protection, along with the wide-spreading IoT applications and maturity of cloud technologies, we believe Delta's power electronics business will continue to generate significant revenues and profits, and its technologies and operations platforms will be a strong backbone to support and expedite the progress of Delta's new business development initiatives.

Energy Management

Industrial automation is an area that Delta has been devoting to for over two decades. Today Delta offers a wide spectrum of products ranging from control and drive to motion and sensing technologies. In addition, our advanced system integration service capabilities, professional technical engineering resources and global service networks enable Delta to not only penetrate aggressively into targeted verticals but also develop smart manufacturing solutions that have been implemented in our own manufacturing premises to validate design concept and continuously fine-tune for optimal human-machine collaboration in preparation for upcoming digital manufacturing era that requires high safety, flexibility, productivity and quality, yet low manpower as well as energy consumption level. Our in-house Delta Smart Manufacturing (DSM) solutions will become one of the most powerful tools for Delta to help its customers adapt to the inevitable requirements for high mix low volume local manufacturing requirements in the future.

Besides industrial automation, Delta is the world's number one telecom power provider with state-of-the-art technologies and complete product offerings to serve customers all over the world. We are also highly recognized in UPS (uninterruptible power systems), data center solutions, renewable energies as well as electric vehicles charging solutions. With our relentless dedication to Delta's corporate mission of providing clean, innovative and energy efficient solutions for a better tomorrow, we have full confidence in our capabilities in energy management businesses from which we will build up to become another cornerstone to Delta's enduring business growth.

Smart Green Life

Display solutions and networking business are the two major areas where Delta is active in Smart Green Life. By integrating smart control systems and visualization display technologies, Delta offers real-time visualized information for decision making which has been widely adopted by key applications such as grid, civil security and transportation management. Delta Network Inc., or DNI which is Delta's arm in networking business, specializes in network communication technologies and has established long-term partnership with world-class telecom operators, big data service providers, corporate accounts and data center builders. DNI is a valuable stand-alone business contributor as well as an internal expert in networking communication technologies which are essential to our system and solution business. In light of the ever-increasing demand for visualized information and networking communications, the importance of smart green life business to Delta and its enormous business potential are self-evident.


Delta takes our corporate mission into action and has been working hard to promote public awareness on issues arising from environment and climate change. As buildings are interconnected with our everyday life and has tremendous potential for energy saving and business opportunities, Delta established a new business team years ago to focus on building energy management and energy conservation technologies in addition to constructing green buildings since ten years ago. Last year Delta acquired two well-known building automation companies, Delta Controls headquartered in Canada and LOYTEC from Austria, to enhance our capabilities and competitiveness in building automation business. By integrating the unique technologies, product portfolio and channel coverage among three of us to create synergies in HVAC, lighting, energy monitoring/management and building automation management systems, we aim to make future buildings greener and more intelligent to provide a better living environment for us all.

Corporate social responsibility and governance mechanism are as important as business growth at Delta. Delta was ranked on top by CommonWealth Magazine CSR Award in 2016 to recognize our outstanding achievements in social participation. Delta was also ranked in the first place by Global Views CSR Award for the fourth consecutive year. In addition, Delta continued to be listed on DJSI (Dow Jones Sustainability Indices) World for the sixth consecutive year, and we earned four major recognitions in 2016 Taiwan Corporate Sustainability Award by Taiwan Institute for Sustainable Energy. Delta was also certified by Taiwan Stock Exchange on top 5% among all listed

companies with best CSR practice for the second consecutive year. With regard to branding, Delta remained Taiwan's top 20 international brands for the sixth consecutive year, and our brand value increased by 13% to US\$225 million in 2016. Delta was the only brand in Taiwan with double-digit increase in brand value for four consecutive years, which demonstrated the strong recognition from the general public on Delta's effort to best serve our role as a responsible social citizen.

On behalf of all management team members, we are grateful to all customers, suppliers, shareholders and all stakeholders for your support to Delta, and to all Delta colleagues for your dedication and endeavor, enabling Delta to outperform competitors and achieve consistent, stable operation performances. We will continue to enhance our organizational capability and operational results while at the same time act on our corporate mission to contribute back to the society. Delta is fully committed to become a respectable world-class enterprise and bring positive and long-lasting impact to the society. We will make every effort possible to achieve this goal in return for your support to Delta.

Yancey Hai, Chairman

A handwritten signature in black ink that reads "Yancey Hai". The signature is written in a cursive, flowing style.

Corporate Governance

Delta believes that high quality corporate governance is the best way to ensure that the Company always delivers excellent performance and provides an optimum balance for all stakeholders' interests. Corporate governance is therefore our top priority.

At Delta, the board currently consists of thirteen directors, including four independent directors. The role of CEO and chairman has been split since 2004. To enhance the board's responsibility and trust, it convenes at least once quarterly to review the Company's performance and discuss important strategic issues. In 2016, the board convened on five occasions. The overall attendance rate was 93.84%.

Key resolutions passed by the board are published in a timely manner on the Market Observation Post System of the Taiwan Stock Exchange and in the corporate governance section of the Delta website. Other relevant documents are also provided online for reference.

The board has organized a Compensation Committee consisting of three independent directors, to evaluate the performance-linked compensation of the Company's directors and executive officers. An Audit Committee is responsible for reviewing the financial reports, performance of accountants, implementation of internal control systems, compliance with regulations and risk management. The committee is also composed of four independent directors.

The core activities of the Company are R&D, manufacturing and sales. We do not participate in high-risk and highly leveraged investments. Delta consistently monitors capital on the market and interest rates, and makes cautious funding decisions. Simultaneously, through our auditing, finance, legal and intellectual property departments, and others, we are able to assess and manage risks associated with all operations to maintain the Company sustainability.

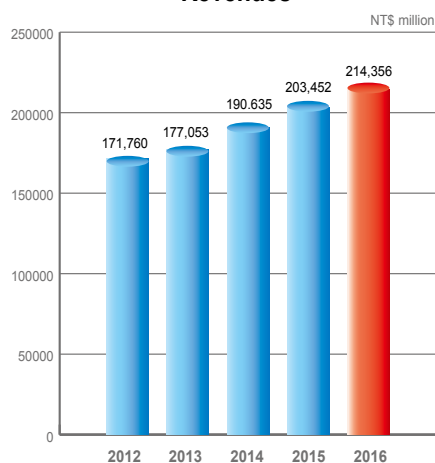
Delta's efforts in corporate governance continued to win outside recognition in 2016. Since 2011, Delta has been selected as a member of the prestigious Dow Jones Sustainability™ World Index (DJSI World) for 6 consecutive years. In 2016, it has been honored with "The Most Prestigious Sustainability Award-Top Ten Domestic Corporate Award", "The Climate Leadership Award", "The Supply Chain Management Award" and "Corporate Sustainability Report Award" at the 2016 Taiwan Corporate Sustainability Awards, organized by the Taiwan Academy of Corporate Sustainability (TACS). Delta was also honored the top 5% of all Taiwan listed companies with "The First Corporate Governance Evaluation Award" presented by the Taiwan Stock Exchange (TWSE) in 2016.

Consolidated Financial Highlights

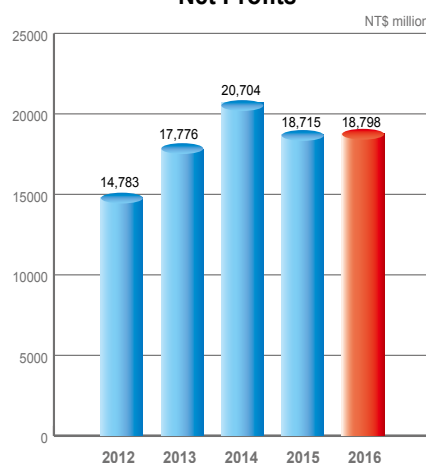
(in NT\$ million, except otherwise indicated)

NT\$ million	2016	2015
Sales	214,356	203,452
Gross Profit	59,494	55,369
Gross Margin	27.75%	27.21%
Operating Profit	20,826	20,499
Operating Margin	9.72%	10.08%
Net Income After Tax Attributable to Owners of the Parent	18,798	18,715
Net Margin	8.77%	9.20%
EPS* (NT\$)	7.24	7.67
Total Assets	235,115	226,276
Total Shareholders' Equity Attributable to Owners of the Parent	124,114	124,370
ROE (%)	15.13%	16.47%

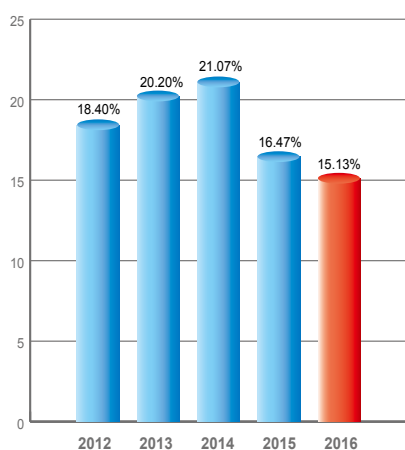
Revenues



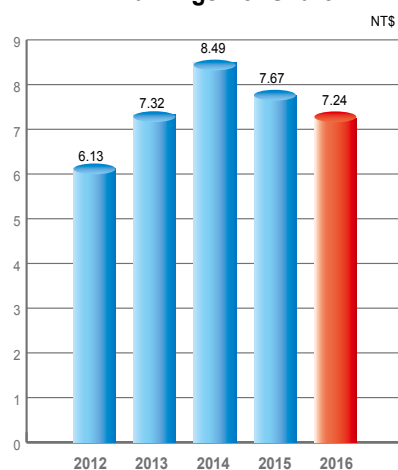
Net Profits



Return on Stockholders' Equity



Earnings Per Share



Financial Report

**DELTA ELECTRONICS, INC. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Delta Electronics, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Delta Electronics, Inc. and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of the other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the section of Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of the Group in accordance with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China (the “Codes”), and we have fulfilled our other ethical responsibilities in accordance with the Codes. 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 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Business combination

Description

The Group acquired 85% of Loy Tec Group in the amount of NT\$2,229,415 thousand in April 2016, and the operating assets from building automation business of Delta Controls Inc. in the amount of NT\$5,480,200 thousand in July 2016. The value of intangible assets, inclusive of goodwill and identifiable intangible assets – premium on customer relationship, acquired from the merger is significant. The merger was accounted for in accordance with IFRS 3, “Business Combination”. For details of purchase price allocation, please refer to Note 6(34).

As the allocation of goodwill and the fair value of identifiable intangible assets acquired are based on management’s estimation and involves accounting estimations and assumptions, we consider the business combination transaction a key audit matter.

How our audit addressed the matter

We obtained an understanding of the basis and process of purchase price allocation which was estimated by management. We assessed the original data and the reasonableness of major assumptions, including growth rate, gross margin, discount rate and fair value calculation model as indicated in the purchase price allocation reports prepared by the appraisers appointed by the Group. Our procedures also included the following:

- A. Assessing the setting of parameters of valuation models and calculation formulas;
- B. Comparing expected growth rates and gross margin with historical data, economic and industry forecasts; and
- C. Comparing the discount rate with the cost of capital assumptions of cash generating units and rate of returns of similar assets.

Impairment assessment of intangible assets

Description

As of December 31, 2016, the recognised goodwill and intangible assets – customer relationship as a result of acquisitions of Cyntec Co., Ltd., Eltek AS and Delta Greentech (China) Co., Ltd. amounted to NT\$12,789,132 thousand and NT\$5,171,233 thousand, respectively, both constituting 7.64% of the consolidated total assets. Please refer to Notes 5(2) and 6(12).

As the balance of goodwill and intangible assets – customer relationship acquired

from merger is material, the valuation model adopted in the impairment assessment has an impact in determining the recoverable amount which involves the significant accounting estimates and prediction of future cash flows. Thus, we consider the impairment assessment of goodwill and intangible assets – customer relationship a key audit matter.

How our audit addressed the matter

We obtained management's impairment assessment of goodwill and intangible assets, obtained an understanding of the process in determining the expected future cash flows based on each cash generating unit, and performed the following audit procedures:

- A. Assessing whether the valuation models adopted by the Group are reasonable for the industry, environment and the valued assets of the Group;
- B. Confirming whether the expected future cash flows adopted in the valuation model are in agreement with the budget provided by the business units; and
- C. Assessing the reasonableness of material assumptions, such as expected growth rates, operating margin and discount rates, by:
 - (a) Checking the setting of parameters of valuation models and calculation formulas;
 - (b) Comparing the expected growth rate based on operating margin with historical data, economic and industrial forecast documents;
 - (c) Comparing the discount rate with cost of capital assumptions of cash generating units and rate of returns of similar assets; and
 - (d) Assessing the future cash flow sensitivity analysis which was prepared by the management based on the alternative hypothesis using different expected growth rates and discount rates, and confirming whether management has adequately managed the possible impact of the estimation uncertainty on the impairment assessment.

Other matter

We did not audit the financial statements of a wholly-owned consolidated subsidiary and an investment accounted for under the equity method that are included in the consolidated financial statements. Total assets of the subsidiary amounted to NT\$5,202,263 thousand, constituting 2.21% of consolidated total assets as of December 31, 2016, and operating income was NT\$3,513,380 thousand, constituting 1.64% of consolidated total operating income for the year then ended. The balance of investment accounted for under equity method was NT\$7,084,482 thousand and NT\$6,916,950 thousand, constituting 3.01% and 3.06% of consolidated total assets as of December 31, 2016 and 2015, respectively, and the share of profit (loss) of associates and joint ventures accounted for under equity method and share of other comprehensive

income of associates and joint ventures accounted for under equity method was NT\$909,301 thousand and NT\$ 1,273,474 thousand, constituting 7.07% and 6.23% of consolidated total comprehensive income for the years then ended, respectively. Those financial statements and information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Delta Electronics, Inc. as at and for the years ended December 31, 2016 and 2015.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 ROC GAAS 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 ROC GAAS, 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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,

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Liang, Hua-Ling Chou Tseng, Hui-Chin

for and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	Notes	US Dollars	New Taiwan Dollars	
		December 31, 2016	December 31, 2016	December 31, 2015
Current assets				
Cash and cash equivalents	6(1)	\$ 1,723,186	\$ 55,572,744	\$ 51,252,453
Financial assets at fair value through profit or loss - current	6(2)	1,744	56,252	149,350
Available-for-sale financial assets - current	6(3)	20,956	675,817	409,320
Derivative financial assets for hedging - current	6(5)	239	7,708	-
Notes receivable, net		110,176	3,553,181	3,100,796
Accounts receivable, net	6(6)	1,449,814	46,756,514	45,456,423
Accounts receivable - related parties	7	44,401	1,431,921	1,475,555
Other receivables		22,243	717,329	480,474
Other receivables - related parties	7	3,243	104,580	125,608
Current income tax assets		6,774	218,467	867,935
Inventories	6(8)	804,750	25,953,182	23,912,036
Prepayments		86,177	2,779,206	3,970,329
Non-current assets held for sale, net	6(13)	485	15,647	-
Other current assets	8	17,338	559,150	953,202
Total current assets		<u>4,291,526</u>	<u>138,401,698</u>	<u>132,153,481</u>
Non-current assets				
Financial assets at fair value through profit or loss - non-current	6(2)	-	-	111,866
Available-for-sale financial assets - non-current	6(3)	183,773	5,926,691	7,130,177
Financial assets carried at cost - non-current	6(4)	34,520	1,113,279	627,574
Investments accounted for under equity method	6(9)	257,971	8,319,562	8,528,444
Property, plant and equipment	6(10)	1,257,617	40,558,137	41,891,417
Investment property, net	6(11)	59,662	1,924,097	2,073,648
Intangible assets	6(12)	958,724	30,918,856	25,424,926
Deferred income tax assets		165,397	5,334,038	5,663,227
Other non-current assets	6(14) and 8	81,188	2,618,312	2,671,176
Total non-current assets		<u>2,998,852</u>	<u>96,712,972</u>	<u>94,122,455</u>
Total assets		<u>\$ 7,290,378</u>	<u>\$ 235,114,670</u>	<u>\$ 226,275,936</u>

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS)

Liabilities and Equity	Notes	US Dollars	New Taiwan Dollars	
		December 31, 2016	December 31, 2016	December 31, 2015
Current liabilities				
Short-term borrowings	6(15)	\$ 388,815	\$ 12,539,294	\$ 11,109,573
Financial liabilities at fair value through profit or loss - current	6(16)	6,806	219,490	140,080
Accounts payable		1,148,687	37,045,171	35,423,550
Accounts payable - related parties	7	14,542	468,980	458,709
Other payables		721,719	23,275,430	22,362,597
Current income tax liabilities	6(31)	48,751	1,572,229	1,825,908
Other current liabilities	6(13)	190,483	6,143,043	5,031,879
Total current liabilities		<u>2,519,803</u>	<u>81,263,637</u>	<u>76,352,296</u>
Non-current liabilities				
Long-term borrowings	6(17)	263,999	8,513,958	3,993,805
Deferred income tax liabilities		384,082	12,386,659	11,715,032
Other non-current liabilities	6(18)	122,219	3,941,550	4,661,994
Total non-current liabilities		<u>770,300</u>	<u>24,842,167</u>	<u>20,370,831</u>
Total liabilities		<u>3,290,103</u>	<u>106,105,804</u>	<u>96,723,127</u>
Equity				
Share capital				
Share capital - common stock	6(20)	805,440	25,975,433	25,975,433
Capital surplus				
Capital surplus	6(21)	1,502,092	48,442,451	48,344,161
Retained earnings				
Legal reserve	6(22)	604,453	19,493,608	17,622,146
Special reserve		16,358	527,556	-
Unappropriated retained earnings		989,630	31,915,572	28,508,940
Other equity interest				
Other equity interest		(69,464)	(2,240,194)	3,919,507
Equity attributable to owners of the parent		3,848,509	124,114,426	124,370,187
Non-controlling interest	6(23)	151,766	4,894,440	5,182,622
Total equity		<u>4,000,275</u>	<u>129,008,866</u>	<u>129,552,809</u>
Significant contingent liabilities and unrecorded contract commitments	9			
Significant subsequent events	11			
Total liabilities and equity		<u>\$ 7,290,378</u>	<u>\$ 235,114,670</u>	<u>\$ 226,275,936</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 9, 2017.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	US Dollars		New Taiwan Dollars	
		2016	2016	2015	2015
Sales revenue	6(24) and 7	\$ 6,646,684	\$ 214,355,571	\$ 203,451,661	
Operating costs	6(7)(25)(29)(30) and 7	(4,801,917)	(154,861,840)	(148,082,996)	
Gross profit		<u>1,844,767</u>	<u>59,493,731</u>	<u>55,368,665</u>	
Operating expenses	6(29)(30)				
Selling expenses		(430,899)	(13,896,495)	(12,420,421)	
General and administrative expenses		(287,881)	(9,284,163)	(7,984,301)	
Research and development expenses		(480,230)	(15,487,402)	(14,465,029)	
Total operating expenses		<u>(1,199,010)</u>	<u>(38,668,060)</u>	<u>(34,869,751)</u>	
Operating profit		<u>645,757</u>	<u>20,825,671</u>	<u>20,498,914</u>	
Non-operating income and expenses					
Other income	6(26)	125,039	4,032,505	3,959,725	
Other gains and losses	6(27)	(18,953)	(611,243)	(460,354)	
Finance costs	6(28)	(11,896)	(383,647)	(456,036)	
Share of profit of associates and joint ventures accounted for under equity method	6(9)	<u>28,734</u>	<u>926,675</u>	<u>1,232,547</u>	
Total non-operating income and expenses		<u>122,924</u>	<u>3,964,290</u>	<u>4,275,882</u>	
Profit before income tax		768,681	24,789,961	24,774,796	
Income tax expense	6(31)	(171,472)	(5,529,979)	(4,892,422)	
Profit for the year		<u>\$ 597,209</u>	<u>\$ 19,259,982</u>	<u>\$ 19,882,374</u>	

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	US Dollars	New Taiwan Dollars	
		2016	2016	2015
Other comprehensive income (loss)				
Components of other comprehensive loss that will not be reclassified to profit or loss				
Loss on remeasurements of defined benefit plans		(\$ 109)	(\$ 3,522)	(\$ 321,223)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(28)	(910)	-
Components of other comprehensive loss that will not be reclassified to profit or loss		(137)	(4,432)	(321,223)
Components of other comprehensive (loss) income that will be reclassified to profit or loss				
Financial statements translation differences of foreign operations		(173,137)	(5,583,670)	1,512,094
Unrealized loss on valuation of available-for-sale financial assets		(45,967)	(1,482,432)	(437,310)
Hedging instrument gain on effective hedge of cash flow hedges		1,777	57,307	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method		(3,705)	(119,472)	50,910
Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(31)	22,487	725,208	(237,994)
Components of other comprehensive (loss) income that will be reclassified to profit or loss		(198,545)	(6,403,059)	887,700
Other comprehensive (loss) income for the year		(\$ 198,682)	(\$ 6,407,491)	\$ 566,477
Total comprehensive income for the year		\$ 398,527	\$ 12,852,491	\$ 20,448,851
Profit attributable to:				
Owners of the parent		\$ 582,878	\$ 18,797,799	\$ 18,714,623
Non-controlling interest		\$ 14,331	\$ 462,183	\$ 1,167,751
Comprehensive income attributable to:				
Owners of the parent		\$ 391,743	\$ 12,633,666	\$ 19,248,822
Non-controlling interest		\$ 6,784	\$ 218,825	\$ 1,200,029
Earnings per share (in dollars)	6(32)			
Basic earnings per share		\$ 0.22	\$ 7.24	\$ 7.67
Diluted earnings per share		\$ 0.22	\$ 7.17	\$ 7.59

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 9, 2017.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Notes	Equity attributable to owners of the parent										Total equity					
		Retained earnings					Other equity interest										
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow	Total	Non-controlling interest						
2015 New Taiwan Dollars																	
Balance at January 1, 2015 (adjusted)		\$ 24,375,433	\$ 25,822,764	\$ 15,552,256	\$ 527,556	\$ 33,579,303	\$ 2,415,377	\$ 642,078	\$ 6,630	\$ 102,921,397	\$ 12,746,960	\$ 115,668,357					
Distribution of 2014 earnings	6(22)	-	-	2,069,890	-	(2,069,890)	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve		-	-	-	(527,556)	527,556	-	-	-	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(16,331,528)	-	-	-	(16,331,528)	-	(16,331,528)	-	(16,331,528)	-	-	-
Issuance of shares	6(20)	1,600,000	22,400,000	-	-	-	-	-	-	24,000,000	-	24,000,000	-	24,000,000	-	-	-
Share-based payments		-	123,165	-	-	-	-	-	-	123,165	-	123,165	-	123,165	-	-	-
Change in equity of associates and joint ventures accounted for under equity method		-	(1,768)	-	-	-	-	-	-	(1,768)	-	(1,768)	-	(1,768)	-	-	-
Change in acquisition of non-controlling interests from subsidiaries		-	-	-	-	(5,589,901)	-	-	-	(5,589,901)	-	(5,589,901)	-	(5,589,901)	-	-	-
Changes in non-controlling interests	6(23)	-	-	-	-	-	-	-	-	-	-	-	-	(356,959)	-	(356,959)	(5,946,860)
Other comprehensive (loss) income for the year		-	-	-	-	(321,223)	1,293,061	(437,197)	(442)	534,199	(8,407,408)	(8,407,408)	566,477	32,278	(8,407,408)	(8,407,408)	(8,407,408)
Profit for the year		-	-	-	-	18,714,623	3,708,438	204,881	6,188	18,714,623	1,167,751	19,882,374	1,167,751	19,882,374	1,167,751	19,882,374	19,882,374
Balance at December 31, 2015		\$ 25,975,433	\$ 48,344,161	\$ 17,622,146	\$ -	\$ 28,508,940	\$ 3,708,438	\$ 204,881	\$ 6,188	\$ 124,370,187	\$ 5,182,622	\$ 129,552,809	\$ 5,182,622	\$ 129,552,809	\$ 5,182,622	\$ 129,552,809	\$ 129,552,809
2016 New Taiwan Dollars																	
Balance at January 1, 2016		\$ 25,975,433	\$ 48,344,161	\$ 17,622,146	\$ -	\$ 28,508,940	\$ 3,708,438	\$ 204,881	\$ 6,188	\$ 124,370,187	\$ 5,182,622	\$ 129,552,809	\$ 5,182,622	\$ 129,552,809	\$ 5,182,622	\$ 129,552,809	\$ 129,552,809
Distribution of 2015 earnings	6(22)	-	-	1,871,462	527,556	(1,871,462)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	527,556	(527,556)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(12,987,717)	-	-	-	(12,987,717)	-	(12,987,717)	-	(12,987,717)	-	(12,987,717)	(12,987,717)
Change in equity of associates and joint ventures accounted for under equity method		-	(9,692)	-	-	-	-	-	-	(9,692)	-	(9,692)	-	(9,692)	-	(9,692)	(9,692)
Changes in non-controlling interests	6(23)	-	-	-	-	-	-	-	-	-	-	-	-	(507,007)	-	(507,007)	(507,007)
Proceeds from investments accounted for under the equity method		-	(12,384)	-	-	-	-	-	-	(12,384)	-	(12,384)	-	(12,384)	-	(12,384)	(12,384)
Other comprehensive (loss) income for the year		-	-	-	-	(4,432)	(4,724,834)	(1,492,174)	57,307	(6,164,133)	(243,358)	(6,407,491)	(243,358)	(6,407,491)	(243,358)	(6,407,491)	(6,407,491)
Effects due to gain on share of non-controlling interests	6(33)	-	120,366	-	-	18,797,799	-	-	-	120,366	462,183	19,259,982	462,183	19,259,982	462,183	19,259,982	19,259,982
Profit for the year		-	-	-	-	31,915,572	(1,016,396)	(1,287,293)	63,495	18,797,799	462,183	19,259,982	462,183	19,259,982	462,183	19,259,982	19,259,982
Balance at December 31, 2016		\$ 25,975,433	\$ 48,442,451	\$ 19,493,608	\$ 527,556	\$ 31,915,572	\$ 1,016,396	\$ 1,287,293	\$ 63,495	\$ 124,114,426	\$ 4,894,440	\$ 129,008,866	\$ 4,894,440	\$ 129,008,866	\$ 4,894,440	\$ 129,008,866	\$ 129,008,866

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DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS)

Notes	Equity attributable to owners of the parent										Total equity
	Retained earnings			Other equity interest				Total	Non-controlling interest		
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on sale of financial assets				
	\$ 805,440	\$ 1,499,045	\$ 546,423	\$ -	\$ 883,997	\$ 114,990	\$ 6,353	\$ 192	\$ 3,856,440	\$ 160,701	\$ 4,017,141
6(22)											
Balance at January 1, 2016											
Distribution of 2015 earnings											
Legal reserve	-	-	58,030	-	(58,030)	-	-	-	-	-	-
Special reserve	-	-	-	16,358	(16,358)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(402,720)	-	-	-	(402,720)	-	(402,720)
Change in equity of associates and joint ventures accounted for under equity method	-	(301)	-	-	-	-	-	-	(301)	-	(301)
6(23)											
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(15,720)	(15,720)	(15,720)
Proceeds from investments accounted for under the equity method	-	(384)	-	-	-	-	-	-	(384)	-	(384)
Other comprehensive (loss) income for the year	-	-	-	-	(137)	(146,506)	(46,270)	1,777	(191,136)	(7,546)	(198,682)
6(33)											
Effects due to gain on share of non-controlling interests	-	3,732	-	-	-	-	-	-	3,732	-	3,732
Profit for the year	-	-	-	-	582,878	-	-	-	582,878	14,331	597,209
Balance at December 31, 2016	\$ 805,440	\$ 1,502,092	\$ 604,453	\$ 16,358	\$ 989,630	(\$ 31,516)	(\$ 39,917)	\$ 1,969	\$ 3,848,509	\$ 151,766	\$ 4,000,275

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 9, 2017.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Notes	US Dollars	New Taiwan Dollars	
		2016	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated profit before tax for the year		\$ 768,681	\$ 24,789,961	\$ 24,774,796
Adjustments to reconcile net income to net cash generated from operating activities				
Income and expenses having no effect on cash flows				
Depreciation	6(10)(11)	226,147	7,293,247	6,910,278
Amortization	6(12)	57,031	1,839,254	1,484,802
Provision for bad debts	6(6)	3,817	123,101	277,273
Net loss on financial assets or liabilities at fair value through profit or loss	6(27)	5,488	176,974	73,588
Interest expense	6(28)	11,896	383,647	456,036
Interest income	6(26)	(19,327)	(623,297)	(634,443)
Dividend income		(4,234)	(136,534)	(156,599)
Share-based payments	6(19)	-	-	123,165
Share of profit of associates accounted for under the equity method	6(9)	(28,734)	(926,675)	(1,232,547)
Gain on disposal of property, plant and equipment	6(27)	(4,501)	(145,171)	(747)
(Gain) loss on disposal of investments	6(27)	(6,598)	(212,799)	110,857
Impairment loss on financial assets	6(3)	3,370	108,693	32,029
Impairment loss on non-financial assets	6(12)	2,309	74,457	7,291
Changes in assets/liabilities relating to operating activities				
Net changes in assets relating to operating activities				
Financial assets held for trading		(1,881)	(60,647)	11,430
Notes receivable		(14,027)	(452,385)	(1,129,790)
Accounts receivable		(34,364)	(1,108,255)	1,280,226
Accounts receivable - related parties		1,469	47,366	(94,821)
Other receivables		(6,965)	(224,634)	112,860
Other receivables - related parties		652	21,028	2,067
Inventories		(49,827)	(1,606,928)	585,318
Prepayments		37,767	1,217,971	1,134,686
Other current assets		12,219	394,052	(446,967)
Other non-current assets		(3,763)	(121,341)	(43,463)
Net changes in liabilities relating to operating activities				
Accounts payable		46,161	1,488,687	(315,445)
Accounts payable - related parties		319	10,272	(285,841)
Other payables		24,992	805,993	2,031,795
Other current liabilities		18,751	604,717	(1,192,406)
Other non-current liabilities		(23,327)	(752,214)	(339,746)
Cash generated from operations		1,023,521	33,008,540	33,535,682
Interest received		19,449	627,229	657,269
Dividends received		27,183	876,657	905,633
Interest paid		(11,828)	(381,465)	(478,520)
Income taxes paid		(100,190)	(3,231,112)	(3,560,959)
Net cash provided by operating activities		<u>958,135</u>	<u>30,899,849</u>	<u>31,059,105</u>

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Notes	US Dollars 2016	New Taiwan Dollars 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets at fair value through profit or loss, designated upon initial recognition		\$ -	\$ -	(\$ 94,512)
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		5,796	186,936	-
Acquisition of available-for-sale financial assets		(26,189)	(844,593)	(1,469,484)
Proceeds from disposal of available-for-sale financial assets		10,283	331,639	820,473
Proceeds from capital reduction of available-for-sale financial assets		1,075	34,679	50,101
Acquisition of financial assets at cost		(14,386)	(463,948)	(37,075)
Proceeds from disposal of financial assets at cost		78	2,514	68,426
Proceeds from capital reduction of financial assets carried at cost		1	32	540
Acquisition of investments accounted for using equity method		-	-	(1,040,118)
Net cash flow from acquisition of subsidiaries (net of cash acquired)	6(34)	(239,754)	(7,732,070)	(13,857,180)
Acquisition of property, plant and equipment	6(10)	(250,488)	(8,078,237)	(7,973,678)
Proceeds from disposal of property, plant and equipment		24,737	797,778	152,717
Advances on sale of property, plant and equipment		14,685	473,606	-
Acquisition of intangible assets	6(12)	(6,840)	(220,585)	(278,722)
Decrease (increase) in other financial assets		2,357	76,026	(204,251)
Decrease in other non-current assets		2,682	86,406	277,706
Net cash used in investing activities		(475,963)	(15,349,817)	(23,585,057)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in short-term borrowings		44,332	1,429,721	-
Repayment of short-term borrowings		-	-	(948,698)
Proceeds from long-term debt		138,084	4,453,199	473,669
Repayment of long-term debt		-	-	(22,848,731)
Cash dividends paid to minority share interests		(6,995)	(225,604)	(2,998,146)
Cash dividends paid	6(22)	(402,720)	(12,987,717)	(16,331,528)
Proceeds from issuance of shares	6(20)	-	-	24,000,000
Acquisition of non-controlling interests in subsidiaries	6(33)	(27,086)	(873,505)	(11,998,300)
Net cash used in financing activities		(254,385)	(8,203,906)	(30,651,734)
Effects due to changes in exchange rate		(93,824)	(3,025,835)	970,321
Increase (decrease) in cash and cash equivalents		133,963	4,320,291	(22,207,365)
Cash and cash equivalents at beginning of year		1,589,223	51,252,453	73,459,818
Cash and cash equivalents at end of year		\$ 1,723,186	\$ 55,572,744	\$ 51,252,453

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 9, 2017.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Delta Electronics, Inc. (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the Group) are global leaders in power and thermal management solutions and are primarily engaged in the research and development, design, manufacturing and sale of electronic control systems, industrial automation products, digital display products, communication products, consumer electronics products, energy-saving lighting application, energy technology services and consulting services of building management and control solutions, etc. The Group's mission statement, to provide innovative, clean and energy-efficient solutions for a better tomorrow, focuses on the role in addressing key environmental issues such as global climate change. With the concern for the environment, the Group continues to develop innovative energy-efficient products and solutions. In recent years, the Group has transformed from a product provider towards a solution provider and the Group's business is segregated into power electronics business, energy management business, and smart green life business.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments as endorsed by FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.

A. Amendments to IAS 19, "Defined benefit plans: Employee contributions"

The amendment allows contributions that are linked to service, and do not vary with the length of employee or third party service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee or third party service, must be spread over the service period using the same attribution method that is applied to the benefits.

B. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 2, 'Share-based payment'

The amendment clarifies that the definition of a 'vesting condition' includes only service condition and performance condition. The amendment revises the definition of 'service condition', 'performance condition' and 'market condition'.

(b) IFRS 3, 'Business combinations'

Except for the contingent consideration classified as equity, all non-equity contingent consideration is measured at fair value with changes in fair value recognized in profit and loss.

(c) IFRS 13, 'Fair value measurement'

When issuing IFRS 13, 'Fair value measurement', the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice

amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply above standard.

C. Annual improvements to IFRSs 2011-2013 cycle

(a) IFRS 3, 'Business combinations'

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement.

(b) IFRS 13, 'Fair value measurement'

The amendment clarifies that the exception of measuring the fair value of a group of financial assets and financial liabilities (portfolio exception) applies to all financial assets, financial liabilities and other contracts within the scope of IFRS 9 or IAS 39.

(c) IAS 40, 'Investment property'

This amendment clarifies that preparers should refer to the guidance in IFRS 3 to determine whether the acquisition of a property is an asset acquisition or a business combination, and refer to the guidance in IAS 40 to distinguish between owner-occupied property and investment property.

D. Annual improvements to IFRSs 2012-2014 cycle

(a) IFRS 7, 'Financial instruments: Disclosures'

The amendment provides additional guidance to determine whether the terms of a service arrangement to a financial asset which has been transferred constitute continuing involvement and thus the disclosure requirement of transferred financial assets applies. This amendment also clarifies that disclosure of offsetting is not required for all interim periods.

(b) IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

(c) IAS 34, 'Interim financial reporting'

The amendment clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim financial report". The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

(3) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

B. Amendments to IAS 40, ‘Transfers of investment property’

The amendment clarifies that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management’s intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- (d) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are

all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
1	Delta International Holding Limited (DIH)	Equity investments	Delta Electronics, Inc.	94	94	
2	Delta Networks Holding Limited (DNH)	"	"	100	100	Note F Note O
3	Delta Electronics (Netherlands) B.V. (DEN)	Trading of equipment, components and materials of telecom and computer systems	Delta Electronics, Inc. and DIH	100	100	
4	PreOptix (Hong Kong) Co., Ltd. (PHK)	Equity investments	"	100	100	
5	NeoEnergy Microelectronics, Inc. (NEM)	Designing and experimenting on integrated circuit and information software services	Delta Electronics, Inc.	98.17	98.17	Note L
6	Cyntec Co., Ltd. (Cyntec)	Research, development, manufacturing and sales of film optic-electronics devices	"	100	100	
7	DelBio Inc. (DelBio)	Manufacturing, wholesale and retail of medical equipment	"	100	100	
8	Delta Electronics Capital Company (Delta Capital)	Equity investments	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
9	Delta Electronics Int'l (Singapore) Pte. Ltd. (DEIL-SG)	Sales of electronic products	Delta Electronics, Inc.	100	100	
10	Allied Material Technology Corp. (AMT)	Lease services, etc.	"	99.97	99.97	
11	SYN-TEK Automation Co., Ltd. (STA)	Research, designing, development, manufacturing and sales of industrial automation equipment, etc.	"	-	100	Note M Note Q
12	Delta Green Life Co., Ltd. (DGL)	Providing installation and construction of lighting equipment	"	100	100	
13	Vitor Technology Inc. (Vitor)	Providing and installation of surveillance system equipment	"	-	100	Note B Note C
14	Delta America Ltd. (DAL)	Equity investments	Delta Electronics, Inc., DEN, Castle Horizon Limited, Energy Dragon Global Limited	100	50.21	Note B Note J
15	Delta Electronics (H.K.) Ltd. (DHK)	Equity investments, operations management and engineering services	DIH	100	100	
16	Delta Electronics International Limited (DEIL-Labuan)	Sales of electronic products	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
17	Delta Power Sharp Limited (DPS)	Operations and engineering services	DIH	100	100	Note G
18	DEI Logistics (USA) Corp. (ALI)	Warehousing and logistics services	"	100	100	
19	Delta Electronics (Japan), Inc. (DEJ)	Sales of power products, display solution products, electronic components, industrial automation products and their materials	"	100	100	
20	DAC Holding (Cayman) Limited (DAC)	Equity investments	"	100	100	
21	Ace Pillar Holding Co., Ltd. (Ace)	"	"	100	100	
22	Drake Investment (HK) Limited (Drake-HK)	"	"	100	100	
23	Delta Greentech (China) Co., Ltd. (DGC)	Manufacturing and sales of uninterruptible power systems	DIH, Ace, Drake-HK, DGSG and Boom	95.91	95.91	
24	Vivitek Corporation (Vivitek)	Sales of projector products and their materials	DIH	100	100	
25	Delta Greentech SGP Pte. Ltd. (DGSG)	Equity investments	"	100	100	
26	Delta Electronics Europe Ltd. (DEU)	Repair centre and providing support services	"	100	100	
27	Boom Treasure Limited (Boom)	Equity investments	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
28	Apex Overseas Financial Investment Limited (Apex)	Equity investments	DIH	-	100	Note B Note K Note V
29	Galaxy Star Overseas Financial Investment Limited (Galaxy Star)	"	"	-	100	Note B Note K Note W
30	Jade Overseas Financial Investment Limited (Jade)	"	"	-	100	Note B Note E Note K
31	Apex Investment (HK) Limited (Apex-HK)	"	DIH and Apex	100	100	Note B Note K Note V
32	Galaxy Star Investment (HK) Limited (Galaxy Star-HK)	"	DIH and Galaxy Star	100	100	Note B Note K Note W
33	Jade Investment (HK) Limited (Jade-HK)	"	DIH and Jade	100	100	Note B Note E Note K
34	Delta Electronics (Dongguan) Co., Ltd. (DDG)	Manufacturing and sales of transformer and power supplies	DHK	100	100	
35	Delta Electronics Power (Dongguan) Co., Ltd. (DEP)	Manufacturing and sales of transformer and power supplies	"	100	100	
36	Delta Electronics (Shanghai) Co., Ltd. (DPEC)	Product design and management consulting service, etc.	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
37	Delta Electronics (Jiangsu) Ltd. (DWJ)	Manufacturing and sales of power supplies and transformers	DHK, Apex-HK, Galaxy Star-HK and Jade-HK	100	100	Note K
38	Delta Electronics Components (Wujiang) Ltd. (DWC)	Manufacturing and sales of transformers	"	100	100	Note K Note N
39	Delta Video Display System (Wujiang) Ltd. (DWV)	Manufacturing and sales of various projectors	"	100	100	Note K
40	Delta Electronics (Wuhu) Co., Ltd. (DWH)	Manufacturing and sales of power supplies and transformers	DHK	100	100	
41	Delta Electronics (Chenzhou) Co., Ltd. (DCZ)	"	"	100	100	
42	Delta Electronics International Mexico S.A. DE C.V. (DEIL-MX)	Sales of power management of industrial automation product and telecommunications equipment	"	100	100	
43	Delta Electronics (Wujiang) Trading Co., Ltd. (DWT)	Installation, consulting and trading of electronic products	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
44	Delta Green (Tianjin) Industries Co., Ltd. (DGT)	Manufacturing and sales of transformers and bluetooth module	DHK	100	100	
45	Delta Electronics (Pingtan) Co., Ltd. (Delta Pingtan)	Wholesale and retail of electronic products and energy-saving equipment	"	100	100	
46	PreOptix (Jiang Su) Co., Ltd. (PJS)	Manufacturing and sales of lenses and optical engines for projectors	PHK	100	100	
47	Addtron Technology (Japan), Inc. (AT Japan)	Trading of networking system and peripherals	DEJ	100	100	
48	Delta Electronics (Korea) Inc. (Delta Korea)	Sales of power products, display solution products electronic components, industrial automation products and their materials	"	100	100	
49	Delta Electronics Mexico S.A. DE C.V. (DEM)	Manufacturing and sales of electronic products	DAC	100	100	
50	Delta Video Technology Limited (DVT)	Sales of electronic products	"	100	100	
51	Wuhu Delta Technology Co., Ltd. (WDT)	Manufacturing and sales of power supplies and transformers	DWH	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
52	Delta Energy Technology (Wuhu) Co., Ltd. (DET-WH)	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	DWH and DPEC	100	100	
53	Chenzhou Delta Technology Co., Ltd. (CDT)	Manufacturing and sales of power supplies and transformers	DCZ	100	100	
54	Delta Energy Technology (Chenzhou) Co., Ltd. (DET-CZ)	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	DCZ and DPEC	100	100	
55	Delta Energy Technology (Dongguan) Co., Ltd. (DET-DG)	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	DDG and DPEC	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
56	Delta Energy Technology (Wujiang) Co., Ltd. (DET-WJ)	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	DWC and DPEC	-	100	Note X
57	Delta Energy Technology (Shanghai) Co., Ltd. (DET-SH)	''	DPEC and DGC	100	100	
58	Delta Networks, Inc. (DNI Cayman)	Equity investments	DNH	100	100	Note O
59	Delta Networks, Inc. (Taiwan) (DNIT)	Manufacturing and sales of networking system and peripherals	DEI、DNH	99.98	99.98	Note F Note O
60	DNI Logistics (USA) Corp. (ALN)	Trading of networking system and peripherals	DNI Cayman	100	100	
61	Delta Networks International Limited (DNIL-Labuan)	''	''	100	100	
62	Delta Networks (H.K.) Limited (DNHK)	Equity investments	''	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
63	Delta Networks (Dongguan) Ltd. (DII)	Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	DNHK	100	100	
64	Delta Networks (Shanghai) Ltd. (DNS)	Design of computer software	„	100	100	
65	Delta Networks (Xiamen) Ltd. (DNX)	Operation of radio transmission apparatus, and automatic data processing, reception, conversion and transmission or regeneration of voice, images or other data of the machine, including switches and routers, with a special program to control a computer or word processor with memory business	„	-	100	Note D

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
66	Fairview Assets Ltd. (Fairview)	Equity investments	Cyntec	100	100	
67	Grandview Holding Ltd. (Grandview)	"	Fairview	100	100	
68	Cyntec Holding (H.K.) Ltd. (CHK)	"	Grandview	100	100	
69	Cyntec International Ltd. (CIL-Labuan)	Trading	"	100	100	
70	Cyntec Electronics (Suzhou) Co., Ltd. (CES)	Research, development, manufacturing and sales of new-type electronic components (chip components, sensing elements, hybrid integrated circuits) and wholesale of similar products	Cyntec Holding (H.K.) Ltd. (CHK)	100	100	Note P
71	DelBio (Wujiang) Co., Ltd.	Manufacturing, wholesale and retail of medical equipment	DelBio	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
72	Eltek Power Systems AS	Equity investments	DEN	-	100	Note B Note S
73	ELTEK AS	Research and sales of power supplies and others	"	100	100	Note B Note R Note S
74	Castle Horizon Limited	Equity investments	"	100	-	Note A Note J
75	Energy Dragon Global Limited	"	"	100	-	Note A Note J
76	Delta Controls Inc.	Research and sales of building automation system	"	100	-	Note A
77	Eltek Energy Holding, Inc.	Equity investments	ELTEK AS	100	100	Note B
78	Eltek Ventures AS	"	Eltek Power Systems AS	-	-	Note B Note R
79	Networks Holding AS	"	"	-	-	Note B Note R
80	Eltek Management Invest AS	"	"	-	-	Note B Note R
81	Eltek Valere Holding AS	"	Eltek Power Systems AS, Eltek Management Invest AS	-	-	Note B Note R
82	ELTEK PAKISTAN (PRIVATE) LIMITED	Sales of power supplies and others	ELTEK AS	100	100	Note B
83	Eltek Deutschland GmbH	Sales of power supplies and others and system installation	"	100	100	Note B

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
84	ELTEK AUSTRALIA PTY LIMITED	Sales of power supplies and others and system installation	ELTEK AS	100	100	Note B
85	Eltek Egypt for Power Supply S.A.E	Sales of power supplies and others	"	95	95	Note B
86	Eltek SGS Pvt Ltd.	Sales of power supplies and others and system installation	"	100	100	Note B
87	Eltek SGS Mechanics Pvt Ltd.	Sales of power supplies and others	ELTEK AS and Eltek SGS Pvt Ltd.	51	51	Note B
88	ELTEK POWER PTE. LTD.	Sales of power supplies and others and system installation	ELTEK AS	100	100	Note B
89	Eltek Polska Sp. z o. o.	"	"	51	51	Note B
90	Eltek s.r.o.	Manufacturing and sales of power supplies	"	100	100	Note B
91	ELTEK POWER FRANCE SAS	Sales of power supplies and others and system installation	"	100	100	Note B
92	ELTEK LIMITED	Equity investments and trading	"	100	100	Note B
93	ELTEK VALERE MEA DMCC	Closure	"	80	80	Note B

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
94	ELTEK MEA DMCC	Sales of power supplies and others	ELTEK AS	100	100	Note B
95	ELTEK KENYA LIMITED	Sales of power supplies	ELTEK MEA DMCC and ELTEK AS	100	100	Note B
96	ELTEK WEST AFRICA LIMITED	"	"	100	100	Note B
97	Eltek Italia S.r.l.	Sales of power supplies and others	ELTEK AS	100	100	Note B
98	Eltek Power Sweden AB	Sales of power supplies and others and equity investments	ELTEK AS and Eltek Holding AB	100	100	Note B Note Y
99	Eltek Holding AB	Equity investments	ELTEK AS	-	100	Note B Note Y
100	Eltek Power (UK) Ltd.	Sales of power supplies	"	100	100	Note B
101	Eltek Power Oy	Sales of power supplies and others	"	100	100	Note B
102	OOO Eltek	Sales of power supplies and others and system installation	"	100	100	Note B
103	ELTEK ENERJI SISTEMLERI LIMITED SIRKETI	Sales of power supplies and others	"	100	100	Note B
104	Eltek Montage GmbH	Installation and maintenance of power supplies	Eltek Deutschland GmbH	100	100	Note B
105	E.V.I Electronics Sp. z o. o.	Trading and construction of power supply model	"	100	100	Note B

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
106	ELTEK POWER INCORPORATED	Sales of power supplies and others	ELTEK POWER PTE. LTD.	100	100	Note B
107	ELTEK POWER CO., LTD.	"	"	100	100	Note B Note H
108	ELTEK POWER (COMBODIA) LTD	"	"	100	100	Note B
109	ELTEK POWER (MALAYSIA) SDN. BHD.	"	"	100	100	Note B Note I
110	Eltek Power Korea Co., Ltd.	"	"	100	100	Note B
111	ELTEK CVI LIMITED	Equity investments	ELTEK LIMITED	100	100	Note B
112	Eltek Energy Technology	Manufacturing and sales of power supplies	ELTEK CVI LIMITED	100	100	Note B
113	Valere Power Europe AB	Closure	Eltek Power Sweden AB	-	100	Note B Note Y
114	Eltek, Inc.	Manufacturing and sales of power supplies	Eltek Energy Holding Inc.	100	100	Note B

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
115	Eltek Argentina S.R.L.	Sales of power supplies and others	Eltek, Inc.	100	100	Note B
116	Eltek Sistemas de Energia Industrial e Comercio S.A.	Manufacturing and sales of power supplies	"	100	100	Note B
117	Eltek Peru S.R.L.	Sales of power supplies and others	"	100	100	Note B
118	Eltek Colombia S.A.S.	Sales of power supplies and others	"	100	100	Note B
119	Eltek Energy International I, LLC	Equity investments	"	100	100	Note B
120	Eltek Energy International II, LLC	"	"	100	100	Note B
121	Eltekenegy Services, S.A. de C.V.	Sales of power supplies and others	Eltek Energy International II, LLC	100	100	Note B
122	Eltekenegy International de México, S. de R.L. de C.V.	"	"	100	100	Note B
123	Delta Products Corporation	Sales of electronic components	DAL	100	100	Note B
124	Delta Solar Solutions LLC	Equity investments	"	100	100	Note B
125	2009 PPA LLC	Sales of power supplies	Delta Products Corporation	100	100	Note B
126	AGEMA SYSTEMS, INC	Trading of networking system and peripherals	Delta Products Corporation	100	-	Note A
127	DSS-CI LLC	Rent for solar power systems	Delta Solar Solution LLC	100	100	Note B

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2016	December 31, 2015	
128	DSS-USF LLC	Rent for solar power systems	Delta Solar Solution LLC	100	100	Note B
129	Power Forest Technology Corporation	Manufacturing of electronic components	Cyntec	60.02	21.21	Note A Note T
130	Delta Energy Technology Puhuan (Shanghai) Co., Ltd.	Energy technology, development and consulting of environmental technical skills, and design and sales of energy saving equipment	Delta Energy Technology (Shanghai) Co., Ltd.	100	-	Note A
131	Loy Tec electronics GmbH	Consulting service of building management and control solutions	DEIL-SG	85	-	Note A Note U
132	INNOCONTROL electronics GmbH	"	"	-	-	Note A Note U
133	LOYTEC Asia Corporation Ltd.	"	Loy Tec electronics GmbH	54	-	Note A
134	LOYTEC Americas, Inc.	"	"	100	-	Note A
135	Delta Electronics (Beijing) Co., Ltd.	Installation of mechanic, electronic, telecommunication and circuit equipment	DHK	100	-	Note A Note Z
136	Delta Electronics (Xi'an) Co., Ltd.	Sales of computer, peripheral equipment and software	"	100	-	Note A Note Z
137	Beijing Industrial Foresight Technology Co., Ltd.	Computer system services and data process	Delta Electronics (Beijing) Co., Ltd.	80	-	Note A Note Z

- Note A: Companies were established or acquired through merger during 2016.
- Note B: Companies were established or acquired through merger during 2015.
- Note C: Vitor Technology Inc. was included in Delta Green Life Co., Ltd. starting from the effective date of consolidation on March 1, 2016.
- Note D: In November 2016, DNX issued shares for cash, but the subsidiary company, DNHK, did not acquire new shares in proportion to its ownership. Accordingly, the ownership percentage decreased from 100% to 43.17%, and the investment was accounted using equity method after control was lost.
- Note E: After Jade Overseas Financial Investment Limited was liquidated in August 2016, DIH held 100% share capital in Jade Overseas Financial Investment Limited's subsidiary, Jade Investment (HK) Limited.
- Note F: The subsidiary, DNH, has distributed its shares in Delta Networks to the Company in October 2016.
- Note G: In August 2016, the subsidiary company began liquidation process but has not yet been completed as of December 31, 2016.
- Note H: 55% of shares are held through others due to local regulations.
- Note I: 71% of shares are held through others due to local regulations.
- Note J: On October 3, 2016 and July 2, 2015, the Company indirectly held 49.79% and 39.95% share ownership of DAL through DEN and its subsidiaries, Castle Horizon Limited and Energy Dragon Global Limited. The total shareholding ratio along with the 10.26% share ownership in DAL held by the Company was 100%; therefore, DAL was included in the consolidated financial statements.
- Note K: On July 28, 2015, DIH acquired 100% share ownership of Apex Overseas Financial Investment Limited, Galaxy Star Overseas Financial Investment Limited and Jade Overseas Financial Investment Limited, which were included in the consolidated financial statements effective on that date. DIH indirectly held 45% share ownership in DWC, DWO, DWV and DWJ.
- Note L: The Company has increased capital of its subsidiary, NeoEnergy Microelectronics, in the third quarter of 2015 and the shareholding ratio increased by 15.06%. The subsidiary has been liquidated in the fourth quarter of 2015.
- Note M: The Company has purchased 30% of shares in Syn-Tec Automation Co., Ltd. on December 1, 2015.
- Note N: Delta Electro-Optics has merged with Delta Electronics Components in December 2015. Under the merger, Delta Electronics Components was the surviving company while Delta Electro-Optics was the dissolved company.

- Note O: DNI Cayman has distributed its shares of Delta Networks to DNH in the fourth quarter of 2015.
- Note P: The subsidiary has merged with CSC in the fourth quarter of 2015. Under the merger, CES was the surviving company while CSC was the dissolved company.
- Note Q: Syn-Tec Automation Co., Ltd. was included in the Company starting from the effective date of consolidation on April 11, 2016.
- Note R: Eltek Ventures AS, Networks Holding AS, Eltek Management Invest AS and Eltek Valere Holding AS merged with ELTEK AS in the fourth quarter of 2015. Under the merger, ELTEK AS was the surviving company while Eltek Ventures AS, Networks Holding AS, Eltek Management Invest AS and Eltek Valere Holding AS were the dissolved companies. Consequently, the subsidiaries of the dissolved company were wholly-owned by ELTEK AS.
- Note S: Eltek Power Systems AS merged with ELTEK AS in the second quarter of 2016. Under the merger, ELTEK AS was the surviving company while Eltek Power Systems AS was the dissolved company.
- Note T: On January 12, 2016, the subsidiary, Cyntec Co., Ltd. held 38.81% share ownership of Power Forest Technology Corporation. The total shareholding ratio along with the 21.21% share ownership in Power Forest Technology Corporation held by Cyntec Co., Ltd. in 2015 was 60.02%; therefore, Power Forest Technology Corporation was included in the consolidated financial statements.
- Note U: The Company's 85% combined ownership subsidiary, Loy Tec electronics GmbH merged with the Company's 85% combined ownership subsidiary, INNOCONTROL electronics GmbH. Under the merger, Loy Tec electronics GmbH was the surviving company while INNOCONTROL electronics GmbH was the dissolved company.
- Note V: After Apex Overseas Financial Investment Limited was liquidated in August 2016, its subsidiary, Apex Investment (HK) Limited, was 100% directly owned by DIH.
- Note W: After Galaxy Star Overseas Financial Investment Limited was liquidated in August 2016, its subsidiary, Galaxy Star Investment (HK) Limited, was 100% directly owned by DIH.
- Note X: Jade Overseas Financial Investment Limited has been liquidated in November 2016.
- Note Y: Eltek Holding AB and Valere Power Europe AB have merged with Eltek Power Sweden AB in the fourth quarter of 2016. Under the merger, Eltek Power Sweden AB was the surviving company while Eltek Holding AB and Valere Power Europe AB were the dissolved company.
- Note Z: The Company was incorporated in 4th quarter of 2016, there was no capital injection as of December 31, 2016.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2016 and 2015, the non-controlling interest amounted to \$4,894,440 and \$5,182,622, respectively. The information on non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2016		December 31, 2015	
		Amount	Ownership (%)	Amount	Ownership (%)
Delta International Holding Ltd. (DIH)	Cayman Islands	\$ 4,323,174	6%	\$ 4,213,490	6%

Summarised financial information of the subsidiary:

Balance sheets

	DIH	
	December 31, 2016	December 31, 2015
Current assets	\$ 81,957,178	\$ 83,611,611
Non-current assets	41,319,991	41,784,072
Current liabilities	(41,771,968)	(43,777,804)
Non-current liabilities	(2,587,336)	(2,465,334)
Total net assets	<u>\$ 78,917,865</u>	<u>\$ 79,152,545</u>

Statements of comprehensive income

	DIH	
	Years ended December 31,	
	2016	2015
Revenue	\$ 151,768,484	\$ 148,527,481
Profit before income tax	7,577,947	8,112,581
Income tax expense	(2,118,254)	(1,870,261)
Profit for the year from continuing operations	5,459,693	6,242,320
Net non-controlling interest	(42,945)	(795,995)
Profit for the year	5,416,748	5,446,325
Other comprehensive loss, net of tax	(1,616,101)	(2,168,821)
Total comprehensive income for the year	<u>\$ 3,800,647</u>	<u>\$ 3,277,504</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 134,354</u>	<u>\$ 542,107</u>
Dividends paid to non-controlling interest	<u>\$ 23,335</u>	<u>\$ 2,988,146</u>

Statements of cash flows

	DIH	
	Years ended December 31,	
	2016	2015
Net cash provided by operating activities	\$ 14,399,018	\$ 9,574,652
Net cash used in investing activities	(5,049,586)	(4,028,954)
Net cash used in financing activities	(3,426,443)	(14,899,225)
Effect of exchange rates on cash and cash equivalents	(2,345,908)	(101,133)
Increase (decrease) in cash and cash equivalents	3,577,081	(9,454,660)
Cash and cash equivalents, beginning of year	31,325,711	40,780,371
Cash and cash equivalents, end of year	<u>\$ 34,902,792</u>	<u>\$ 31,325,711</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting. Derivatives and financial assets designated as at fair value through profit or loss on initial recognition are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Notes receivable, accounts receivable and other receivables

Notes receivable and accounts receivable are claims resulting from the sale of goods or services. Other receivables are those arising from transactions other than the sale of goods or services. Notes receivable, accounts receivable and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, for short-term accounts receivable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic

conditions that correlate with defaults on the assets in the group;

- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- (a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

- (b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

- (c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are recorded at standard cost and variances are allocated to inventories and cost of goods sold at the balance sheet date. The cost of finished goods and work in process comprises raw materials, direct labour, other director costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the

associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Cash surrender value of life insurance

Premium paid for life insurance with saving nature belonging to cash surrender value is recognised as a deduction to insurance premium expense in current period and is added to the carrying amount of cash surrender value.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are 2~8 years except for buildings, the estimated life of which is 5~55 years.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 7~50 years.

(17) Intangible assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. Acquisition prices in the business combination are calculated by the price of acquisition plus related direct costs. Goodwill is recognised at the difference of the acquisition prices less net fair value of identifiable assets acquired. The amortisation duration of acquisition prices may not exceed one year after the acquisition.

B. Trademarks

(a) Separately acquired trademarks with finite useful lives are stated at acquisition cost and are amortised on a straight-line basis over their estimated useful lives.

(b) Certain trademarks which are assessed to generate net cash inflows and have indefinite useful lives are recorded at actual cost. These are not amortised and instead, are tested for impairment annually.

C. Intangible assets other than goodwill and trademarks, mainly computer software, patents, customer relationship and technology authorization fees, are amortized on a straight-line basis over their estimated useful lives of 2~15 years.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(21) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Derivatives are classified in this category of held for trading unless they are designated as hedges. Derivatives are initially recognised at fair value, and related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Derivative financial instruments and hedging activities

- A. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.
- B. The Group designates certain derivatives as either:
 - (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
 - (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).
- C. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.
- E. Fair value hedge
 - (a) Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
 - (b) If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.
- F. Cash flow hedge
 - (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within ‘other gains and losses’.
 - (b) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(25) Employee benefits

A. Pensions

(a) Defined contribution plans

Under the defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

B. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of

equity instruments that eventually vest.

- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on

a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

A. Sales of goods

The Group manufactures and sells computer information system, power supply, components and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account the business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Group provides the installation of partial software and module services. Revenue is recognised if all of the following conditions are met and the cost incurred shall be recognised as the cost in the current period. If loss is expected to incur on the transaction, loss shall be recognised immediately.

- (a) The amount of the revenue can be measured reliably;
- (b) It is probable that the economic benefits related to the transaction will flow to the enterprise;
- (c) The costs incurred and to be incurred associated with the transaction can be measured reliably ;and
- (d) The degree of completion of the transaction can be measured reliably at the balance sheet date.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(32) Business combinations

The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

A. Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this

judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

B. Investment property

The Group uses part of the property for its own use and part to earn rentals or for capital appreciation. When the portions cannot be sold separately and cannot be leased out separately under a finance lease, the property is classified as investment property only if the own-use portion accounts for less than 20% of the property.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

B. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(12) for the information on goodwill impairment.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand	\$ 5,748	\$ 5,835
Checking and demand deposits	35,458,887	31,477,143
Time deposits	20,108,109	19,769,475
	<u>\$ 55,572,744</u>	<u>\$ 51,252,453</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Financial assets designated as at fair value through profit or loss		
Convertible bonds	\$ -	\$ 96,700
Financial assets held for trading		
Listed stocks	16,840	25,359
Convertible bonds	-	2,181
	<u>16,840</u>	<u>124,240</u>
Valuation adjustment of financial assets held for trading	39,412	25,110
	<u>\$ 56,252</u>	<u>\$ 149,350</u>
Non-current items:		
Financial assets designated as at fair value through profit or loss		
Convertible bonds	\$ 94,512	\$ 94,512
Valuation adjustment of financial assets designated as at fair value through profit or loss	(94,512)	17,354
	<u>\$ -</u>	<u>\$ 111,866</u>

A. The Group recognised net gain on financial assets held for trading of \$35,267 and \$8,337 for the years ended December 31, 2016 and 2015, respectively. The Group recognised net (loss) gain on financial assets designated as at fair value through profit or loss of (\$126,995) and \$13,259 for the years ended December 31, 2016 and 2015, respectively.

B. The counterparties of the Group's private placement of convertible bonds are mostly listed companies in Taiwan and overseas. The Group expects that the counterparties of the private placement of convertible bonds that it invested in are not likely to default.

C. The non-hedging derivative instrument transactions and contract information are as follows:

Financial instruments	December 31, 2016		Contract period
	Contract amount (nominal principal) (in thousands)		
Forward exchange contracts:			
- Sell AUD / Buy NOK	AUD	1,000	2016.11.22~2017.01.30
- Sell EUR / Buy NOK	EUR	2,000	2016.12.23~2017.01.30
- Sell EUR / Buy TWD	EUR	27	2016.11.02~2017.04.14
- Sell EUR / Buy USD	EUR	19,900	2016.08.25~2017.06.20
- Sell INR / Buy USD	INR	243,145	2016.11.28~2017.01.30
- Sell JPY / Buy USD	JPY	455,464	2016.10.14~2017.03.23
- Sell THB / Buy SGP	THB	405,000	2016.11.28~2017.02.28
- Sell USD / Buy CZK	USD	180	2016.12.15~2017.01.23
- Sell USD / Buy EUR	USD	4,871	2016.11.15~2017.03.02
- Sell USD / Buy HKD	USD	11,450	2016.10.05~2017.04.05
- Sell USD / Buy JPY	USD	6,620	2016.11.16~2017.04.05
- Sell USD / Buy NOK	USD	2,500	2016.11.21~2017.01.30
- Sell USD / Buy RMB	USD	252,500	2016.09.29~2017.05.09
- Sell USD / Buy RUB	USD	1,000	2016.11.04~2017.02.07
- Sell USD / Buy SGD	USD	16,360	2016.02.03~2017.10.03
- Sell USD / Buy TWD	USD	21,600	2016.10.13~2017.03.10
Cross currency swap			
- Sell AUD / Buy NOK	AUD	2,000	2016.11.28~2017.01.30
- Sell EUR / Buy GBP	EUR	500	2016.12.13~2017.02.28

December 31, 2015

Financial instruments	Contract amount (nominal principal) (in thousands)		Contract period
Forward exchange contracts:			
– Sell USD / Buy RMB	USD	158,800	2015.09.10~2016.04.26
– Buy USD / Sell EUR	EUR	18,500	2015.08.25~2016.05.16
– Sell USD / Buy SGD	SGD	17,594	2015.02.02~2016.11.03
– Sell USD / Buy TWD	USD	17,000	2015.10.23~2016.03.04
– Sell EUR / Buy TWD	EUR	93	2015.11.13~2016.03.25
– Sell USD / Buy JPY	USD	4,450	2015.10.23~2016.02.02
– Buy USD / Sell JPY	JPY	6,558	2015.08.24~2016.04.25
– Sell USD / Buy EUR	EUR	700	2015.12.15~2016.01.05
– Sell USD / Buy CZK	CZK	4,929	2015.12.30~2016.01.20
– Sell USD / Buy HKD	USD	58,500	2015.10.13~2016.02.02
– Sell AUD / Buy NOK	AUD	6,000	2015.07.07~2016.05.13
– Sell EUR / Buy NOK	EUR	5,000	2014.10.10~2016.11.15
– Sell THB / Buy SGD	THB	314,162	2015.11.25~2016.02.29
– Buy USD / Sell BRL	BRL	87,775	2015.12.16~2016.01.19
– Sell GBP / Buy NOK	GBP	2,000	2015.12.10~2016.03.15
– Buy USD / Sell EGP	EGP	9,794	2015.09.17~2016.03.21
Currency option contract			
– Buy a put option on EUR / Buy a call option on NOK	EUR	2,000	2014.10.14~2016.10.07
– Sell a call option on EUR / Sell a put option on NOK	EUR	4,000	2014.10.14~2016.10.07
Cross currency swap			
– Sell EUR / Buy NOK	EUR	2,500	2015.12.07~2016.04.15

The Group entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of import or export sales. However, the forward exchange transactions did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting.

D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Listed stocks	\$ 312,145	\$ 270,414
Emerging stocks	59,286	59,350
Valuation adjustment of available-for-sale financial assets	304,386	79,556
	<u>\$ 675,817</u>	<u>\$ 409,320</u>

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Non-current items:		
Listed stocks	\$ 5,462,496	\$ 5,389,646
Emerging stocks	284,583	193,178
Convertible bonds	137,894	87,894
Unlisted stocks	<u>1,826,976</u>	<u>1,428,760</u>
	7,711,949	7,099,478
Valuation adjustment of available-for-sale financial assets	(1,574,104)	133,160
Accumulated impairment-available-for-sale financial assets	<u>(211,154)</u>	<u>(102,461)</u>
	<u>\$ 5,926,691</u>	<u>\$ 7,130,177</u>

- A. The Group recognized loss of \$1,301,081 and \$692,428 in other comprehensive income for fair value change and reclassified \$181,351 and (\$255,149) from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.
- B. The net asset value of the Group's equity investment declined significantly to below its initial investment cost. Accordingly, the Group recognised impairment loss of \$108,693 and \$32,029 for the years ended December 31, 2016 and 2015, respectively.
- C. As of December 31, 2016 and 2015, the Group has no available-for-sale financial assets pledged to others.

(4) Financial assets measured at cost

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Non-current items:		
Unlisted stocks	\$ 1,131,150	\$ 649,259
Accumulated impairment - financial assets measured at cost	<u>(17,871)</u>	<u>(21,685)</u>
	<u>\$ 1,113,279</u>	<u>\$ 627,574</u>

Based on the Group's intention, its stock investments should be classified as available-for-sale financial assets. However, as those stocks are not traded in active market, and sufficient industry information of companies similar to stocks investment companies and their financial information cannot be obtained, the fair value of the stock investments cannot be measured reliably. Accordingly, the Group classified those stocks as financial assets measured at cost.

(5) Hedge accounting

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>Assets</u>	<u>Assets</u>
Current items:		
Cash flow hedges using forward foreign exchange	<u>\$ 7,708</u>	<u>\$ -</u>

- A. The Group entered into derivative financial instruments contracts with financial institutions with

good credit quality.

B. Cash flow hedges

Hedged items	Derivative instruments designated as hedges	Designated as hedging instruments		Period of anticipated cash flow	Period of gain (loss) expected to be recognised in profit or loss
		Fair value			
		December 31, 2016	December 31, 2015		
Accounts payable in foreign currency	Forward foreign exchange contracts	\$ 7,708	\$ -	2016.11.23~ 2017.6.14	2016.11.23~ 2017.6.14

(a) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in other comprehensive income as of December 31, 2016 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.

(b)

Items	Years ended December 31,	
	2016	2015
Amount of gain or loss adjusted in other comprehensive income	\$ 7,708	\$ -

C. Hedges of net investments in foreign operations

Hedged items	Derivative instruments designated as hedges	Designated as hedging instruments	
		Fair value	
		December 31, 2016	December 31, 2015
Net investments in foreign operations	Borrowing in US dollars	\$ 1,612,500	\$ -
"	Borrowing in Euro	542,399	-
		<u>\$ 2,154,899</u>	<u>\$ -</u>

(a) The Group is exposed to fair value risk on its investments in foreign operations arising from variations in the exchange rate of NOK. The Group assessed that the risk might be significant, and therefore entered into a put option of NOK to hedge such risk.

(b) On December 31, 2016, the Group designated a portion of its US dollar and Euro denominated borrowing amounting to \$1,612,500 (USD 50 million) and \$542,399 (EUR 16 million) to hedge its net investment in the Group's foreign operations, respectively. The fair value of this portion of borrowings at December 31, 2016 was \$2,154,899. The foreign exchange gain of \$49,599 on translation of this portion of borrowing to NTD currency for the year ended December 31, 2016 was recognised in other comprehensive income.

(6) Accounts receivable and overdue receivables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable	\$ 47,663,586	\$ 46,545,141
Less: Allowance for doubtful accounts	(907,072)	(1,088,718)
	<u>46,756,514</u>	<u>45,456,423</u>
Overdue receivables (shown as other non-current assets)	256,516	168,850
Less: Allowance for doubtful accounts	(256,516)	(168,850)
	<u>\$ 46,756,514</u>	<u>\$ 45,456,423</u>

A. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 90% of the receivable amount can be covered when the receivables are uncollectible.

B. The aging analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Up to 90 days	\$ 2,501,653	\$ 3,204,613
91 to 180 days	314,154	348,986
181 to 365 days	232,110	357,595
Over 365 days	175,519	488,056
	<u>\$ 3,223,436</u>	<u>\$ 4,399,250</u>

The above aging analysis was based on past due date.

C. Movements in the provision for impairment of accounts receivable are as follows:

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 168,850	\$ 1,088,718	\$ 1,257,568
Acquired from business combinations	-	1,833	1,833
Provision for impairment	117,125	5,976	123,101
Write-offs during the year	(17,532)	(122,376)	(139,908)
Transfer to revenue	-	(15)	(15)
Net exchange differences	(11,927)	(67,064)	(78,991)
At December 31	<u>\$ 256,516</u>	<u>\$ 907,072</u>	<u>\$ 1,163,588</u>

	2015		
	Individual provision	Group provision	Total
At January 1	\$ 80,029	\$ 755,087	\$ 835,116
Acquired from business combinations	-	169,045	169,045
Provision for impairment	87,669	189,604	277,273
Write-offs during the year	(1,587)	(27,270)	(28,857)
Net exchange differences	2,970	2,252	5,222
Others	(231)	-	(231)
At December 31	<u>\$ 168,850</u>	<u>\$ 1,088,718</u>	<u>\$ 1,257,568</u>

D. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's credit quality control policy:

	December 31, 2016	December 31, 2015
Group 1	\$ 23,999,392	\$ 22,014,083
Group 2	19,533,686	19,043,090
	<u>\$ 43,533,078</u>	<u>\$ 41,057,173</u>

Group 1: Medium to low risk customers: These customers include large enterprise groups which are operating well, and in which financial transparency is high and approved by the headquarters' credit controller as well as government and educational institutions.

Normal risk customers: Customers other than the medium to low risk customers.

(7) Transfer of financial assets

The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not required to bear the default risk of the accounts receivable and the percentage of advance payments is zero, but is liable for the losses incurred on any business dispute. As of December 31, 2016 and 2015, the relevant information of unsettled accounts receivable that were sold is set forth below:

	December 31, 2016				
	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
Taishin International Bank	\$ 283,393	\$ -	\$ 322,500	\$ -	\$ -

December 31, 2015

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
Taishin International Bank	\$ 72,595	\$ -	\$ 328,250	\$ -	\$ -

(8) Inventories

December 31, 2016

	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 8,715,481	(\$ 1,219,489)	\$ 7,495,992
Work in process	2,206,661	-	2,206,661
Finished goods	17,860,446	(1,737,711)	16,122,735
Inventory in transit	127,794	-	127,794
	<u>\$ 28,910,382</u>	<u>(\$ 2,957,200)</u>	<u>\$ 25,953,182</u>

December 31, 2015

	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 6,513,548	(\$ 1,004,521)	\$ 5,509,027
Work in process	1,999,167	-	1,999,167
Finished goods	17,805,293	(1,612,441)	16,192,852
Inventory in transit	210,990	-	210,990
	<u>\$ 26,528,998</u>	<u>(\$ 2,616,962)</u>	<u>\$ 23,912,036</u>

The Group recognized as expense or loss:

	Years ended December 31,	
	2016	2015
Cost of goods sold	\$ 150,641,062	\$ 144,909,409
Provison for inventory obsolescence and market price decline	575,604	611,548
Others	(408,245)	(487,384)
	<u>\$ 150,808,421</u>	<u>\$ 145,033,573</u>

(9) Investments accounted for under the equity method

A. Details of investments accounted for under the equity method are set forth below:

<u>Name of associates</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>%</u>	<u>Book value</u>	<u>%</u>	<u>Book value</u>
Delta Electronics (Thailand) Public Co., Ltd. (DET)	20.93	\$ 7,084,482	20.93	\$ 6,916,950
Optovue, Inc.	24.07	894,560	24.07	984,750
Amita Technologies, Inc. (Amita) (Note 2)	-	-	26.93	254,836
Digital Projection International Ltd. (DPI)	41.00	294,265	41.00	289,371
Others		46,255		82,537
		<u>\$ 8,319,562</u>		<u>\$ 8,528,444</u>

Note 1 : The percentage of ownership in associates represent the percentage of common shares held by the Group.

Note 2 : In December 2016, Amita Technologies, Inc. was reclassified to financial assets available-for-sale.

B. Share of profit (loss) of associates accounted for under the equity method are set forth below:

<u>Name of associates</u>	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
DET	\$ 1,012,792	\$ 1,220,832
DPI, etc.	(86,117)	11,715
	<u>\$ 926,675</u>	<u>\$ 1,232,547</u>

C. The financial statements of investments using equity method were audited by other independent accountants. Share of other comprehensive income of associates of \$909,301 and \$1,273,474 for the years ended December 31, 2016 and 2015, respectively, and investments accounted for under equity method was \$7,084,482 and \$6,919,950 as of December 31, 2016 and 2015, respectively.

D. The summarised financial information of the associates that are material to the Group is shown below:

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio (Note)</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2016</u>	<u>December 31, 2015</u>		
Delta Electronics (Thailand) Public Co., Ltd. (DET)	Thailand	20.93%	20.93%	Holds more than 20% of voting rights	Equity method

Note: The percentage of ownership in associates represent the percentage of common shares held

by the Group.

<u>Balance sheet</u>	DET	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	35,230,192	33,976,999
Non-current assets	6,688,743	5,901,088
Current liabilities	(11,223,876)	(10,160,648)
Non-current liabilities	(1,833,622)	(1,769,308)
Total net assets	<u>28,861,437</u>	<u>27,948,131</u>
Share in associate's net assets	\$ 6,040,699	\$ 5,849,544
Unrealised upstream and sidestream transactions	(44,555)	(47,664)
Others	<u>1,088,338</u>	<u>1,115,070</u>
Carrying amount of the associate	<u>\$ 7,084,482</u>	<u>\$ 6,916,950</u>

<u>Statement of comprehensive income</u>	DET	
	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenue	\$ 43,343,677	\$ 44,355,375
Profit for the year from continuing operations	\$ 5,017,576	\$ 6,204,908
Other comprehensive (loss) income, net of tax	(287,505)	388,065
Total comprehensive income	<u>\$ 4,730,071</u>	<u>\$ 6,592,973</u>
Dividends received from associates	<u>\$ 739,303</u>	<u>\$ 749,034</u>

E. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to \$1,235,080 and \$1,611,494, respectively.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
(Loss) profit for the year from continuing operations	(\$ 86,117)	\$ 2,300
Other comprehensive loss, net of tax	(16,197)	(255)
Total comprehensive (loss) income	<u>(\$ 102,314)</u>	<u>\$ 2,045</u>

F. The Group's investment in DET has quoted market price. The fair value of DET as of December 31, 2016 and 2015 was \$19,259,012 and \$18,269,238, respectively.

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Others	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2016</u>							
Cost	\$ 5,723,429	\$ 35,443,305	\$ 29,988,713	\$ 13,134,317	\$ 10,872,794	\$ 984,749	\$ 96,147,307
Accumulated depreciation and impairment	(11,954)	(10,955,161)	(23,609,029)	(10,870,064)	(8,809,682)	-	(54,255,890)
	\$ 5,711,475	\$ 24,488,144	\$ 6,379,684	\$ 2,264,253	\$ 2,063,112	\$ 984,749	\$ 41,891,417
<u>2016</u>							
Opening net book amount	\$ 5,711,475	\$ 24,488,144	\$ 6,379,684	\$ 2,264,253	\$ 2,063,112	\$ 984,749	\$ 41,891,417
Additions	71	906,822	2,872,139	1,303,046	1,308,147	1,688,012	8,078,237
Acquired through business combinations	58,868	171,905	965	69,304	22,610	-	323,652
Disposal	(83,078)	(107,962)	(432,435)	(5,462)	(23,670)	-	(652,607)
Transfer	(832)	840,667	524,758	146,955	314,281	(1,825,829)	-
Depreciation charge	-	(1,798,030)	(2,646,163)	(1,295,550)	(1,403,953)	-	(7,143,696)
Impairment loss	-	(9,973)	-	-	-	-	(9,973)
Net exchange differences	(61,660)	(1,217,704)	(365,590)	(161,805)	(79,306)	(42,828)	(1,928,893)
Closing net book amount	\$ 5,624,844	\$ 23,273,869	\$ 6,333,358	\$ 2,320,741	\$ 2,201,221	\$ 804,104	\$ 40,558,137
<u>At December 31, 2016</u>							
Cost	\$ 5,636,920	\$ 35,138,305	\$ 28,050,052	\$ 13,001,329	\$ 10,909,238	\$ 804,104	\$ 93,539,948
Accumulated depreciation and impairment	(12,076)	(11,864,436)	(21,716,694)	(10,680,588)	(8,708,017)	-	(52,981,811)
	\$ 5,624,844	\$ 23,273,869	\$ 6,333,358	\$ 2,320,741	\$ 2,201,221	\$ 804,104	\$ 40,558,137

Note: No interest expense was capitalised on property, plant and equipment.

	Land	Buildings	Machinery and equipment	Testing equipment	Others	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2015</u>							
Cost	\$ 4,982,097	\$ 30,256,283	\$ 26,454,466	\$ 10,350,897	\$ 8,408,929	\$ 851,472	\$ 81,304,144
Accumulated depreciation and impairment	(11,427)	(8,884,448)	(20,000,970)	(8,838,568)	(6,753,972)	-	(44,489,385)
	<u>\$ 4,970,670</u>	<u>\$ 21,371,835</u>	<u>\$ 6,453,496</u>	<u>\$ 1,512,329</u>	<u>\$ 1,654,957</u>	<u>\$ 851,472</u>	<u>\$ 36,814,759</u>
<u>2015</u>							
Opening net book amount	\$ 4,970,670	\$ 21,371,835	\$ 6,453,496	\$ 1,512,329	\$ 1,654,957	\$ 851,472	\$ 36,814,759
Additions	183,571	1,938,201	2,554,184	1,507,921	1,072,482	717,319	7,973,678
Acquired through business combinations	514,420	760,387	69,306	260,974	276,215	1,961,415	3,842,717
Disposals	-	(15,218)	(87,927)	(17,720)	(20,354)	(10,751)	(151,970)
Transfer	-	2,047,066	207,203	72,496	276,570	(2,603,335)	-
Depreciation charge	-	(1,674,813)	(2,826,867)	(1,065,673)	(1,192,725)	-	(6,760,078)
Net exchange differences	42,814	60,686	10,289	(6,074)	(4,033)	68,629	172,311
Closing net book amount	<u>\$ 5,711,475</u>	<u>\$ 24,488,144</u>	<u>\$ 6,379,684</u>	<u>\$ 2,264,253</u>	<u>\$ 2,063,112</u>	<u>\$ 984,749</u>	<u>\$ 41,891,417</u>
<u>At December 31, 2015</u>							
Cost	\$ 5,723,429	\$ 35,443,305	\$ 29,988,713	\$ 13,134,317	\$ 10,872,794	\$ 984,749	\$ 96,147,307
Accumulated depreciation and impairment	(11,954)	(10,955,161)	(23,609,029)	(10,870,064)	(8,809,682)	-	(54,255,890)
	<u>\$ 5,711,475</u>	<u>\$ 24,488,144</u>	<u>\$ 6,379,684</u>	<u>\$ 2,264,253</u>	<u>\$ 2,063,112</u>	<u>\$ 984,749</u>	<u>\$ 41,891,417</u>

Note: No interest expense was capitalised on property, plant and equipment.

(11) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 465,724	\$ 4,321,469	\$ 4,787,193
Accumulated depreciation and impairment	-	(2,713,545)	(2,713,545)
	<u>\$ 465,724</u>	<u>\$ 1,607,924</u>	<u>\$ 2,073,648</u>
<u>2016</u>			
Opening net book amount	\$ 465,724	\$ 1,607,924	\$ 2,073,648
Depreciation charge	-	(149,551)	(149,551)
Closing net book amount	<u>\$ 465,724</u>	<u>\$ 1,458,373</u>	<u>\$ 1,924,097</u>
<u>At December 31, 2016</u>			
Cost	\$ 465,724	\$ 4,298,176	\$ 4,763,900
Accumulated depreciation and impairment	-	(2,839,803)	(2,839,803)
	<u>\$ 465,724</u>	<u>\$ 1,458,373</u>	<u>\$ 1,924,097</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 465,724	\$ 4,321,469	\$ 4,787,193
Accumulated depreciation and impairment	-	(2,563,345)	(2,563,345)
	<u>\$ 465,724</u>	<u>\$ 1,758,124</u>	<u>\$ 2,223,848</u>
<u>2015</u>			
Opening net book amount	\$ 465,724	\$ 1,758,124	\$ 2,223,848
Depreciation charge	-	(150,200)	(150,200)
Closing net book amount	<u>\$ 465,724</u>	<u>\$ 1,607,924</u>	<u>\$ 2,073,648</u>
<u>At December 31, 2015</u>			
Cost	\$ 465,724	\$ 4,321,469	\$ 4,787,193
Accumulated depreciation and impairment	-	(2,713,545)	(2,713,545)
	<u>\$ 465,724</u>	<u>\$ 1,607,924</u>	<u>\$ 2,073,648</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2016	2015
Rental revenue from the lease of the investment property	\$ <u>105,567</u>	\$ <u>210,250</u>
Direct operating expenses of investment property that generated rental revenue during the year	\$ <u>63,906</u>	\$ <u>124,116</u>
Direct operating expenses of investment property that did not generate rental revenue during the year	\$ <u>108,477</u>	\$ <u>49,681</u>

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 was \$2,498,692 and \$2,324,764, respectively, which was revalued by the Group.






(12) Intangible assets

	Trademarks		Patents	Goodwill	Customer Relationship		Technical Skill		Total
<u>At January 1, 2016</u>									
Cost	\$ 2,828,043	\$ 1,032,543	\$ 13,043,233	\$ 8,357,364	\$ 3,228,348	\$ 2,331,624	\$ 30,821,155		
Accumulated amortisation and impairment	(144,312)	(1,007,531)	(7,291)	(2,609,211)	(179,353)	(1,448,531)	(5,396,229)		
	<u>\$ 2,683,731</u>	<u>\$ 25,012</u>	<u>\$ 13,035,942</u>	<u>\$ 5,748,153</u>	<u>\$ 3,048,995</u>	<u>\$ 883,093</u>	<u>\$ 25,424,926</u>		
<u>2016</u>									
Opening net book amount	\$ 2,683,731	\$ 25,012	\$ 13,035,942	\$ 5,748,153	\$ 3,048,995	\$ 883,093	\$ 25,424,926		
Additions - acquired separately	-	10,434	-	-	-	210,151	220,585		
Additions - acquired through business combinations	261,398	84,308	4,070,131	1,398,583	816,809	1,024,417	7,655,646		
Reclassifications	-	-	(21,855)	448,476	-	(426,621)	-		
Amortisation	(222,982)	(14,066)	-	(1,011,786)	(299,409)	(291,011)	(1,839,254)		
Net exchange differences	(39,881)	-	(239,899)	(82,624)	(59,412)	(121,231)	(543,047)		
Closing net book amount	<u>\$ 2,682,266</u>	<u>\$ 105,688</u>	<u>\$ 16,844,319</u>	<u>\$ 6,500,802</u>	<u>\$ 3,506,983</u>	<u>\$ 1,278,798</u>	<u>\$ 30,918,856</u>		
<u>At December 31, 2016</u>									
Cost	\$ 3,089,441	\$ 1,127,285	\$ 16,851,610	\$ 10,062,478	\$ 3,985,745	\$ 2,591,914	\$ 37,708,473		
Accumulated amortisation and impairment	(407,175)	(1,021,597)	(7,291)	(3,561,676)	(478,762)	(1,313,116)	(6,789,617)		
	<u>\$ 2,682,266</u>	<u>\$ 105,688</u>	<u>\$ 16,844,319</u>	<u>\$ 6,500,802</u>	<u>\$ 3,506,983</u>	<u>\$ 1,278,798</u>	<u>\$ 30,918,856</u>		

	Customer			Technical		Total
	Trademarks	Patents	Goodwill	Relationship	Skill	
<u>At January 1, 2015</u>						
Cost	\$ 413,165	\$ 1,013,508	\$ 6,990,437	\$ 5,207,669	\$ -	\$ 1,637,465
Accumulated amortisation and impairment	(6,860)	(996,953)	-	(1,764,515)	-	(787,901)
	<u>\$ 406,305</u>	<u>\$ 16,555</u>	<u>\$ 6,990,437</u>	<u>\$ 3,443,154</u>	<u>\$ -</u>	<u>\$ 849,564</u>
						<u>\$ 11,706,015</u>
<u>2015</u>						
Opening net book amount	\$ 406,305	\$ 16,555	\$ 6,990,437	\$ 3,443,154	\$ -	\$ 849,564
Additions - acquired separately	-	12,549	-	-	-	266,173
Additions - acquired through business combinations	2,252,660	-	5,564,694	2,819,726	3,011,486	129,338
Amortization	(132,964)	(4,092)	-	(791,092)	(173,352)	(383,302)
Impairment loss	-	-	(7,291)	-	-	-
Net exchange differences	157,730	-	488,102	276,365	210,861	21,320
Closing net book amount	<u>\$ 2,683,731</u>	<u>\$ 25,012</u>	<u>\$ 13,035,942</u>	<u>\$ 5,748,153</u>	<u>\$ 3,048,995</u>	<u>\$ 883,093</u>
						<u>\$ 25,424,926</u>
<u>At December 31, 2015</u>						
Cost	\$ 2,828,043	\$ 1,032,543	\$ 13,043,233	\$ 8,357,364	\$ 3,228,348	\$ 2,331,624
Accumulated depreciation and impairment	(144,312)	(1,007,531)	(7,291)	(2,609,211)	(179,353)	(1,448,531)
	<u>\$ 2,683,731</u>	<u>\$ 25,012</u>	<u>\$ 13,035,942</u>	<u>\$ 5,748,153</u>	<u>\$ 3,048,995</u>	<u>\$ 883,093</u>
						<u>\$ 25,424,926</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2016	2015
Operating costs	\$ 8,137	\$ 12,645
Selling expenses	1,161,243	949,076
Administrative expenses	112,633	159,993
Research and development expenses	557,241	363,088
	<u>\$ 1,839,254</u>	<u>\$ 1,484,802</u>

B. The Group acquired registered or under-application trademark rights such as , , VIVITEK, 麗訊, ,  and . Trademarks registered in certain countries are assessed to have finite useful lives. The remaining trademarks which have indefinite useful lives shall not be amortized but are tested for impairment annually.

C. Goodwill and trademarks with indefinite useful lives are allocated as follows to the Group's cash-generating units identified according to operating segment:

	December 31, 2016	December 31, 2015
Goodwill:		
Cyntec and its subsidiaries	\$ 5,146,053	\$ 5,124,137
DGC	1,869,771	1,903,108
Eltek	5,795,224	5,920,936
Loy Tec	1,491,679	-
DCI	2,451,714	-
Others	89,878	87,761
	<u>\$ 16,844,319</u>	<u>\$ 13,035,942</u>
Trademarks:		
Smart green life business	<u>\$ 386,823</u>	<u>\$ 386,823</u>

Acquisition prices in business combination are calculated by the price of acquisition and direct costs for related acquisition. The amount of goodwill recognised is the difference of the acquisition prices less net fair value of identifiable assets acquired. The amortisation duration of acquisition price may not exceed one year after the acquisition. The Group acquired AGEMA SYSTEMS, INC. in December, 2016, and the Purchase Price Allocation will be completed within a year.

D. Goodwill and trademarks with indefinite useful lives are allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill and indefinite useful lives trademarks were not impaired. The key assumptions used for value-in-use calculations are operating profit margin growth rate and discount rate.

Management determined budgeted operating profit margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

- E. The subsidiary - NeoEnergy Microelectronics, Inc. was liquidated in the fourth quarter of 2015. The Group has assessed and recognised impairment loss on goodwill of \$7,291 for the year ended December 31, 2015.

(13) Non-current assets held for sale

On October 11, 2016, the Group entered into land and building contracts with the counterparty, Dongguan Starry-sky City Investment Co., Ltd., for \$473,606 (RMB 100 million). The proceeds have been collected as of December 31, 2016 (shown as other current liabilities). However, as the transfer of ownership has not yet been completed, the relevant assets-long-term prepaid rents of \$15,647 was transferred to non-current assets classified as held for sale.

(14) Other non-current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Long-term prepaid rent	\$ 1,155,734	\$ 1,271,599
Prepayments for business facilities	533,339	681,667
Guarantee deposits paid	275,617	228,104
Cash surrender value of life insurance	74,281	75,519
Others	579,341	414,287
	<u>\$ 2,618,312</u>	<u>\$ 2,671,176</u>

(15) Short-term borrowings

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Unsecured bank loans	\$ 12,539,294	\$ 11,109,573
Credit lines	<u>\$ 87,147,362</u>	<u>\$ 84,456,574</u>
Interest rate per annum	<u>0.40%~17.40%</u>	<u>0.48%~2.16%</u>

As of December 31, 2016, short-term borrowings of \$2,154,899 are hedges of net investments in foreign operations. Please refer to Note 6(5)C.

(16) Financial liabilities at fair value through profit or loss

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current item:		
Valuation adjustment of non-hedging derivatives	<u>\$ 219,490</u>	<u>\$ 140,080</u>

- A. The Group recognised net loss of \$85,246 and \$95,184 for the years ended December 31, 2016 and 2015, respectively.
- B. The non-hedging derivative instruments transaction and contract information are provided in Note 6(2)C.

(17) Long-term borrowings

Type of borrowings	December 31, 2016	December 31, 2015
Credit loans	\$ 8,561,030	\$ 4,049,046
Less: Current portion (shown as other current liabilities)	(47,072)	(55,241)
	<u>\$ 8,513,958</u>	<u>\$ 3,993,805</u>
Credit lines	<u>\$ 51,396,216</u>	<u>\$ 51,930,827</u>
Interest rate per annum	<u>0.33%~6.00%</u>	<u>0.43%~0.66%</u>

As of December 31, 2016, the revolving loans of \$8,023,565 can be drawn down during the period from June 30, 2016 to August 10, 2018 and are payable before the due date under the agreement.

(18) Pensions

A. Defined benefit plans

- (a) The Group has a defined benefit pension plan as follows:

The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

Certain subsidiaries located in Mainland China maintain defined benefit retirement (resignation) plans with relative contribution scheme. The employees and the subsidiaries contribute an amount relatively based on a certain percentage of the monthly basic salary depending on the employee's position. When an employee retires or resigns, the total

contribution from the employee is reimbursed based on the accumulated contribution (without interest) less withdrawals made by the employee in advance during the service period. The employee is also entitled to receive benefits calculated based on the accumulated contribution (without interest) from the related subsidiary multiplied by the approved benefit percentage for the employee's service years less withdrawals made by the employee in advance during the service period. The scheme mentioned above ceased on August 1, 2004. The amount contributed before was archived, and the payment scheme was not changed.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 4,162,664)	(\$ 4,268,432)
Fair value of plan assets	<u>1,259,945</u>	<u>634,344</u>
Net defined benefit liability	<u>(\$ 2,902,719)</u>	<u>(\$ 3,634,088)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2016</u>			
Balance at January 1	(\$ 4,268,432)	\$ 634,344	(\$ 3,634,088)
Current service cost	(44,622)	-	(44,622)
Interest (expense) revenue	(69,202)	9,349	(59,853)
Past service cost	2,620	-	2,620
Profit arising from curtailment	<u>2,792</u>	<u>-</u>	<u>2,792</u>
	<u>(4,376,844)</u>	<u>643,693</u>	<u>(3,733,151)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	993	993
Change in demographic assumptions	(15,592)	-	(15,592)
Change in financial assumptions	(1,296)	-	(1,296)
Experience adjustments	<u>25,270</u>	<u>-</u>	<u>25,270</u>
	<u>8,382</u>	<u>993</u>	<u>9,375</u>
Pension fund contribution	-	739,640	739,640
Paid pension	188,277	(124,381)	63,896
Exchange difference	<u>17,521</u>	<u>-</u>	<u>17,521</u>
Balance at December 31	<u>(\$ 4,162,664)</u>	<u>\$ 1,259,945</u>	<u>(\$ 2,902,719)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
Balance at January 1	(\$ 3,978,106)	\$ 644,825	(\$ 3,333,281)
Current service cost	(44,989)	12,063	(32,926)
Interest expense	(81,665)	-	(81,665)
Past service cost	366	-	366
Profit arising from curtailment	774	-	774
	<u>(4,103,620)</u>	<u>656,888</u>	<u>(3,446,732)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,470	5,470
Change in demographic assumptions	(11,666)	-	(11,666)
Change in financial assumptions	(294,273)	-	(294,273)
Experience adjustments	1,158	-	1,158
	<u>(304,781)</u>	<u>5,470</u>	<u>(299,311)</u>
Pension fund contribution	-	49,903	49,903
Paid pension	146,396	(73,895)	72,501
Exchange difference	(6,427)	(4,022)	(10,449)
Balance at December 31	<u>(\$ 4,268,432)</u>	<u>\$ 634,344</u>	<u>(\$ 3,634,088)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2016	2015
Discount rate	1.5%~3.5%	1.5%~3.75%
Future salary increases	3%~3.5%	3%~3.5%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ 127,832)	\$ 133,438	\$ 131,524	(\$ 125,196)
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 132,904)	\$ 138,931	\$ 120,593	(\$ 118,015)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2016 are \$42,679.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12~21 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	131,384
1-2 year(s)		177,809
2-5 years		614,664
Over 5 years		5,500,719
	\$	<u>6,424,576</u>

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly

salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2016 and 2015 were \$312,994 and \$254,880, respectively.

(b) Other overseas companies have defined contribution plans in accordance with the local regulations.

(19) Share-based payment

A. The Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2015.11.22	14,490,000 (Note)	Vested immediately

(Note) The capital was increased by issuing 160 million shares. The Board of Directors has resolved to reserve 10% of new shares issued for employee stock options. On November 22, 2015, the Company has confirmed the amount of shares acquired with employees.

B. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2015 was \$158.5 (in dollars).

C. As of December 31, 2015, the Company's share-based payment arrangements were all expired.

D. The fair value of capital increase acquired by employees on grant date, November 22, 2015, is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility (Note)</u>	<u>Expected vesting period</u>	<u>Expected dividend yield rate</u>	<u>Risk-free interest rate</u>	<u>Weighted-average fair value (in dollars)</u>
Cash capital increase reserved for employee preemption	2015.11.22	\$ 158.5	\$ 150	27.00%	0.08 years	0.00%	0.31%	\$ 8.5

Note : Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. Expenses incurred on share-based payment transactions are shown below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Equity-settled	\$ -	\$ 123,165

(20) Share capital

A. In accordance with the Company's Articles of Incorporation, the total authorized common stock is 4 billion shares (including 100 million shares for stock warrants conversion). As of December 31, 2016, the total issued and outstanding common stock was 2,597,543 thousand shares with par value of \$10 (in dollars) per share. On September 14, 2015, the Board of Directors has resolved the Company to increase capital by cash of \$1,600,000. The effective date was set on December 30, 2015.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Years ended December 31,	
	2016 (thousand shares)	2015 (thousand shares)
At January 1	2,597,543	2,437,543
Cash capital increase	-	160,000
At December 31	<u>2,597,543</u>	<u>2,597,543</u>

B. On December 20, 2004, the Board of Directors of the Company adopted a resolution that allowed certain stockholders to issue 16 million units of global depository receipts (GDRs), represented by 80 million shares of common stock (Deposited Shares), with one unit of GDR representing 5 shares of common stock. After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of Luxembourg, with total proceeds of US\$134,666 thousand. The issuance of GDRs was represented by outstanding shares, therefore, there is no dilutive effect on the common shares' equity. The main terms and conditions of the GDRs are as follows:

a. Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

b. Redemption of GDRs

For sales and redemption of the underlying common shares represented by the GDRs when the holders of the GDRs request the Depositary to redeem the GDRs in accordance with the relevant R.O.C. regulations and the provisions in the Depositary Agreement, the Depositary may (i) deliver the underlying common shares represented by the GDRs to the GDR holders, or (ii) sell the underlying common shares represented by the GDRs in the R.O.C. stock market on behalf of the GDR holder. The payment of proceeds from such sale shall be made subject to the relevant R.O.C. laws and regulations and the provisions in the Depositary Agreement.

c. Distribution of dividends, preemptive rights and other rights

Distribution of dividends, preemptive rights and other rights and interests of GDR units bear the same rights as common shares.

- d. After considering the stock dividend distribution year by year, as of December 31, 2016, there were 2,266 thousand units outstanding, representing 11,328 thousand common shares of the Company's common stock.

(21) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(22) Retained earnings

- A. Under the Company's Articles of Incorporation approved by the shareholders on June 8, 2016, the current year's earnings, if any, shall be distributed in the following order:
 - a. Payment of all taxes and dues.
 - b. Offset against prior years' operating losses, if any.
 - c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.
 - d. Setting aside or reversing a special reserve according to relevant regulations when necessary.
 - e. The remainder along with beginning unappropriated earnings shall be stockholders' bonus. The appropriation of earnings shall be proposed by the Board of Directors and resolved by the shareholders. As the Company is in the growth stage, and taking into consideration the shareholders' benefits, financial health and business development, the amount of bonus distributed to shareholders shall be no less than 60% of the distributable earnings for the current period. Cash dividends shall be at least 15% of the bonus distributed to shareholders.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

D. The appropriations of 2015 and 2014 earnings had been approved by the shareholders during their meeting on June 8, 2016 and June 10, 2015, respectively. Details are summarized below:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount (Note A)	Dividends per share (in dollars)
Appropriation for legal reserve	\$ 1,871,462		\$ 2,069,890	
Special reserve appropriated (reversal)	527,556		(527,556)	
Cash dividends	12,987,717	\$ 5.0	16,331,540	\$ 6.7

E. The appropriations of 2016 earnings had been proposed by the Board of Directors on March 9, 2017. Details are summarized below:

	2016	
	Amount	Dividends per share (in dollars)
Appropriation for legal reserve	\$ 1,879,779	
Appropriation for special reserve	2,240,194	
Cash dividends	12,987,717	\$ 5.0

As of March 9, 2017, the abovementioned 2016 earnings appropriation had not been approved by the stockholders.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(30).

(23) Non-controlling interest

	Years ended December 31,	
	2016	2015
At January 1	\$ 5,182,622	\$ 12,746,960
Share attributable to non-controlling interest:		
Profit for the year	462,183	1,167,751
Currency translation differences	(243,358)	32,309
Unrealised loss on valuation of available-for-sale financial assets	- (31)	
Increase in non-controlling interest (Note 1)	498,901	901,642
Decrease in non-controlling interest (Note 2)	(1,005,908)	(9,666,009)
At December 31	<u>\$ 4,894,440</u>	<u>\$ 5,182,622</u>

(Note 1) Increase is caused by acquisition of Power Forest Technology Corporation, Loy Tec in 2016 and acquisition of DAL in 2015.

(Note 2) The decrease represents cash dividends distributed by certain subsidiaries of the Group for the years ended December 31, 2016 and 2015, 49.79% of non-controlling interest held by DAL and 45% of non-controlling interest held by DIH in DWC, DWO, DWV and DWJ.

(24) Operating revenue

	Years ended December 31,	
	2016	2015
Sales revenue	\$ 209,591,547	\$ 199,803,018
Service revenue	2,439,269	1,789,829
Other operating revenue	2,324,755	1,858,814
	<u>\$ 214,355,571</u>	<u>\$ 203,451,661</u>

(25) Operating cost

	Years ended December 31,	
	2016	2015
Cost of sales	\$ 150,808,421	\$ 145,033,573
Cost of services	2,311,322	1,696,826
Other operating costs	1,742,097	1,352,597
	<u>\$ 154,861,840</u>	<u>\$ 148,082,996</u>

(26) Other income

	Years ended December 31,	
	2016	2015
Interest income	\$ 623,297	\$ 634,443
Rental income	196,015	313,576
Dividend income	136,534	156,599
Others	3,076,659	2,855,107
	<u>\$ 4,032,505</u>	<u>\$ 3,959,725</u>

(27) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange gain	\$ 229,912	\$ 679,514
Loss on financial assets (liabilities) at fair value through profit or loss	(176,974)	(73,588)
Gain on disposal of property, plant and equipment	145,171	747
Gain (loss) on disposal of investments	212,799	(110,857)
Miscellaneous disbursements	(839,001)	(916,850)
Impairment loss	(183,150)	(39,320)
	<u>(\$ 611,243)</u>	<u>(\$ 460,354)</u>

(28) Finance costs

	Years ended December 31,	
	2016	2015
Interest expense	<u>\$ 383,647</u>	<u>\$ 456,036</u>

(29) Expenses by nature

	Years ended December 31,	
	2016	2015
Employee benefit expense	\$ 37,448,806	\$ 35,690,078
Depreciation charges on property, plant and equipment	7,143,696	6,760,078
Amortisation charges on intangible assets	1,839,254	1,484,802
	<u>\$ 46,431,756</u>	<u>\$ 43,934,958</u>

(30) Employee benefit expense

	Years ended December 31,	
	2016	2015
Wages and salaries	\$ 28,135,290	\$ 26,716,552
Employees' compensation	3,454,571	3,688,215
Compensation cost of share-based payments to employees	-	123,165
Labor and health insurance fees	3,767,489	3,067,026
Pensions costs	501,100	527,046
Other personnel expenses	1,590,356	1,568,074
	<u>\$ 37,448,806</u>	<u>\$ 35,690,078</u>

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 1% for directors' remuneration.
- B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$3,454,571 and \$3,688,215, respectively; while directors' remuneration was accrued at \$32,400 and \$35,404, respectively. The aforementioned amounts were recognized in salary expenses.

For the year ended December 31, 2016, the employees' compensation and directors' remuneration were estimated and accrued based on profit of current year distributable as of the end of reporting period as prescribed by the Company's Articles of Incorporation.

The employees' compensation of \$2,631,691 and directors' remuneration of \$35,400 for 2016 were resolved by the Board of Directors on March 9, 2017.

The employees' compensation of \$2,620,930 and directors' remuneration of \$32,400 for 2015 as resolved by the Board of Directors on March 10, 2016 were \$0 and \$3,004 less than the amounts recognised in the current period's financial statements. The difference had been adjusted in the profit or loss for 2016.

Information about employees' compensation (bonus) and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2016	2015
Current tax:		
Current tax on profits for the year	\$ 3,730,502	\$ 4,844,144
Prior year income tax overestimate	(116,288)	(543,571)
Additional 10% tax on undistributed earnings	<u>381,377</u>	<u>305,613</u>
Total current tax	<u>3,995,591</u>	<u>4,606,186</u>
Deferred tax:		
Origination and reversal of temporary differences	1,505,944	959,937
Impact of change in tax rate	28,444	-
Origination and reversal of tax losses	-	(673,701)
Total deferred tax	<u>1,534,388</u>	<u>286,236</u>
	<u>\$ 5,529,979</u>	<u>\$ 4,892,422</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2016	2015
Remeasurement of defined benefit plans	\$ 910	\$ -
Fair value gain (loss) on available-for-sale financial assets	9,742	(82)
Currency translation differences	(734,950)	238,076
	<u>(\$ 724,298)</u>	<u>\$ 237,994</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	\$ 7,135,502	\$ 7,806,054
Effect from items disallowed by tax regulation	(1,490,337)	(1,999,080)
Tax exempt income by tax regulation	(3,095)	-
Effect from investment tax credits	(406,645)	(666,630)
Effect from taxable loss	10,444	(9,964)
Prior year income tax overestimate	(116,288)	(543,571)
Effect from Alternative Minimum Tax	19,021	-
Tax on undistributed earnings	<u>381,377</u>	<u>305,613</u>
Tax expenses	<u>\$ 5,529,979</u>	<u>\$ 4,892,422</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

	Year ended December 31, 2016					
	January 1	Recognised in profit or loss	Recognised in comprehensive income	Recognised in equity	Business combination	December 31
Deferred tax assets:						
Temporary differences:						
Allowance for inventory obsolescence	\$ 445,168	\$ 39,269	\$ -	\$ -	\$ 123	\$ 484,560
Pension liability	598,907	(149,408)	(910)	-	-	448,589
Assets impairment	246,931	(32,319)	-	-	-	214,612
Depreciation difference between tax and financial basis	1,772,599	(69,074)	-	-	-	1,703,525
Others	1,886,822	21,734	-	-	-	1,908,556
Loss carryforward	704,364	(132,295)	-	-	2,127	574,196
Investments tax credits	8,436	(8,436)	-	-	-	-
	<u>5,663,227</u>	<u>(330,529)</u>	<u>(910)</u>	<u>-</u>	<u>2,250</u>	<u>5,334,038</u>
Deferred tax liabilities:						
Temporary differences:						
Long-term equity investments	(9,882,100)	(881,706)	734,950	(24,653)	-	(10,053,509)
Land revaluation increment tax	(119,862)	-	-	-	-	(119,862)
Others	(1,713,070)	(293,709)	(9,742)	-	(196,767)	(2,213,288)
	<u>(11,715,032)</u>	<u>(1,175,415)</u>	<u>725,208</u>	<u>(24,653)</u>	<u>(196,767)</u>	<u>(12,386,659)</u>
	<u>(\$ 6,051,805)</u>	<u>(\$ 1,505,944)</u>	<u>\$ 724,298</u>	<u>(\$ 24,653)</u>	<u>(\$ 194,517)</u>	<u>(\$ 7,052,621)</u>

Year ended December 31, 2015

	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Business combination	December 31
Deferred tax assets:						
Temporary differences:						
Allowance for inventory obsolescence	\$ 198,052	\$ 247,116	\$ -	\$ -	\$ -	\$ 445,168
Pension liability	563,998	34,909	-	-	-	598,907
Assets impairment	235,531	11,400	-	-	-	246,931
Depreciation difference between tax and financial basis	1,466,652	305,947	-	-	-	1,772,599
Others	1,475,043	411,779	-	-	-	1,886,822
Loss carryforward	30,663	673,701	-	-	-	704,364
Investments tax credits	378,144	(369,708)	-	-	-	8,436
	<u>4,348,083</u>	<u>1,315,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,663,227</u>
Deferred tax liabilities:						
Temporary differences:						
Long-term equity investments	(8,339,803)	(1,304,662)	237,635	-	-	(9,882,100)
Land revaluation increment tax	(119,862)	-	-	-	-	(119,862)
Others	(1,415,993)	(233,670)	359	-	(63,048)	(1,713,070)
	<u>(9,875,658)</u>	<u>(1,538,332)</u>	<u>(237,994)</u>	<u>-</u>	<u>(63,048)</u>	<u>(11,715,032)</u>
	<u>(\$ 5,527,575)</u>	<u>(\$ 223,188)</u>	<u>(\$ 237,994)</u>	<u>\$ -</u>	<u>(\$ 63,048)</u>	<u>(\$ 6,051,805)</u>

D. According to Act for Industrial Innovation and Statute for Upgrading Industries (before its abolishment), details of the Company's investments tax credits and unrecognised deferred tax assets are as follows:

December 31, 2015

Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Tax credit of investment usable until
Investments in emerging important strategic industries	<u>\$ 8,436</u>	<u>\$ -</u>	2016

E. Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2016

Year incurred	Amount filed /assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2007-2016	<u>\$ 11,958,542</u>	<u>\$ 11,870,620</u>	<u>\$ 9,237,077</u>	2028

December 31, 2015

Year incurred	Amount filed /assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2002-2015	<u>\$ 12,549,587</u>	<u>\$ 12,414,396</u>	<u>\$ 8,742,298</u>	2028

F. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
Deductible temporary differences	<u>\$ 352,717</u>	<u>\$ 877,199</u>

G. The Group has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary differences unrecognised as deferred tax liabilities were \$6,907,483 and \$6,751,565, respectively.

H. The status of the Company and its domestic subsidiaries' assessed and approved income tax returns are as follows:

	Latest year assessed by Tax Authority
The Company and its domestic subsidiaries - AMT, Cyntec, Delta Capital, DelBio, DGL and DNIT	2014
NEM	2015

I. Unappropriated retained earnings:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Earnings generated in and before 1997	\$ -	\$ 685,952
Earnings generated in and after 1998	<u>31,915,572</u>	<u>27,822,988</u>
	<u>\$ 31,915,572</u>	<u>\$ 28,508,940</u>

J. The balance of the imputation tax credit account and the creditable tax rate are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Imputation tax credit account balance	\$ 1,005,087	\$ 312,982
	<u>2016 (Estimated)</u>	<u>2015 (Actual)</u>
Creditable tax ratio	<u>1.49%</u>	<u>1.67%</u>

(32) Earnings per share

	<u>Year ended December 31, 2016</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 18,797,799</u>	<u>2,597,543</u>	<u>\$ 7.24</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 18,797,799	2,597,543	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	<u>-</u>	<u>25,335</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 18,797,799</u>	<u>\$ 2,622,878</u>	<u>\$ 7.17</u>

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 18,714,623	2,438,420	\$ 7.67
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 18,714,623	2,438,420	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	-	25,679	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 18,714,623	2,464,099	\$ 7.59

(33) Transactions with non-controlling interest

- A. On October 3, 2016, the Group indirectly acquired 49.79% issued shares of DAL for cash of \$873,505 through a subsidiary, DEN.
- B. On July 28, 2015, the Group acquired 100% shares of Apex, Galaxy Star, Jade, Apex – HK, Galaxy Star – HK and Jade – HK for a total cash consideration of \$11,974,091 and indirectly acquired 45% of issued shares of their subsidiaries, Delta Electronics (Jiangsu) Ltd., Delta Electronics Components (Wujiang) Ltd., Delta Electro-Optics (Wujiang) Ltd., Delta Video Display System (Wujiang) Ltd.. On December 1, 2015, the Group acquired 30% of issued shares of its subsidiary, SYN-TEC AUTOMATION CO., LTD., for a total cash consideration of \$28,350. The effect of changes in the equity attributable to owners of the parent is shown below:

	Years ended December 31,	
	2016	2015
Carrying amount of non-controlling interest acquired	\$ 993,871	\$ 6,051,440
Consideration paid to non-controlling interest	(873,505)	(11,998,300)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	\$ 120,366	(\$ 5,946,860)
Increase in capital surplus contributed to:		
Owners of the parent	\$ 120,366	\$ -
Decrease in the equity attributable to:		
Owners of the parent	\$ -	(\$ 5,589,901)
Non-controlling interest	\$ -	(\$ 356,959)

(34) Business combinations

A. Business combination transactions of the Group for the years ended December 31, 2016 and 2015 are as follows:

- (a) On January 12, 2016, the Group acquired 38.81% of the share capital of Power Forest Technology Corporation for a total amount of \$123,793. Before the abovementioned acquisition, the Group's subsidiary, Cyntec Co., Ltd. acquired 21.21% of the share capital of Power Forest Technology Corporation for a total amount of \$55,368 in 2015. The Group acquired total 60.02% of the share capital of Power Forest Technology Corporation for a total amount of \$179,161.
- (b) The Group acquired 85% of the share capital of Loy Tec and INNOCONTROL for a cash consideration of \$2,229,415 (approximately EUR\$61,200 thousand) on April 28, 2016.
- (c) The Group acquired Delta Controls Inc.'s building automation system operating segment's assets for a cash consideration of \$5,480,200 (approximately CAD \$ 220 million) through its subsidiary, 0172043 B.C. Ltd. (now changed name to Delta Controls Inc.) on July 11, 2016.
- (d) On December 15, 2016, the Group acquired 100% share ownership of AGEMA SYSTEMS, INC. for cash of \$20,972 (US\$658 thousand).
- (e) On January 1, 2015, the Group acquired 100% share ownership of Vitor for cash of \$79,575.
- (f) The Group acquired 100% share ownership of Eltek for a cash consideration of \$15,223,268 (approximately NOK\$3.87 billion) on May 4, 2015.
- (g) On July 2, 2015, the Group participated in the cash capital increase of DAL for a cash consideration of \$694,760 (US\$22,000 thousand). The Company and its subsidiary, DEN, separately held 16.61% and 2.77% share ownership of DAL prior to the capital increase, and separately held 10.26% and 39.95% share ownership after the capital increase, respectively. Total share ownership is 50.21%.

B. Consideration paid for acquisition of the abovementioned subsidiaries and fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Purchase consideration		
Cash	\$ 7,909,748	\$ 15,997,603
Fair value of equity interest in the acquired companies held by the Company and subsidiaries before the business combination	1,095	216,753
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>498,901</u>	<u>980,690</u>
	<u>8,409,744</u>	<u>17,195,046</u>
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	122,310	2,140,423
Other current assets	795,058	7,786,764
Investments accounted for under equity method	2,368	35,541
Property, plant and equipment	323,652	3,842,717
Intangible assets	3,585,515	8,213,210
Other non-current assets	3,690	1,728,135
Current liabilities	(264,443)	(8,142,466)
Non-current liabilities	(31,770)	(3,910,924)
Deferred tax liabilities	(196,767)	(63,048)
Total identifiable net assets	<u>4,339,613</u>	<u>11,630,352</u>
Goodwill	<u>\$ 4,070,131</u>	<u>\$ 5,564,694</u>

C. Starting from the acquisition of share ownership in the abovementioned subsidiaries, the operating revenue and profit before tax included in the consolidated statements of comprehensive income and contributed by those companies amounted to \$1,488,542 and \$34,960 for the year ended December 31, 2016, respectively. Had those companies been consolidated from January 1, 2015, the consolidated statement of comprehensive income would show operating revenue and profit before income tax as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenue	\$ 216,250,722	\$ 211,057,727
Profit before income tax	24,406,405	24,077,669

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Sales of goods

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Sales of goods:		
Associates	\$ 5,553,935	\$ 5,521,219
Others	-	629,705
	<u>\$ 5,553,935</u>	<u>\$ 6,150,924</u>

The sales terms, including prices and collections, were negotiated based on cost, market competitors and other factors.

B. Purchases of goods

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Purchases of goods:		
Associates	\$ 1,422,296	\$ 1,164,401
Others	-	131,040
	<u>\$ 1,422,296</u>	<u>\$ 1,295,441</u>

The purchase terms, including prices and payments, were negotiated based on cost, market competitors and other factors.

C. Period-end balances arising from sales of goods

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivables from related parties:		
Associates	<u>\$ 1,431,921</u>	<u>\$ 1,475,555</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 75 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

D. Period-end balances arising from purchases of goods

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Payables to related parties:		
Associates	<u>\$ 468,980</u>	<u>\$ 458,709</u>

The payables to related parties arise mainly from purchase transactions and are due 70 days after the date of purchase. The payables bear no interest.

E. Period-end balances arising from other transactions

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other receivables-related parties		
Associates	\$ <u>104,580</u>	\$ <u>125,608</u>

The above pertain mainly to advance payments.

F. Property transactions

The Group participated in the capital increase of DAL for \$694,760 in July 2015. The related proceeds have been fully paid as of December 31, 2015.

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 561,149	\$ 583,670
Share-based payments	-	9,869
	<u>\$ 561,149</u>	<u>\$ 593,539</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged assets</u>	<u>Book value</u>		<u>Pledge purpose</u>
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	
Demand deposits and time deposits (shown as other assets - current and non-current)	\$ 146,174	\$ 219,512	Collateral for customs duties and other guarantee deposits Warranty
Time deposits (shown as other current assets)	145,819	148,508	
	<u>\$ 291,993</u>	<u>\$ 368,020</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Property, plant and equipment	\$ <u>148,991</u>	\$ <u>292,378</u>
Costs of computer software	\$ <u>175,350</u>	\$ <u>350,700</u>

B. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Not later than one year	\$ 318,111	\$ 246,461
Later than one year but not later than five years	594,015	357,253
Later than five years	171,317	376,743
	<u>\$ 1,083,443</u>	<u>\$ 980,457</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 14, 2017, the Group's subsidiary, DEN, is planning to acquire 51% shares of Delta Energy Systems (Switzerland) AG, 51% shares of Delta Greentech Electronics Industry LLC, 100% shares of Delta Greentech (USA) Corporation and 100% shares of Delta Greentech (Brasil) S.A. for cash of US\$24,850 thousand through subsidiary, Delta Greentech (Netherlands) B.V., which is the subsidiary of associate, Delta Electronics (Thailand) Public Company Limited. On the same day, DEN has resolved to sell 100% shares of its subsidiary, Eltek s.r.o., to Delta Greentech (Netherlands) B.V. for cash of US\$ 22 million.

12. OTHERS

(1) Capital risk management

The Group's objectives (including disposal groups held for sale) when managing capital are to maintain an integrity credit rating and good capital structure to support operating and maximum stockholders' equity.

(2) Financial instruments

A. Fair value information of financial instruments

The fair value of financial instruments measured at amortized cost (including notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term loans, notes payable, accounts payable (including related parties) and other payables) are based on their book value as book value is approximate to fair value. The fair value of long-term loans (including current portion) is based on book value as their interest rate is approximate to market interest rate. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(16)).

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, foreign exchange swap contracts and options, transacted with Group treasury.
- iii. The Group adopts the derivative financial instruments like forward exchange contracts / forward exchange transactions, etc. to hedge the fair value risk and cash flow risk due to foreign exchange rate fluctuations. The Group monitors at any time and pre-sets a "stop loss" amount to limit its foreign exchange risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2016			
(Foreign currency: Functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB : USD (Note)	\$ 1,136,518	0.1438	\$ 5,269,000
USD : RMB (Note)	443,983	6.9563	14,318,452
USD : NTD	290,284	32.250	9,361,659
EUR : USD (Note)	33,349	1.0512	1,130,531
USD : NOK (Note)	55,693	8.6335	1,796,099
EUR : NOK (Note)	47,857	9.0753	1,622,352
<u>Non-monetary items</u>			
RMB : USD (Note)	\$ 9,353,911	0.1438	\$ 43,365,946
EUR : USD	65,423	1.0512	2,217,841
USD : NTD	3,425,504	32.250	110,472,488
THB : NTD	8,776,613	0.9050	7,942,835
THB : USD	(948,456)	0.0281	(858,353)
NOK : USD (Note)	4,251,777	0.1158	15,882,217
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB : USD (Note)	\$ 1,805,188	0.1438	\$ 8,369,014
USD : RMB (Note)	267,041	6.9563	8,612,072
USD : NTD	262,441	32.250	8,463,722
USD : CAD (Note)	98,345	1.3488	3,171,626
USD : NOK (Note)	78,245	8.6335	2,523,401
EUR : NOK (Note)	35,298	9.0753	1,196,602

Note: Certain consolidated entities' functional currency is not NTD. Therefore, the Group shall consider these items when disclosing the above information.

December 31, 2015

(Foreign currency: Functional currency)	Foreign currency		
	amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 268,941	32.8250	\$ 8,827,972
USD : RMB (Note)	384,993	6.4917	12,637,397
RMB : USD (Note)	936,707	0.1540	4,736,423
EUR : USD (Note)	29,972	1.0931	1,075,399
EUR : NOK (Note)	223,085	9.6301	8,004,366
GBP : NOK (Note)	33,284	13.0630	1,619,932
USD : NOK (Note)	435,646	8.8102	14,300,200
<u>Non-monetary items</u>			
RMB : USD (Note)	\$ 8,768,241	0.1540	\$ 44,336,258
NTD : USD (Note)	2,307,836	0.0305	2,307,836
USD : NTD	3,290,856	32.8250	108,022,348
THB : NTD	7,910,538	0.9146	7,234,978
THB : USD	(347,724)	0.0279	(318,029)
USD : EUR (Note)	53,839	0.9149	1,767,274
NOK : USD (Note)	4,428,934	0.1038	16,501,498
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 241,001	32.8250	\$ 7,910,842
USD : RMB (Note)	436,993	6.4917	14,344,318
RMB : USD (Note)	1,397,206	0.1540	7,064,917
EUR : NOK (Note)	90,636	9.6301	3,252,055
USD : NOK (Note)	375,043	8.8102	12,310,889

Note: Certain consolidated entities' functional currency is not NTD. Therefore, the Group shall consider these items when disclosing the above information.

- v. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to \$229,912 and \$679,514, respectively.

(Foreign currency: Functional currency)	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB : USD (Note)	1%	\$ 52,690	\$ -
USD : RMB (Note)	1%	143,185	-
USD : NTD	1%	93,617	-
EUR : USD (Note)	1%	11,305	-
USD : NOK (Note)	1%	17,961	-
EUR : NOK (Note)	1%	16,224	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB : USD (Note)	1%	\$ 83,690	\$ -
USD : RMB (Note)	1%	86,121	-
USD : NTD	1%	84,637	-
USD : CAD (Note)	1%	31,716	-
USD : NOK (Note)	1%	25,234	-
EUR : NOK (Note)	1%	11,966	-

Note: Certain consolidated entities' functional currency is not NTD. Therefore, the Group shall consider these items when disclosing the above information.

Year ended December 31, 2015			
Sensitivity analysis			
(Foreign currency: Functional currency)	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 88,280	\$ -
USD : RMB (Note)	1%	126,374	-
RMB : USD (Note)	1%	47,364	-
EUR : USD (Note)	1%	10,754	-
EUR : NOK (Note)	1%	80,044	-
GBP : NOK (Note)	1%	16,199	-
USD : NOK (Note)	1%	143,002	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 79,108	\$ -
USD : RMB (Note)	1%	143,443	-
RMB : USD (Note)	1%	70,649	-
USD : NOK (Note)	1%	32,521	-
EUR : NOK (Note)	1%	123,109	-

Note: Certain consolidated entities' functional currency is not NTD. Therefore, the Group shall consider these items when disclosing the above information.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio to control this risk.

The Group's investments in equity securities comprise listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by \$151 and \$224, respectively, as a result of gain/loss on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$64,624 and \$74,524 as of December 31, 2016 and 2015, respectively, as a result of gain/loss on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the

Group to fair value interest rate risk. The Group's borrowings mainly bear fixed and variable interest rate. During the years ended December 31, 2016 and 2015, the Group's borrowings at variable rate were denominated in NTD, USD, JPY and EUR.

- ii. If the interest rate increases by 0.25%, and all other conditions are the same, the impact on post-tax profit would decrease by \$1,093 and \$934 for the years ended December 31, 2016 and 2015, respectively, resulting from the variable rate borrowings.

b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations as described below:

- According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- Individual risk limits are set based on internal or external ratings in accordance with limits set by the credit controller. The utilisation of credit limits is regularly monitored.
- For banks and financial institutions, only well rated parties are accepted.
- Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

- ii. For the years ended December 31, 2016 and 2015, the management does not expect any significant losses from non-performance by these counterparties.

- iii. The credit quality information of significant financial assets that are neither past due nor impaired is described in Note 6(6).

c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

- ii. The table below analyses the Group's (including non-current disposal group classified as held for sale) non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities:

Non-derivative financial liabilities:

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 12,539,294	\$ -	\$ -	\$ -
Notes and accounts payable (including related parties)	37,514,151	-	-	-
Other payables	23,275,430	-	-	-
Long-term borrowings (including current portion)	47,072	8,059,405	228,166	226,387

<u>December 31, 2015</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 11,109,573	\$ -	\$ -	\$ -
Notes and accounts payable (including related parties)	35,882,259	-	-	-
Other payables	22,362,597	-	-	-
Long-term borrowings (including current portion)	55,241	3,616,399	117,938	259,468

Derivative financial liabilities:

As of December 31, 2016 and 2015, the derivative financial liabilities which were operated by the Group are due within 1 year.

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(11).
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 15,075	\$ -	\$ -	\$ 15,075
Forward exchange contracts	-	41,177	-	41,177
Derivative financial assets for hedging	-	7,708	-	7,708
Available-for-sale financial assets				
Equity securities	4,880,265	-	1,582,140	6,462,405
Convertible bonds	140,103	-	-	140,103
	<u>\$ 5,035,443</u>	<u>\$ 48,885</u>	<u>\$ 1,582,140</u>	<u>\$ 6,666,468</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 219,490</u>	<u>\$ -</u>	<u>\$ 219,490</u>
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 22,345	\$ -	\$ -	\$ 22,345
Forward exchange contracts	-	12,979	-	12,979
Convertible bonds	2,197	223,695	-	225,892
Available-for-sale financial assets				
Equity securities	6,130,090	-	1,322,317	7,452,407
Convertible bonds	87,090	-	-	87,090
	<u>\$ 6,241,722</u>	<u>\$ 236,674</u>	<u>\$ 1,322,317</u>	<u>\$ 7,800,713</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 140,080</u>	<u>\$ -</u>	<u>\$ 140,080</u>

D. The methods and assumptions that the Group used to measure fair value are as follows:

- (a) The instruments that the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	Listed shares	Convertible (exchangeable) bond
	Closing price	Closing price

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques that are approved for financial management.
- (c) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using the valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	2016	2015
	Equity securities	Equity securities
At January 1	\$ 1,322,317	\$ 1,282,187
Acquired in the period	422,835	372,453
Gain and losses recognised in profit or loss	(108,693)	(32,029)
Gain and losses recognised in other comprehensive income	(14,150)	-
Transfers into level 3	-	29,482
Transfers out from level 3	-	(290,400)
Proceeds from capital reduction	(34,679)	(50,101)
Net exchange differences	(5,490)	10,725
At December 31	<u>\$ 1,582,140</u>	<u>\$ 1,322,317</u>

G. As Nien Made Enterprise Co., Ltd. and Crystalvue Medical Corporation became emerging companies in Taiwan on January 6, 2015 and April 29, 2015, respectively, there was enough observable market data available. Thus, the Group has transferred the fair value amount from Level 3 to Level 1 at the end of the month when the above company became publicly listed. As Lustrous Technology Ltd. terminated the trading of its stocks on TPEX on November 3, 2015, thus, the Group has transferred the fair value amount from Level 1 to Level 3 at the end of month.

H. Investment department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and periodical review. Investment property is evaluated regularly by the Group's financial treasury based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau.

The capital department establishes valuation policies, valuation processes and ensures compliance with the related requirements in IFRS. The related valuation results are reported to the management monthly. The management is responsible for managing and reviewing valuation processes.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,582,140	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,322,317	Net asset value	Not applicable	-	Not applicable

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2016			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change			
Financial assets					
Equity instrument	Net asset value	± 1%	\$ -	\$ -	\$ 15,821 (\$ 15,821)
		December 31, 2015			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change			
Financial assets					
Equity instrument	Net asset value	± 1%	\$ -	\$ -	\$ 13,223 (\$ 13,223)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 6.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(5), 6(16) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 9.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 10.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 11.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 7 and 8 for significant transactions of purchases, sales, receivables and payables of investee companies in the Mainland China, and transactions between the Company indirectly through investees in a third area, Delta Electronics Int'l (Singapore) Pte. Ltd. (DEIL-SG) and Cyntec International Ltd. (CIL-Labuan), with investee companies in the Mainland China, for the year ended December 31, 2016.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Group's management has determined the reportable segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group considers the business from a product perspective. The Group's business is segregated into power electronics business, energy management business and smart green life business. Breakdown of the revenue from all sources is as follows:

- A. Power electronics business: Embedded Power Supplies, Mobile Power, Industrial and medical power supplies, Fans and Cooling Management, Core Components of Information and Communication and other items. Provides global power management and cooling plans and management.
- B. Energy management business: Industrial Automation, Communication Power System, Uninterruptible Power System and Information Centre, Recharging Equipment for Automotive Electronics and Electronic Cars, Renewable Energy, and other items. Provides energy automation plans for factories and buildings.

C. Smart green life business: Network Devices, Conferencing and Visual Imaging System, LED Lighting Plans, Vivitek High Definition Projector and other items.

Because of the change of product classification, the Group's reporting business changed. The prior period information was restated for comparison.

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2016			
	Power electronics business	Energy management business	Smart green life business	Total
Revenue from external customers	\$ 111,688,916	\$ 59,372,657	\$ 40,156,289	\$ 211,217,862
Segment income (Note)	\$ 15,614,625	\$ 6,960,894	\$ 3,394,379	\$ 25,969,898
	Year ended December 31, 2015			
	Power electronics business	Energy management business	Smart green life business	Total
Revenue from external customers	\$ 109,804,256	\$ 53,340,517	\$ 38,678,654	\$ 201,823,427
Segment income (Note)	\$ 15,625,046	\$ 6,324,855	\$ 3,741,602	\$ 25,691,503

Note: Segment income represents income after eliminating inter-segment transactions.

(4) Reconciliation information for segment income (loss)

A. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that of the statement of comprehensive income.

B. A reconciliation of reportable segments income or loss to income (loss) before tax from continuing operations for the years ended December 31, 2016 and 2015 is provided as follows:

	Years ended December 31,	
	2016	2015
Reportable segments income	\$ 25,969,898	\$ 25,691,503
Other segments' loss	(5,144,227)	(5,192,589)
Non-operating income and expenses	<u>3,964,290</u>	<u>4,275,882</u>
Income before tax from continuing operations	<u>\$ 24,789,961</u>	<u>\$ 24,774,796</u>

(5) Information on products and services

As the Group considered the business from a product perspective, the reportable segments were based on different products and services. Revenues from external customers are the same as in Note 14(3).

(6) Geographical information

Information about geographic areas for the years ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,			
	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	\$ 117,653,470	\$ 26,255,162	\$ 111,454,880	\$ 31,042,064
U.S.A.	39,626,956	2,916,163	33,962,615	3,057,880
Taiwan	10,668,246	21,749,131	2,008,335	21,823,954
Others	<u>46,406,899</u>	<u>25,098,946</u>	<u>56,025,831</u>	<u>16,137,269</u>
	<u>\$ 214,355,571</u>	<u>\$ 76,019,402</u>	<u>\$ 203,451,661</u>	<u>\$ 72,061,167</u>

(7) Major customer information

There are no customers accounting for more than 10% of the Group's operating revenues for the years ended December 31, 2016 and 2015.

Delta Electronics Inc. and Subsidiaries
Loans to others

Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 1

No. (Note a)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016 (Note b)	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan (Note g)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
1	Fairview Assets Limited	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	8,062,500	8,062,500	8,062,500	0.50%	2	-	Additional operating capital	-	None	-	27,263,744	27,263,744	Note f
1	Fairview Assets Limited	Delta Controls Inc.	Other receivables - related parties	Yes	4,192,500	4,192,500	3,128,250	0.50%	2	-	Additional operating capital	-	None	-	27,263,744	27,263,744	Note f
2	Delta Networks Holding Ltd.	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	7,095,000	7,095,000	7,095,000	0.50%	2	-	Additional operating capital	-	None	-	11,188,662	11,188,662	Note e
3	Delta Electronics (HK) Ltd.	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	903,000	903,000	903,000	0.50%	2	-	Additional operating capital	-	None	-	13,611,470	13,611,470	Note d
4	Delta International Holding Limited	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	967,500	967,500	967,500	0.50%	2	-	Additional operating capital	-	None	-	31,309,717	31,309,717	Note d
5	ELTEK AS	Eitek Italia S.r.l.	Other receivables - related parties	Yes	20,340	20,340	20,339	3.45%	2	-	Additional operating capital	-	None	-	2,542,417	2,542,417	Note e
5	ELTEK AS	Eitek Sistemas de Energia Industriale Commercio S.A.	Other receivables - related parties	Yes	425,700	425,700	-	-	2	-	Additional operating capital	-	None	-	2,542,417	2,542,417	Note e
5	ELTEK AS	Eitek Holding AB	Other receivables - related parties	Yes	3,717	3,717	-	3.40%	2	-	Additional operating capital	-	None	-	2,542,417	2,542,417	Note e
5	ELTEK AS	ELTEK MEA DMCC	Other receivables - related parties	Yes	219,300	219,300	87,770	3.44%	2	-	Additional operating capital	-	None	-	2,542,417	2,542,417	Note e
5	ELTEK AS	ELTEK ENERJI SISTEMLERI LIMITED SIRKETI	Other receivables - related parties	Yes	96,750	96,750	-	3.44%	2	-	Additional operating capital	-	None	-	2,542,417	2,542,417	Note e
5	ELTEK AS	Eitek s.r.o.	Other receivables - related parties	Yes	244,080	244,080	200,266	3.45%	2	-	Additional operating capital	-	None	-	2,542,417	2,542,417	Note e
6	Eitek Deutschland GmbH	E.V.I. Electronics Sp. z o.o.	Other receivables - related parties	Yes	245,536	245,536	6,780	3.25%	2	-	Additional operating capital	-	None	-	289,739	289,739	

Note a: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note b: Maximum outstanding balance during the current period was translated into New Taiwan dollars using the exchange rate at December 31, 2016, which the Company reported to the Securities and Futures Bureau.

Note c: Limit on loans granted by the Company to a single party is 20% of the Company's net assets based on the latest audited or reviewed financial statements, and limit on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Note d: Limit on loans granted by subsidiaries to a single party is 40% of the subsidiaries' net assets based on the latest audited or reviewed financial statements, and limit on total loans is 40% of the subsidiaries' net assets based on the latest audited or reviewed financial statements.

Note e: Limit on loans for financing granted by and to subsidiaries of which the ultimate parent directly or indirectly holds 100% of its voting shares is the lender's net assets based on the latest audited or reviewed financial statements, and limit on total loans is the lender's net assets based on the latest audited or reviewed financial statements.

Note f: In accordance with the Fairview Assets Limited's Operating Procedures of Fund Lending, when providing short-term financing to foreign companies of which the ultimate parent company directly or indirectly holds 100% of its voting shares, the limit on loans to a single company is the lender's net assets based on the latest audited or reviewed financial statements. The limit on total loans is the lender's net assets based on the latest audited or reviewed financial statements.

Note g: Nature of loans:

(1) Business transaction: 1.

(2) Short-term financing: 2.

Delta Electronics Inc. and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

Number (Note a)	Endorser / guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party (Note c)	Maximum outstanding guarantee amount as of December 31, 2016	Outstanding endorsement / guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement / guarantee amount to net asset value of the endorser / guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note c)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser / guarantor (Note e)											
1	ELTEK AS	ELTEK POWER P.TE. LTD.	(3)	\$ 2,482,289	\$ 449,553	\$ 322,500	\$ 322,500	\$ -	0.27%	\$ 6,205,721	Y	N	N	
1	ELTEK AS	Eltek Power Sweden AB	(3)	2,482,289	17,700	17,700	17,700	-	0.01%	6,205,721	Y	N	N	
1	ELTEK AS	ELTEK MEA DMCC	(3)	2,482,289	75,232	75,232	75,232	-	0.06%	6,205,721	Y	N	N	
1	ELTEK AS	ELTEK AUSTRALIA PTY LIMITED	(3)	2,482,289	145,125	145,125	145,125	-	0.12%	6,205,721	Y	N	N	

Note a: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note b: In accordance with the Company's Procedures for Provision of Endorsements and Guarantees, "limit on total endorsements is 40% of the Company's net assets based on the latest audited or reviewed financial statements. Limit on total endorsements granted by the Company and subsidiaries is 50% of the Company's net assets based on the latest audited or reviewed financial statements. Limit on total endorsements to a single party is 30% of the Company's net assets based on the latest audited or reviewed financial statements.

Note c: In accordance with Eltek's Procedures for Provision of Endorsements and Guarantees, "limit on total endorsements is 5% of the Company's net assets based on the latest audited or reviewed financial statements of the Company's net assets based on the latest audited or reviewed financial statements.

Note d: The Company's net assets based on the latest audited or reviewed financial statements were \$124,114,426 thousand (2016/12/31).

Note e: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Delta Electronics Inc. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016			Footnote
				Number of shares	Book value	Ownership (%)	
Delta Electronics Inc.	Swissray Global Healthcare Holding Limited common stock	None	Available-for-sale financial assets	27,722,000	\$ 778,988	19.55	778,988
Delta Electronics Inc.	Neo Solar Power Corp. common stock	None	Available-for-sale financial assets	167,145,851	2,523,902	16.42	2,523,902
Delta Electronics Inc.	Tong Hsing Electronic Industries, Ltd.	None	Available-for-sale financial assets	958,000	105,380	0.59	105,380
Delta Electronics Inc.	Amita Technologies, Inc.	None	Available-for-sale financial assets	8,525,088	277,065	16.97	277,065
Delta Electronics Inc.	Others	None	-	-	272,137	-	272,137
Delta International Holding	Solarflare Communications, Inc. preferred shares	None	Available-for-sale financial assets	9,547,235	307,898	4.04	307,898
Delta International Holding	Mentis Technology, Inc., etc	None	-	-	113,057	-	113,057
Delta Electronics (Japan) Inc.	Macy (Cayman) Inc.	None	Financial assets carried at cost	74,000,000	34,224	19.79	34,224
Delta Electronics (Pnaatn) Co., Ltd.	Pingtan Hi Tech Investment Development Shares Co., Ltd.	None	Financial assets carried at cost - non-current	-	34,771	15.00	34,771
Delta Electronics Capital Company	Tong Hsing Electronic Industries, Ltd. common stock	None	Available-for-sale financial assets	1,809,000	198,990	1.11	198,990
Delta Electronics Capital Company	APOGEE OPTOCOM CO., LTD.	None	Available-for-sale financial assets	1,821,062	107,443	5.64	107,443
Delta Electronics Capital Company	Nien Made Enterprise Co., Ltd. common stock	None	Available-for-sale financial assets	822,043	273,329	0.28	273,329
Delta Electronics Capital Company	Globalwafers Co., Ltd. common stock	None	Available-for-sale financial assets	1,301,300	149,650	0.35	149,650
Delta Electronics Capital Company	EBM Technologies, Inc. common stock, etc.	None	-	-	1,682,157	-	1,682,157
Delta America Ltd.	DPT, Inc., etc.	None	Financial assets carried at cost - non-current	-	5,644	-	5,644
Cyntec Co., Ltd.	SUSUMU Co., Ltd., stock	None	Financial assets carried at cost - non-current	200,000	104,081	11.53	104,081
Cyntec Co., Ltd.	LUXTERA, INC. stock	None	Financial assets carried at cost - non-current	55,029,284	336,195	3.71	336,195
Delta Electronics (Netherlands) B.V.	Wynd Technologies Inc. warrants	None	Financial assets carried at cost - non-current	-	12,900	-	12,900
Delta Electronics Int'l (Singapore) Pte. Ltd.	PBA International Pte. Ltd. common stock	None	Financial assets carried at cost - non-current	1,900	369,751	19.00	369,751
Delta Electronics Int'l (Singapore) Pte. Ltd.	Assent Solution Pte Ltd. preferred shares	None	Financial assets carried at cost - non-current	33,795	47,986	5.74	47,986

Delta Electronics Inc. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investee	Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2016		Footnote
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
Delta Electronics (Netherlands) B.V.	Castle Horizon Limited	Investments accounted for using equity method	Countiland Holding Limited	None	-	\$ -	471,800	\$ 850,615	-	\$ -	\$ -	-	471,800	\$ 850,615	(Note 1)
Delta Electronics Int'l (Singapore) Pte. Ltd.	Loy Tec electronics GmbH and INNOCONTROL electronics GmbH	Investments accounted for using equity method	Natural person	None	-	-	-	2,217,841	-	-	-	-	-	2,217,841	(Note 2) (Note 3)
Delta Electronics Int'l (Singapore) Pte. Ltd.	PBA International Pte. Ltd.	Financial assets carried at cost	Y&P Pte. Ltd.	None	-	-	1,900	369,751	-	-	-	-	1,900	369,751	
Delta Electronics Inc.	Delta Electronics (Netherlands) B.V.	Investments accounted for using equity method	Delta Electronics (Netherlands) B.V.	Subsidiary	25,674,091	1,289,447	94,545,454	2,932,476	-	-	-	-	120,219,545	4,221,923	(Note 4)

Note 1: Delta Electronics (Netherlands) B.V. increased investment by \$731,184 in Castle Horizon Limited in October 2016, which includes recognition of adjustments in profit (loss) and net value of associates.

Note 2: In April 2016, Delta Electronics Int'l (Singapore) Pte. Ltd. increased its investment by \$2,227,151 in Loy Tec electronics GmbH and INNOCONTROL electronics GmbH, which includes recognition of adjustments in profit (loss) and net value of associates.

Note 3: INNOCONTROL electronics GmbH merged with Loy Tec electronics GmbH in September 2016.

Note 4: Delta Electronics Inc. increased investment by \$3,346,470 in Delta Electronics (Netherlands) B.V. in May and September 2016, which includes recognition of adjustments in profit (loss) and net value of associates.

Table 4-1

Delta Electronics Inc. and Subsidiaries

Acquisition of real estate reaching \$300 million or 20% of paid-in capital

Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Delta Electronics (Japan) Inc.	Buildings and structures	2016.03.31	\$ 327,708	Acquired by cash	Matsumura-Gumi Corp., etc.	None	-	-	\$ -	Price comparison and negotiation	Commissioned others to build solar-powered building on the Company's land	None	

Delta Electronics Inc. and Subsidiaries

Disposal of real estate reaching \$300 million or 20% of paid-in capital or more

Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value (Note 2)	Disposal amount (Note 3)	Status of collection of proceeds	Gain (loss) on disposal (Note 4)	Counterparty	Relationship with the counterparty	Reason for disposal	Basis or reference used in setting the price	Other commitments
Delta Products Corporation	Delta Products Corporation's office building	2016.03.29	November 1996	\$ 192,321	\$ 340,327	Pay in accordance with the signed agreement	\$ 148,006	Lam Research Corporation	None	Relocate to new premises and sell original offices to repay borrowings and to improve financial structure	Price appraised by external valuers and market prices	Commit in accordance with the signed agreement

Note 1: The chart is translated at the exchange rate of USD:NTD = 1: 32.73.

Note 2: The amount is US\$5,876 thousand, which includes allocation of acquisition prices.

Note 3: The amount is US\$10,398 thousand.

Note 4: The amount is US\$4,522 thousand.

Table 6-1

Delta Electronics Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 7

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Subsidiary	Sales	\$ 11,585,829	30.06	75 days	\$ -	-	\$ 1,765,749	20.49	
Delta Electronics Inc.	DEI Logistics (USA) Corp.	Affiliated enterprise	Sales	285,504	0.74	75 days	-	-	76,180	0.88	
Delta Electronics Inc.	Cyntec Electronics (Suzhou) Co., Ltd.	Affiliated enterprise	Sales	302,347	0.78	75 days	-	-	70,557	0.82	
Delta Electronics Inc.	Delta Electronics (Thailand) Public Company Limited	Associate	Sales	375,384	0.97	75 days	-	-	57,509	0.67	
Delta Electronics Inc.	Delta Energy Systems (Singapore) PTE. LTD.	Associate	Sales	296,195	0.77	75 days	-	-	91,543	1.06	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	7,831,899	3.48	75 days	-	-	1,406,465	2.73	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	18,325,047	8.14	75 days	-	-	3,228,369	6.26	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Jiangsu) Ltd.	Affiliated enterprise	Sales	16,895,633	7.51	75 days	-	-	1,431,549	2.78	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	Sales	10,539,657	4.68	75 days	-	-	977,645	1.90	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Video Display System (Wujiang) Ltd.	Affiliated enterprise	Sales	4,748,313	2.11	75 days	-	-	530,768	1.03	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	Affiliated enterprise	Sales	2,411,187	1.07	75 days	-	-	555,148	1.08	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Chenzhou Delta Technology Co. Ltd.	Affiliated enterprise	Sales	413,643	0.18	75 days	-	-	87,185	0.17	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	Sales	4,151,378	1.84	75 days	-	-	731,201	1.42	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Wuhu Delta Technology Co., Ltd.	Affiliated enterprise	Sales	166,918	0.07	75 days	-	-	36,652	0.07	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Japan), Inc.	Affiliated enterprise	Sales	2,791,531	1.24	75 days	-	-	661,621	1.28	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Korea), Inc.	Affiliated enterprise	Sales	\$ 233,304	0.10	75 days	\$ -	-	\$ 66,774	0.13	
Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	Affiliated enterprise	Sales	19,312,580	8.58	75 days	-	-	5,902,709	11.45	
Delta Electronics Int'l (Singapore) Pte. Ltd.	PreOptix (JiangSu) Co., Ltd.	Affiliated enterprise	Sales	120,817	0.05	75 days	-	-	27,249	0.05	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics International Mexico SA de CV	Affiliated enterprise	Sales	193,053	0.09	75 days	-	-	69,744	0.14	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Vivitek Corporation	Affiliated enterprise	Sales	430,990	0.19	75 days	-	-	109,727	0.21	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Products Corporation	Affiliated enterprise	Sales	1,905,344	0.85	75 days	-	-	696,577	1.35	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks, Inc. (Taiwan)	Affiliated enterprise	Sales	930,119	0.41	75 days	-	-	123,971	0.24	
Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	Affiliated enterprise	Sales	11,046,445	4.91	75 days	-	-	4,078,626	7.91	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	Affiliated enterprise	Sales	19,150,648	8.51	75 days	-	-	4,013,324	7.78	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	Ultimate parent company	Sales	19,739,578	8.77	75 days	-	-	7,021,660	13.62	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	Sales	1,899,231	0.85	75 days	-	-	366,145	0.71	
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK AS	Affiliated enterprise	Sales	406,255	0.18	75 days	-	-	213,163	0.41	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Energy Systems (Switzerland) AG	Associate	Sales	154,805	0.07	75 days	-	-	34,828	0.07	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Greentech (Brasil) S.A.	Associate	Sales	163,924	0.07	75 days	-	-	74,324	0.14	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Thailand) Public Company Limited	Associate	Sales	253,115	0.11	75 days	-	-	55,452	0.11	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Power Solutions (India) Pvt Ltd.	Associate	Sales	790,007	0.35	75 days	-	-	177,758	0.34	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Greentech (USA) Corporation	Associate	Sales	656,116	0.29	75 days	-	-	230,877	0.45	

Table 7-2

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta India Electronics Pvt. Ltd.	Associate	Sales	\$ 849,911	0.38	75 days	\$ -	-	\$ 230,030	0.45	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Slovakia) s.r.o.	Associate	Sales	225,148	0.10	75 days	-	-	24,787	0.05	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Energy Systems (Australia) PTY. Ltd	Associate	Sales	102,156	0.05	75 days	-	-	16,027	0.03	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Digital Projection Ltd.	Associate	Sales	619,295	0.28	75 days	-	-	224,239	0.43	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Thailand) Public Company Limited	Associate	Purchases	290,914	0.15	75 days	-	-	(47,177)	0.11	
Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	20,450,918	87.87	75 days	-	-	4,651,502	90.37	
Delta Networks, Inc. (Taiwan)	Delta Electronics Inc.	Ultimate parent company	Sales	1,457,636	20.47	75 days	-	-	203,514	25.13	
Delta Networks, Inc. (Taiwan)	DNI Logistics (USA) Co.	Affiliated enterprise	Sales	1,879,483	33.13	75 days	-	-	363,207	44.84	
Delta Networks, Inc. (Taiwan)	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	321,905	5.67	75 days	-	-	217,961	26.91	
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	9,490,493	79.23	75 days	-	-	1,722,229	72.70	
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	960,048	8.02	75 days	-	-	301,290	12.72	
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	23,197,755	94.36	75 days	-	-	4,927,825	91.43	
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	1,088,919	4.43	75 days	-	-	331,781	6.16	
Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	4,622,118	12.17	75 days	-	-	1,445,807	30.72	
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	33,081,145	87.09	75 days	-	-	3,157,866	67.09	
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	Sales	125,330	0.33	75 days	-	-	35,977	0.76	
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	8,300,344	38.67	75 days	-	-	2,576,870	66.35	

Table 7-3

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions			Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	\$ 12,951,974	60.34	75 days	\$ -	-	\$ 1,253,561	32.28	
Delta Video Display System (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	2,335,935	31.39	75 days	-	-	753,746	67.29	
Delta Video Display System (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	4,990,392	67.06	75 days	-	-	342,497	30.58	
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	7,751,485	99.75	75 days	-	-	1,310,242	99.45	
Wuhu Delta Technology Co., Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	Sales	348,404	71.09	75 days	-	-	-	-	
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	5,406,664	100.00	75 days	-	-	1,000,749	100.00	
Chenzhou Delta Technology Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	1,193,646	45.84	75 days	-	-	676,986	88.55	
Chenzhou Delta Technology Co., Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	Affiliated enterprise	Sales	1,138,233	43.71	75 days	-	-	22,337	3.90	
Delta Electronics (Japan) Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	631,728	11.86	75 days	-	-	166,144	17.90	
Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	Affiliated enterprise	Sales and sales revenue	12,424,201	56.79	75 days	-	-	3,988,972	64.47	
Delta Electronics (Shanghai) Co., Ltd.	Delta Networks (Dongguan) Ltd.	Affiliated enterprise	Sales and sales revenue	220,361	1.01	75 days	-	-	22,501	0.36	
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	Sales and sales revenue	129,742	0.59	75 days	-	-	3,210	0.05	
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	Sales and sales revenue	153,688	0.70	75 days	-	-	3,568	0.06	
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics (Thailand) Public Company Limited	Associate	Sales and sales revenue	348,074	1.59	75 days	-	-	29,562	0.48	
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics (Phnaitan) Co., Ltd.	Affiliated enterprise	Sales	212,590	0.97	75 days	-	-	196,761	3.18	
PreOptix (JiangSu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	511,409	97.87	75 days	-	-	33,416	95.19	
Cyntec Co., Ltd.	Cyntec International Ltd - LABUAN	Affiliated enterprise	Sales	1,529,228	37.42	75 days	-	-	186,284	23.42	

Table 7-4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Cyntec Co., Ltd.	DEI Logistics (USA) Corp.	Affiliated enterprise	Sales	\$ 232,553	5.69	75 days	\$ -	-	\$ 47,282	5.94		
Cyntec Co., Ltd.	Delta Electronics Inc.	Ultimate parent company	Sales	340,570	8.33	75 days	-	-	98,927	12.44		
Cyntec Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	230,483	5.64	75 days	-	-	78,379	9.85		
Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd - LABUAN	Affiliated enterprise	Sales	5,880,680	61.70	75 days	-	-	1,194,078	52.69		
Cyntec Electronics (Suzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	3,651,256	38.30	75 days	-	-	1,072,004	47.30		
Cyntec International Ltd - LABUAN	Cyntec Co., Ltd.	Affiliated enterprise	Sales	889,964	8.18	75 days	-	-	151,332	5.21		
Cyntec International Ltd - LABUAN	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	593,986	5.45	75 days	-	-	151,376	5.21		
Delta Products Corporation	Delta Electronics (Thailand) Public Company Limited	Associate	Purchases	728,260	26.33	75 days	-	-	(172,759)	20.45		

Note a: Selling price was the same with the third parties. The credit term to related parties is 60~90 days after monthly billings, while 30~120 days after monthly billings for the third parties.

Note b: Selling price is based on cost price plus administration fees and processing costs. The credit term to related parties is 60~90 days after monthly billings, while 30~120 days after monthly billings for the third parties.

Delta Electronics Inc. and Subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 8

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note a)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance date (Note b)	Allowance for doubtful accounts
					Amount	Action taken		
Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Subsidiary	\$ 1,765,749	6.92	-	-	\$ 803	\$ -
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	1,406,465	5.47	-	-	1,406,465	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	3,228,369	5.23	-	-	2,783,175	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Jiangsu) Ltd.	Affiliated enterprise	1,431,549	11.33	119	-	1,431,549	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	977,645	11.71	-	-	977,645	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Video Display System (Wujiang) Ltd.	Affiliated enterprise	530,768	6.04	-	-	530,768	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	Affiliated enterprise	555,148	4.70	-	-	393,450	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	731,201	6.27	-	-	685,711	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Japan), Inc.	Affiliated enterprise	661,621	5.17	-	-	588,702	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	Affiliated enterprise	5,902,709	3.46	613,663	-	2,875,423	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Vivitek Corporation	Affiliated enterprise	109,727	3.90	9,507	-	76,383	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Products Corporation	Affiliated enterprise	696,577	3.73	-	-	296,417	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks, Inc. (Taiwan)	Affiliated enterprise	123,971	5.48	103	-	93,258	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	Affiliated enterprise	4,078,626	2.71	461,615	-	2,556,295	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	Affiliated enterprise	4,013,324	4.71	-	-	3,483,000	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	Ultimate parent company	7,021,660	2.91	-	-	1,672,885	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	366,145	5.19	-	-	145,380	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK AS	Affiliated enterprise	213,163	3.81	6,403	-	115,196	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Power Solutions (India) Pvt. Ltd.	Associate	177,758	4.52	6,747	-	82,456	-

Table 8-1

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note a)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance date (Note b)	Allowance for doubtful accounts
					Amount	Action taken		
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Greentech (USA) Corporation	Affiliated enterprise	\$ 230,877	2.78	\$ -	-	\$ 128,139	\$ -
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta India Electronics Pvt. Ltd.	Associate	230,030	3.85	-	-	70,090	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Digital Projection Ltd.	Associate	224,239	2.80	49,170	-	74,345	-
Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	4,651,502	4.32	-	-	3,644,250	-
Delta Networks, Inc. (Taiwan)	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	217,961	1.53	-	-	138,991	-
Delta Networks, Inc. (Taiwan)	DNI Logistics (USA) Co.	Affiliated enterprise	363,207	5.34	-	-	306,662	-
Delta Networks, Inc. (Taiwan)	Delta Electronics Inc.	Ultimate parent company	203,514	9.06	-	-	203,514	-
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,722,229	4.90	-	-	1,096,500	-
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	301,290	3.36	-	-	190,175	-
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	4,927,825	4.48	-	-	4,153,800	-
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	331,781	3.03	-	-	198,424	-
Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	1,445,807	3.05	-	-	1,057,760	-
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	3,157,866	10.82	-	-	3,157,866	-
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	2,576,870	3.54	-	-	1,644,407	-
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,253,561	10.66	-	-	1,253,561	-
Delta Video Display System (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	753,746	2.92	-	-	450,983	-
Delta Video Display System (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	342,497	12.92	-	-	342,497	-
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,310,242	5.80	-	-	1,041,675	-
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,000,749	5.54	-	-	1,000,749	-
Chenzhou Delta Technology Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	676,986	2.45	-	-	640,563	-
Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	Affiliated enterprise	3,988,972	3.48	-	-	2,508,869	-

Table 8-2

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note a)	Overdue receivables		Amount collected subsequent to the balance date (Note b)	Allowance for doubtful accounts
				Amount	Action taken		
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics (Pington) Co., Ltd.	Affiliated enterprise	\$ 196,761	-	-	\$ 120,896	\$ -
Delta Electronics (Japan) Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	166,144	-	-	54,620	-
Cyntec Co., Ltd.	Cyntec International Ltd. - LABUAN	Affiliated enterprise	297,493	-	-	294,525	-
Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd. - LABUAN	Affiliated enterprise	1,194,078	-	-	1,194,078	-
Cyntec International Ltd. - LABUAN	Cyntec Co., Ltd.	Affiliated enterprise	151,332	-	-	714,834	-
Cyntec International Ltd. - LABUAN	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	151,376	-	-	75,831	-
Cyntec Electronics (Suzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,072,004	-	-	101,628	-
Fairview Assets Limited	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	8,062,500	-	-	-	-
Fairview Assets Limited	Delta Controls Inc.	Affiliated enterprise	3,128,250	-	-	-	-
Delta Networks Holding Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	7,095,000	-	-	-	-
Delta Electronics (HK) Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	903,000	-	-	-	-
Delta International Holding Limited	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	967,500	-	-	-	-
ELTEK AS	Eltek s.r.o.	Affiliated enterprise	200,266	-	-	-	-

Note a: Including other receivables in excess of \$100,000.

Note b: The amount represents collections subsequent to December 31, 2016 up to March 9, 2017.

Delta Electronics Inc. and Subsidiaries
 Significant inter-company transactions during the reporting periods
 Year ended December 31, 2016
 Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 9

Number (Note a)	Company name	Counterparty	Relationship (Note b)	Transaction			Percentage of consolidated total operating revenues or total assets (Note c and f)
				General ledger account	Amount	Transaction terms	
0	Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	1	Sales	\$ 11,585,829	(Note d)	5.41
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Dongguan) Co., Ltd.	3	Sales	7,831,899	(Note d)	3.65
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	3	Sales	18,325,047	(Note d)	8.55
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Jiangsu) Ltd.	3	Sales	16,895,633	(Note d)	7.88
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Components (Wujiang) Ltd.	3	Sales	10,539,657	(Note d)	4.92
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Video Display System (Wujiang) Ltd.	3	Sales	4,748,313	(Note d)	2.22
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	3	Sales	2,411,187	(Note d)	1.13
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Wuhu) Co., Ltd.	3	Sales	4,151,378	(Note d)	1.94
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Japan), Inc.	3	Sales	2,791,531	(Note d)	1.30
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	3	Sales	19,312,580	(Note d)	9.01
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	3	Sales	11,046,445	(Note d)	5.15
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	3	Sales	19,150,648	(Note d)	8.93
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	2	Sales	19,739,578	(Note d)	9.21
2	Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	20,450,918	(Note d)	9.54

Number (Note a)	Company name	Counterparty	Relationship (Note b)	Transaction			Percentage of consolidated total operating revenues or total assets (Note c and f)
				General ledger account	Amount	Transaction terms	
3	Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	\$ 9,490,493	(Note d)	4.43
4	Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	23,197,755	(Note d)	10.82
5	Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Sales	4,622,118	(Note d)	2.16
5	Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	33,081,145	(Note d)	15.43
6	Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Sales	8,300,344	(Note d)	3.87
6	Delta Electronics Components (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	12,951,974	(Note d)	6.04
7	Delta Video Display System (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Sales	2,335,935	(Note d)	1.09
7	Delta Video Display System (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	4,990,392	(Note d)	2.33
8	Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	7,751,485	(Note d)	3.62
9	Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	5,406,664	(Note d)	2.52
10	Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	3	Sales	12,424,201	(Note d)	5.80
11	Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd. - LABUAN	3	Sales	5,880,680	(Note d)	2.74
11	Cyntec Electronics (Suzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	3,651,256	(Note d)	1.70
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	3	Accounts receivable	3,228,369	(Note d)	1.37
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	3	Accounts receivable	5,902,709	(Note d)	2.51
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	3	Accounts receivable	4,078,626	(Note d)	1.73

Number (Note a)	Company name	Counterparty	Relationship (Note b)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note c and f)
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	3	Accounts receivable	\$ 4,013,324	(Note d)	1.71
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	2	Accounts receivable	7,021,660	(Note d)	2.99
2	Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Accounts receivable	4,651,502	(Note d)	1.98
3	Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Accounts receivable	4,927,825	(Note d)	2.10
4	Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Accounts receivable	3,157,866	(Note d)	1.34
5	Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Accounts receivable	2,576,870	(Note d)	1.10
6	Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	3	Accounts receivable	3,988,972	(Note d)	1.70
7	Fairview Assets Limited	Delta Electronics (Netherlands) B.V.	3	Other receivables	8,062,500	(Note d)	3.43
7	Fairview Assets Limited	Delta Controls Inc.	3	Other receivables	3,128,250	(Note d)	1.33
8	Delta Networks Holding Ltd.	Delta Electronics (Netherlands) B.V.	3	Other receivables	7,095,000	(Note d)	3.02

Note a: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note b: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note c: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note d: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and all the credit terms are 75 days.

Note e: Lending of capital

Note f: The disclosure requirement for the above disclosed amounts is 1% of the consolidated total assets for balance sheet accounts and 1% of the consolidated total revenue for income statement accounts.

Delta Electronics Inc. and Subsidiaries
Information on investees
Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 10

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Delta Electronics Inc.	Delta International Holding Ltd.	Cayman Islands	Equity investments	\$ 8,922,118	\$ 8,922,118	67,680,000	94.00	\$ 59,470,704	\$ 5,414,282	5,236,939	(Note f)
Delta Electronics Inc.	Delta Networks Holding Ltd.	Cayman Islands	Equity investments	29,581	1,377,206	83,800,000	100.00	11,176,381	623,877	422,174	(Note f)
Delta Electronics Inc.	PreOptix (Hong Kong) Co. Ltd.	Hong Kong	Equity investments	162,376	162,376	5,250,000	39.62	217,174	23,438	9,287	
Delta Electronics Inc.	Cyntec Co., Ltd.	Taiwan	Research, development, manufacturing and sales of thin film optoelectronic devices	12,067,931	12,067,931	1,841,301,531	100.00	32,496,690	3,155,828	2,916,261	(Note f)
Delta Electronics Inc.	Delta Electronics Capital Company	Taiwan	Equity investments	2,500,000	2,500,000	266,254,470	100.00	2,948,807	(34,613)	(34,613)	
Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Singapore	Sales of electronics products	7,270	7,270	300,000	100.00	7,527,324	8,670,566	8,770,812	(Note f)
Delta Electronics Inc.	DelBio Inc.	Taiwan	Manufacturing, wholesale and retail of medical equipment	900,000	800,000	90,000,000	100.00	169,464	(9,062)	(9,062)	
Delta Electronics Inc.	Allied Material Technology Corp.	Taiwan	Manufacturing and sales of color filter and lease services, etc.	2,113,978	2,113,978	211,400,909	99.97	2,119,814	(64,807)	(64,788)	
Delta Electronics Inc.	Vitor Technology Inc.	Taiwan	Research, designing, development, manufacturing and sales of intelligent robot systems and automation engineering, etc.	-	79,575	-	-	-	(714)	(714)	
Delta Electronics Inc.	NeoEnergy Microelectronics, Inc.	Taiwan	Designing and experimenting on integrated circuit and information software services	462,442	462,442	14,313,530	98.17	46,380	(4,462)	(4,381)	
Delta Electronics Inc.	Delta Electronics (Thailand) Public Company Limited	Thailand	Manufacturing and sales of electronic products	114,615	114,615	69,128,140	5.54	7,942,835	5,046,044	1,012,792	(Note f and Note g)
Delta Electronics Inc.	Amita Technologies, Inc.	Taiwan	Manufacturing of lithium polymer batteries and related systems	-	247,066	-	-	-	(103,598)	(37,029)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015				
Delta Electronics Inc.	Delta Electronics (Netherlands) B.V.	Netherlands	Main business activities Sales of electronics products	\$ 4,247,073	\$ 900,603	120,219,545	\$ 182,072	\$ 184,594	(Note f)
Delta Electronics Inc.	SYN-TEC Automation Co., Ltd.	Taiwan	Manufacturing of electronic parts, etc.	-	138,600	-	(7,369)	(7,369)	
Delta Electronics Inc.	Delta Green Life Co., Ltd.	Taiwan	Manufacturing of electronic parts, etc.	135,083	135,083	23,817,300	(58,922)	(123,406)	
Delta Electronics Inc.	Delta Networks, Inc. (Taiwan)	Taiwan	Manufacturing and design of networking system and peripherals	2,490,390	-	50,040,838	31,974	31,968	
Delta Electronics Inc.	Delta America Ltd.	U.S.A	Equity investments	103,065	103,065	2,100,000	281,818	34,286	(Note i)
Delta International Holding Ltd.	Delta Electronics International Ltd.	Malaysia	Sales of electronics products	64,500	64,500	2,000,000	(8,629)	(8,629)	(Note a)
Delta International Holding Ltd.	Delta Electronics (H.K.) Ltd.	Hong Kong	Equity investments	10,590,806	10,590,806	2,549,297,600	3,946,275	3,946,275	(Note a)
Delta International Holding Ltd.	DAC Holding (Cayman) Ltd.	Cayman Islands	Equity investments	520,523	520,523	22,200,000	(594)	(594)	(Note a)
Delta International Holding Ltd.	Delta Electronics (Japan), Inc.	Japan	Sales of power products, display solution products, electronic components, industrial automation products and their materials	92,201	92,201	5,600	69,958	69,958	(Note a)
Delta International Holding Ltd.	Digital Projection International Ltd.	Britain	Equity investments	368,951	368,951	19,249,667	65,991	23,736	(Note a)
Delta International Holding Ltd.	PreOptix (HongKong) Co., Ltd.	Hong Kong	Equity investments	258,000	258,000	8,000,000	23,606	14,254	(Note a)
Delta International Holding Ltd.	Delta Power Sharp Ltd.	Hong Kong	Operations management and engineering services	41,707	41,707	10,000,000	80	80	(Note a)
Delta International Holding Ltd.	DEI Logistics (USA) Corp.	U.S.A	Warehousing and logistics services	16,125	16,125	500,000	20,419	20,419	(Note a)
Delta International Holding Ltd.	Ace Pillar Holding Ltd.	Samoa	Equity investments	440,389	440,389	2,858,718	28,451	15,056	(Note a)
Delta International Holding Ltd.	Drake Investment (H.K.) Ltd.	Hong Kong	Equity investments	5,550,752	5,550,752	304,504,306	359,807	189,246	(Note a)

Table 10-2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Delta International Holding Ltd.	Delta Electronics International Mexico SA de C.V.	Mexico	Sales of power management system of industrial automation product and telecommunications equipment	\$ -	\$ -	1	-	\$ 16,455	\$ -	(Note a)	
Delta International Holding Ltd.	Vivitek Corporation	U.S.A	Sales of projector products	48,375	48,375	9,000,000	100.00	(52,335)	(52,335)	(Note a)	
Delta International Holding Ltd.	Delta Greentech SGP Pte Ltd.	Singapore	Equity investments	900,764	900,764	12,175,470	100.00	61,022	20,860	(Note a)	
Delta International Holding Ltd.	Delta Electronics Europe Limited	Britain	Maintenance centre and providing support service	118,035	118,035	500,000	100.00	9,274	9,274	(Note a)	
Delta International Holding Ltd.	Boom Treasure Limited	Hong Kong	Equity investments	2,809,649	2,809,649	1	100.00	183,967	51,237	(Note a)	
Delta International Holding Ltd.	Apex Overseas Financial Investment Limited	British Virgin Islands	Equity investments	-	4,074,602	-	-	192,909	193,239		
Delta International Holding Ltd.	Galaxy Star Overseas Financial investment Limited	British Virgin Islands	Equity investments	-	4,074,602	-	-	192,909	193,239		
Delta International Holding Ltd.	Jade Overseas Financial Investment Limited	British Virgin Islands	Equity investments	-	4,074,602	-	-	192,909	193,239		
Delta International Holding Ltd.	Apex Investment (HK) Limited	Hong Kong	Equity investments	4,074,602	4,074,602	2,000,001	100.00	364,418	364,374		
Delta International Holding Ltd.	Galaxy Star Investment (HK) Limited	Hong Kong	Equity investments	4,074,602	4,074,602	2,000,001	100.00	364,418	364,374		
Delta International Holding Ltd.	Jade Investment (HK) Limited	Hong Kong	Equity investments	4,074,602	4,074,602	2,000,001	100.00	364,418	364,374		
Delta Electronics (H.K.) Ltd.	Delta Electronics International Mexico SA de C.V.	Mexico	Sales of power management system of industrial automation product and telecommunications equipment	33,862	33,862	252,002	100.00	16,455	16,455	(Note b)	
Delta International Holding Ltd.	Delta Electronics (Netherlands) B.V.	Netherlands	Sales of electronics products	1	1	260,416,667	-	(192,892)	-	(Note a)	
Delta America Ltd.	Delta Products Corporation	U.S.A	Manufacturing and design of networking system and peripherals	243,626	243,626	250,000	100.00	460,619	460,619		

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015				
Delta America Ltd.	Delta Solar Solutions LLC	U.S.A	Equity investments	\$ 73,208	\$ 73,208	-	\$ 2,937	\$ 2,937	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Loy Tec electronics GmbH	Austria	Consulting services of building management and control solutions	2,228,724	-	-	138,221	39,801	(Note j)
Loy Tec electronics GmbH	LOYTEC Americas, Inc.	U.S.A	Consulting services of building management and control solutions	322	-	9,978	10,344	4,636	
Loy Tec electronics GmbH	LOYTEC Asia Corp., Ltd.	Taiwan	Consulting services of building management and control solutions	2,160	-	216,000	468	375	
Delta Networks Holding Ltd.	Delta Networks, Inc.	Cayman Islands	Equity investments	5,735,952	5,735,952	1,196,886,000	417,133	417,133	(Note c)
Delta Networks Inc.	Delta Networks (H.K.) Limited	Hong Kong	Equity investments	1,128,750	1,128,750	35,000,000	415,856	415,856	(Note d)
Delta Networks Inc.	Delta Networks International Ltd. (Labuan)	Malaysia	Research, development, design, manufacturing and sales of networking system and peripherals	32,250	32,250	1,000,000	(7,174)	(7,174)	(Note d)
Delta Networks Inc.	DNI Logistics (USA) Co.	U.S.A	Research, development, design, manufacturing and sales of networking system and peripherals	17,933	17,933	500,000	10,947	10,947	(Note d)
Cyntec Co., Ltd.	Fairview Assets Ltd.	Cayman Islands	Equity investments	1,116,521	1,116,521	32,740,062	3,122,607	3,122,607	(Note e)
Cyntec Co., Ltd.	Power Forest Technology Corporation	Taiwan	Design of power management IC	179,161	55,368	8,702,934	21,904	3,472	(Note e)
Delta Electronics (Netherlands) B.V.	ELTEK AS	Norway	Equity investments	16,033,651	16,033,651	93,531,101	616,431	(207,085)	(Note h)
Delta Electronics (Netherlands) B.V.	Delta America Ltd.	U.S.A	Equity investments	741,218	741,218	8,179,182	278,648	90,742	(Note h and i)
Delta Electronics (Netherlands) B.V.	Optovue, Inc.	U.S.A	Research, development, design, manufacturing and sales of medical equipment	967,500	967,500	3,750,000	(197,601)	(72,966)	(Note h)

Table 10-4

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Delta Electronics (Netherlands) B.V.	Delta Controls Inc.	Canada	Main business activities Consulting services of building management and control solutions	\$ 2,418,750	\$ -	75,000,000	100.00	\$ 2,218,504	\$ 101,338	\$ 32,339	Footnote (Note h)
Delta Electronics (Netherlands) B.V.	Energy Oregon Global Limited	British Virgin Islands	Equity investments	156,776	-	10,001	100.00	182,364	303	303	(Note h and Note i)
Delta Electronics (Netherlands) B.V.	Castle Horizon Limited	British Virgin Islands	Equity investments	731,184	-	471,800	100.00	850,615	1,416	1,416	(Note h and Note i)

Note a: Investment income / loss recognised by Delta International Holding Ltd.

Note b: Investment income / loss recognised by Delta Electronics (H.K.) Ltd.

Note c: Investment income / loss recognised by Delta Networks Holding Ltd.

Note d: Investment income / loss recognised by Delta Networks, Inc.

Note e: Investment income / loss recognised by Cyntec Co., Ltd.

Note f: The investment income /loss is net of the elimination of intercompany transactions.

Note g: The weighted average combined ownership percentage of 20.01%.

Note h: Investment income / loss recognised by Delta Electronics (Netherlands) B.V.

Note i: The Company indirectly acquired 39.95% and 49.79% equity shares of Delta America Ltd through Delta Electronics (Netherlands) B.V. and its subsidiaries, Castle Horizon Limited and Energy Dragon Global Limited, respectively, considering 10.26% equity shares of DAL held by the Company, the total ownership are 100%.

Note j: Investment income / loss and adjustments in net value recognized by Delta Electronics Int'l (Singapore) Pte. Ltd.

Delta Electronics Inc. and Subsidiaries
Information on investments in Mainland China

Year ended December 31, 2016

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 11

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note y)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote (Note c and r)
					Remitted to Mainland China	Remitted back to Taiwan							
Delta Electronics (Dongguan) Co., Ltd.	Manufacturing and sales of transformers and power supplies	\$ 3,154,373	Invested by DHK	\$ 2,168,200	-	\$ -	\$ 2,168,200	\$ 278,140	94.00	\$ 255,226	\$ 4,378,805	\$ 311,536	(Note c and r)
Delta Electronics Power (Dongguan) Co., Ltd.	Manufacturing and sales of power supplies	1,357,725	Invested by DHK	545,670	-	-	545,670	415,960	94.00	390,520	3,308,617	433,310	(Note f and r)
Delta Electronics (Shanghai) Co., Ltd.	Product design and management consulting service, etc.	3,677,208	Invested by DHK	-	-	-	-	1,619,704	94.00	1,521,065	7,080,687	-	(Note i and r)
Delta Electronics (Wuhu) Co., Ltd.	Manufacturing and sales of power supplies and transformers	4,321,500	Invested by DHK	181,890	-	-	181,890	263,103	94.00	247,059	4,563,913	-	(Note j and r)
Delta Electronics (Chenzhou) Co., Ltd.	Manufacturing and sales of power supplies and transformers	2,031,750	Invested by DHK	-	-	-	-	281,200	94.00	266,500	2,735,573	-	(Note l and r)
Delta Electronics (Jiangsu) Ltd.	Manufacturing and sales of power supplies	1,290,000	Invested by DHK	4,314,612	-	-	4,314,612	637,386	94.00	600,751	4,340,439	-	(Note x)
Delta Electronics Components (Wujiang) Ltd.	Manufacturing and sales of power supplies	3,799,373	Invested by DHK	6,831,556	-	-	6,831,556	1,571,328	94.00	1,473,655	7,774,013	56,897	(Note g and x)
Delta Video Display System (Wujiang) Ltd.	Manufacturing and sales of various projectors	935,250	Invested by DHK	1,431,525	-	-	1,431,525	174,522	94.00	164,844	1,590,212	-	(Note h and x)
Delta Electronics (Wujiang) Trading Co., Ltd.	Installation, consulting and trading of electronic products	64,500	Invested by DHK	12,126	-	-	12,126	(648)	94.00	389	98,108	-	(Note o and r)
Delta Green (Tianjin) Industries Co., Ltd.	Manufacturing and sales of transformers and bluetooth module	730,463	Invested by DHK	1,001,375	-	-	1,001,375	(27,786)	94.00	(26,119)	637,268	-	(Note n and r)
Delta Electronics (Pingtan) Co., Ltd.	Wholesale of electronic and energy-saving equipment	139,083	Invested by DHK	151,575	-	-	151,575	(8,459)	94.00	(7,951)	117,095	-	(Note r)
PreOptix Jiang Su Co., Ltd.	Manufacturing and sales of lenses and optical engines for projectors	427,313	Invested by PHK	411,833	-	-	411,833	24,605	96.38	23,567	507,615	-	(Note m and u)
Wuhu Delta Technology Co., Ltd.	Manufacturing and sales of transformers and power supplies	136,765	Invested by DWH	-	-	-	-	(8,881)	94.00	(8,348)	206,161	-	(Note p)
Chenzhou Delta Technology Co., Ltd.	Manufacturing and sales of transformers and power supplies	118,220	Invested by DCZ	-	-	-	-	149,710	94.00	141,086	366,706	-	(Note p)
Delta Energy Technology (Wuhu) Co., Ltd.	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	9,272	Invested by DPEC and DWH	-	-	-	-	(323)	94.00	(304)	7,466	-	(Note p)

Investee in Mainland China	Main business activities	Paid-in capital	Invested method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note y)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote (Note p)
					Remitted to Mainland China	Remitted back to Taiwan							
Delta Energy Technology (Chenzhou) Co., Ltd.	Main business activities Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	\$ 9,272	Invested by DPEC and DCZ	\$ -	\$ -	\$ -	\$ -	82	94.00	\$ 77	\$ 8,835	-	(Note p)
Delta Energy Technology (Dongguan) Co., Ltd.	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	139,083	Invested by DPEC and DDG	-	-	-	-	12,764	94.00	11,999	156,799	-	(Note p)
Delta Energy Technology (Wujiang) Co., Ltd.	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	18,544	Invested by DPEC and DWO	-	-	-	-	339	94.00	135	-	-	(Note p and Note z)
Delta Energy Technology (Shanghai) Co., Ltd.	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc.	46,361	Invested by DPEC and DGC	-	-	-	-	2,367	90.54	2,143	40,914	-	(Note p)
Delta Greentech (China) Co., Ltd.	Manufacturing and sales of uninterruptible power supply	2,633,299	Invested by DIH, Ace, Boom, Drake and DGS	9,414,547	-	-	9,414,547	822,950	90.16	714,582	4,481,525	-	(Note d and q)
Delta Energy Technology Puhuan (Shanghai) Co., Ltd.	Technology development of power and eco technology, technic consultant, technic service, technic transfer, energy performance contracting, mechanic and electronic management, design and sales of energy efficient equipment	464	Invested by DPEC	-	-	-	-	1,331	90.54	1,160	1,569	-	(Note p)
Cynite Electronics (Suzhou) Co., Ltd.	Research, development, manufacturing and sales of new-type electronic components (chip components, sensing elements, hybrid integrated circuits) and wholesale, import and export of similar products	6,529,412	Invested by CHK	6,400,412	-	-	6,400,412	414,877	100.00	414,877	6,761,861	-	(Note t)
Delta Networks (Dongguan) Ltd.	Manufacturing and sales of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	1,128,750	Invested by DNHK	1,441,780	-	-	1,441,780	422,277	100.00	422,277	3,262,495	709,500	(Note e and s)
Delta Networks (Shanghai) Ltd.	Design of computer software	64,500	Invested by DNHK	91,410	-	-	91,410	4,064	100.00	4,064	88,647	-	(Note k and s)
Delta Networks (Xiamen) Ltd.	Operation of radio transmission apparatus, and automatic data processing, reception, conversion and transmission or regeneration of voice, images or other data of the machine, including switches and routers, with a special program to control a computer or word processor with memory business	47,520	Invested by DNHK	22,575	-	-	22,575	9,789	43.17	4,226	21,665	-	
Eitek Energy Technology	Manufacturing and sales of power supplies and others	238,650	Invested by Eitek AS	1,208,745	-	-	1,208,745	69,449	100.00	69,449	252,905	-	(Note w)

Table 11-2

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note y)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote (Note v)
					Remitted to Mainland China	Remitted back to Taiwan							
DelBio (Wujiang), Ltd.	Main business activities Manufacturing, wholesale and retail of medical equipment	\$ 129,000	Invested by DelBio	\$ 129,000	\$ -	\$ -	\$ 129,000	100.00	\$(2,541)	\$ 95,844	\$ -	(Note v)	
Delta Electronics (Beijing) Co., Ltd.	Installation of mechanic, electronic, telecommunication and circuit equipment	-	Invested by DHK	-	-	-	-	-	-	-	-	(Note aa)	
Delta Electronics (Xian) Co., Ltd.	Sales of computer, peripheral equipment and software	-	Invested by DHK	-	-	-	-	-	-	-	-	(Note aa)	
Beijing Industrial Foresight Technology Co., Ltd.	Computer system services and data process	-	Invested by Delta Electronics (Beijing) Co., Ltd.	-	-	-	-	-	-	-	-	(Note aa)	

Note a: The capital was translated based on the capital certified report of the investee companies into New Taiwan Dollars at the average exchange rate of RMB 6.9563 to US\$1 and RMB 4.63609 to NTS\$1.

Note b: The accumulated remittance as of January 1, 2016, remitted or collected this period, accumulated remittance as of December 31, 2016 and investment income remitted back as of December 31, 2016 was translated into New Taiwan Dollars at the average exchange rate of NTD 32.25 to US\$1 at the balance sheet date.

Note c: Except for the facility of US\$67,231 permitted by Investment Commission, the capitalization of earnings of US\$27,081 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note d: Except for the facility of US\$291,924 permitted by Investment Commission, the capitalization of earnings of US\$980 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note e: Except for the facility of US\$44,706 permitted by Investment Commission, the capitalization of earnings of US\$11,312 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note f: Except for the facility of US\$16,920 permitted by Investment Commission, the capitalization of earnings of US\$22,654 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note g: Except for the facility of US\$211,831 permitted by Investment Commission, the capitalization of earnings of US\$27,303 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note h: Except for the facility of US\$4,388 permitted by Investment Commission, the capitalization of earnings of US\$8,272 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note i: The capitalization of earnings of US\$110,401 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note j: Except for the facility of US\$5,640 permitted by Investment Commission, the capitalization of earnings of US\$120,320 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note k: Except for the facility of US\$2,834 permitted by Investment Commission, the capitalization of earnings of US\$298 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note l: The earnings transferred to investment in Delta Electronics (Chenzhou) Co., Ltd. is US\$59,220 thousand approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is not included in the Company's investments in Mainland China.

Note m: Except for the facility of US\$7,520 permitted by Investment Commission, the investment of US\$5,250 by PreOptix Co., Ltd. was permitted by Investment Commission.

Note n: Except for the facility of US\$31,050 permitted by Investment Commission, the capitalization of earnings of US\$265 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note o: Except for the facility of US\$376 permitted by Investment Commission, the capitalization of earnings of US\$1,504 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note p: According to the regulations of the Investment Commission, the reinvestment of the investee companies in Mainland China is not required to obtain the approval of the Investment Commission; thus the investment amounts are excluded from the calculation of the Company's ceiling of investment amount in Mainland China.

Note q: Jointly invested through Delta International Holding Ltd., Ace Pillar Holding Co., Ltd., Drake Investment (H.K.) Ltd., Delta Greentech SGP Pte Ltd and Boom Treasure Limited.

Note r: Invest through Delta Electronics (H.K.) Ltd.

Note s: Invest through Delta Networks (H.K.) Ltd.

Note t: Invest through Cyntec Holding (H.K.) Ltd.

Note u: Invest through PreOptix (Hong Kong) Co., Ltd.

Note v: Invest through DelBio Inc.

Note w: Invest through Delta Electronics (Netherlands) B.V.

Note x: Invest through Delta Electronics (H.K.) Ltd. and Delta International Holding Ltd.

Note y: The Company recognized investment income / loss based on the audited financial statements.

Note z: In November 2016, the Company has dissolved and completed the liquidation process.

Note aa: As of December 31, 2016, there was no capital injection into the Company.

Company name	Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of Economic Affairs (MOEA)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA
Delta Electronics Inc. (Note b and c)	\$ 27,773,871	\$ 28,878,980	\$ -
Cytec Co., Ltd.	6,400,412	6,400,412	15,817,985
DelBio Inc. (Note d)	129,000	129,000	101,679

Note a: The accumulated amount remitted out of Taiwan to Mainland China and investment amount approved by the investment commission was translated into New Taiwan Dollars at the average exchange rate of NTD 32.25 to US\$1 at the balance sheet date.
 Note b: The investment income of US\$22,000, US\$18,000, US\$10,509 and US\$14,351 were remitted back on March 11, 2011, June 27, 2012, August 14, 2012, June 24, 2009 and December 29, 2005, respectively, from the investee companies in Mainland China and was permitted by Investment Commission on August 3, 2012, August 28, 2012, July 17, 2009 and January 6, 2006, respectively, which are deductible from the Company's accumulated amount remitted out of Taiwan to Mainland China.
 Note c: According to "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China", the Company and Cytec Co., Ltd. obtained the approval of operation headquarters from Industrial Development Bureau of Ministry of Economic Affairs. There is no ceiling of investment amount.

Note d: Ceiling of \$101,679 is calculated based on DelBio Inc.'s net assets as of December 31, 2016. However, ceiling was \$129,000 at the time when applying for investments.
 The significant purchases, sales, accounts payable and accounts receivable that the Company directly conducted with investee companies in Mainland China as well as those that the Company indirectly conducted with investee companies in Mainland China through Delta Electronics Intl (Singapore) Pte. Ltd. (DEIL-SG) and Cyntec International Ltd. (CII-Labuan) for the year ended December 31, 2016 are shown in Table 7 and 8.

Climate Change Information Disclosure

To respond to the impact of climate change on Delta’s business operations, we disclose climate change data according to the Climate Disclosure Standards Board (CDSB) standards, and utilize the TCFD’s (Task Force on Climate-related Financial Disclosures) recommendations to describe finance-related information for climate change information disclosure. This mainframe includes finance-related risks and opportunities from climate change that assesses the four areas of governance, strategy, risk management, and indicators. For more details, please download our 2016 Delta Group CSR Report at <http://www.deltaww.com/csr>

I. Governance: Disclosure structure of climate related risks and opportunities	
Guiding principles	Specific practices
The Board of Directors monitors risks and opportunities related to climate change	<ul style="list-style-type: none"> • Risk Assessment and Management Each department carries out detailed risk assessments based on their own particular fields of expertise. Management policies and response plans that reduce, transfer or avoid risk are developed to effectively reduce business risks. • Environmental Risk Management Regulatory requirements, current management, internal/external environmental impact and priority of improvements are taken into account when defining management plans and indicators. Regular reviews and assessments are also performed. • Safety and Health Risk Management Factors such as hazard frequency, employee operating frequency, and hazard severity are used to identify the levels of risk. Relevant plant departments are then required to define control measures based on risk severity.
Management structure for assessment and management of risks and opportunities related to climate change	<p>The top CSR organization within Delta is the CSR Board. Mr. Bruce Cheng, founder and honorary chairman of Delta Electronics, serves as honorary chairman of the committee, while Chairman Yancey Hai acts as the chairman. The committee is composed of the following members: vice chairman, CEO, COO, top executives from different locations and functional management. It is the responsibility of the board to define Delta's CSR strategies, review the policies set by the functional committees and supervise overall execution. The annual CSR achievements are reported to the Board in the following year. The CSR Office serves as the secretariat for analyzing international trends in sustainable development and understanding stakeholder expectations to identify the risks and opportunities for Delta on relevant issues and climate change, they may impact business operations and carry out mitigation and adaptation. The CSR report is formulated and submitted to the CSR Board for review before it is released annually. To effectively implement the three areas of corporate governance, environmental protection, and employee care and social participation, the committee is made up of heads from the business groups/units, region/site directors and relevant department directors. The committees have the responsibility to formulate policy, define indicators and develop both tools and processes. The three committees set up nine project working groups to promote the integration and implementation of related cross-department efforts.</p>

II. Strategy: Immediate and potential risks and opportunities related to climate change and their impact on business organization, strategies, and financial planning

Guiding principles	Specific practices
<p>Identifying short-, medium-, and long-term risks and opportunities related to climate change</p>	<p>Delta has a long-term commitment to environmental protection through its corporate mission “To provide innovative, clean and energy-efficient solutions for a better tomorrow”. In response to the need for global energy conservation, Delta has, in recent years, reallocated internal resources to provide energy-saving systems and solutions. The innovation, concept and application of these solutions have mainly focused on energy savings for manufacturing and industrial applications. Delta leverages its focus on innovation to actively research higher energy efficiency for its green solutions, in line with its corporate strategy.</p>
<p>Risks and opportunities related to climate change have a major impact on business organization, strategies, and financial planning.</p>	<p>Making proper adaptations in response to climate change and its repercussions is a major challenge for corporations focusing on sustainability. Delta has made adaptations and contributed to the mitigation of climate risks. Apart from enhancing manufacturing capabilities, Delta has also issued publications regarding action against climate change, established Science Based Targets (SBT), and continues climate change business opportunities. In 2017, Delta established its Climate Risk Adaptation Team. The main role of this team is to analyze climate change risks and make adaptations to the current system. The implementation of such measures will be implemented in stages and cover Delta’s main factories and plants. Their role will also include regular reviews of current reduction and adaptation policies to ensure proper control and prevention of climate change disasters. Sustainable consumption and production are the foundations of corporate governance sustainability. Delta Electronics is devoted to its corporate mission: “To provide innovative, clean and energy-efficient solutions for a better tomorrow”, through green production facilities, local procurement, and low-emissions transportation, as well as promoting green offices and green corporate governance. Delta implements eco-friendly consumption and production in its daily business operations.</p>
<p>Potential impact from various scenarios in business organization, strategies, and financial planning</p>	<p>Delta keeps track of climate change trends, and closely monitors and manages related risks. As global demand for energy saving rises, Delta has reallocated internal resources and provided system solutions. The innovative ideas and concepts of such solutions have been applied to energy-saving mechanisms for both production and governance. Delta Electronics is active in researching clean energy sources, raising energy efficiency, and providing services and solutions regarding sustainability governance. In line with the COP 21 agreement, Delta has developed scientific methods of carbon reduction, which are scheduled to be submitted to SBTi for approval. In the near future, Delta will further implement energy-saving and carbon reduction mechanisms to plants and factories around the globe and increase our reliance on the production and procurement of clean energy.</p>

III. Risk management: Use the organization to identify, assess, and manage climate related risk procedures	
Guiding principles	Specific practices
Organize the identification and assessment of climate risk procedures	As a CSR oriented corporation which pays close attention to climate change, Delta has long been aware of the impact of climate change. Delta employs Risk Maps that identify a total of 10 risks caused by climate change. We also actively manage energy costs such as electricity greenhouse gas emissions, and ecological taxes such as energy taxes and carbon taxes. The company also continues to conduct energy management at all major sites to improve energy efficiency, and to implement a low-carbon purchasing and logistics policy.
Organize management of climate risk procedures	Delta lists climate change as one of the critical risks of corporate sustainable management. We also manage the company based on the principles of "Mitigation" and "Adaptation". We implement green governance, energy management, carbon disclosure and promote green buildings/factories in our devotion to reducing climate change. Delta utilizes risk maps to further analyze climate change opportunities and accumulate R&D momentum to continue developing green energy, and energy-saving products and solutions. We are dedicated to becoming a green energy-saving solutions provider.
Identify, assess, and manage climate related risk procedures and integrate them into overall risk management	Delta identifies and manages its climate related risk procedures by analyzing global risks, studying energy policies of high carbon emission countries, using risk maps to access climate change risks, creating mechanisms capable of responding to climate risks, and organizing climate change opportunities.

IV. Indicators and Subjects: Organization uses assessments and management to establish indicators and goals for risks and opportunities related to climate change

Guiding principles	Specific practices
<p>The organization satisfies strategic and risk management procedures by using assessments of risk and opportunity indicators related to climate change</p>	<p>Internal – Carbon Pricing Delta has always strived to be a world-class corporation and has long monitored internal carbon pricing. We implement a global carbon market analysis and will continue to follow global carbon pricing trends to reflect changes to our internal carbon pricing.</p>
<p>Disclose the emissions categories of 1, 2, 3 and their associated risks</p>	<p>Science Based Targets The formation of SBT is based on controlling global temperature rise to under 2°C. It is a scientific and weight-based calculation of carbon emissions quotas for different corporations. In 2015, Delta signed a letter of commitment to SBTi proposed by CDP, UN, WWF, WRI and “We Mean Business”. In 2016, Delta continued to research SBTi tools to come up with a carbon reduction target, which it will submit for approval in 2017.</p>
<p>Organization indicators for managing climate change related risks, opportunities, and performance indicators</p>	<p>Delta has over 30 production sites worldwide that are engaged in energy saving. Among these, energy recycling systems are estimated to save 95% of electricity usage for electronic product testing and burn-in equipment. Comparing carbon reduction between 2009 and 2014, the electricity intensity of Delta’s main factories has dropped by 50%. We have also committed to achieving a further 30% reduction by 2020 (with 2014 as baseline), including factories, buildings and information centers. Delta and its employees actively participate in energy saving and raising climate change awareness.</p>



DELTA ELECTRONICS, INC.



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