



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

DELTA ELECTRONICS, INC. 2017 ANNUAL REPORT

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As of 12/31/2017

A Letter to Our Shareholders



Yancey Hai, Chairman

Dear Shareholders:

The global economy slowly gained strength in 2017. However, many Taiwanese companies were affected by the sharp appreciation of the NTD against the U.S. dollar, as well as the pressure of rising material costs and direct labor costs. The business environment in 2017 was still full of challenges. With the joint efforts of all Delta team members, Delta's consolidated revenue increased 4% from the previous year to NT\$223.6 billion in 2017, while gross profit amounted to NT\$60.8 billion, 2% higher than last year, with a gross margin of 27.2%. Net operating profits decreased 5% from 2016 to NT\$19.8 billion with an 8.8% net operating margin. Our net income after tax decreased slightly by 2% from the previous year to NT\$18.4 billion, which represented 8.2% of revenue. Delta's 2017 earnings per share (EPS) was NT\$7.08 and the return on equity (ROE) ratio was 14.8%.

In 2010, Delta's management team jointly set a vision for "developing the brand business and providing customer solutions" as the strategic direction of our long-term development. In order to speed up the transition, Delta completed an internal organizational adjustment in 2017. We adjusted our three major business divisions (Power electronics, Energy Management, and Smart Green Life) that were originally divided by product category into market-oriented new business areas (Power Electronics, Automation, Infrastructure), as well established an automotive electronics business group directly under the category of Power Electronics. We believe the adjustments will help Delta provide more efficient solutions that meet our customers' needs. The following is a summary of our 2017 business results and prospects for the future.

Power Electronics

Not only has Delta maintained its leading position in the global market in the fields of

power supplies, brushless DC fans, and others. Delta also ranks among the world's top manufacturers in the specific applications of thermal management and miniaturized components. As the telecommunications and consumer electronics markets have matured, Delta has already expanded these products into other areas such as medical care, industrial management, household appliances, automotive electronics and electric cars, and has won high praise from customers.

In the spirit of the continuous pursuit of innovation, Delta not only showcased the world's first high-brightness 8K projector at last year's "Delta Green Building Exhibition", but also launched "Innergie 55cc," the world's smallest universal charger, with a volume of only 55cc and a weight of 88g. In addition, Delta received the 2017 Quality Excellence Award from HP Inc. Delta's X-ray high-voltage power supply also obtained third-party medical equipment certification from TÜV Rheinland last year, and passed the EU Medical Device Directive (MDD) and ISO Medical Quality Management System certification, to become the first Taiwanese manufacturer to produce a high voltage power supply for medical X-rays. The computer-based tomography scanner DELPet- μ CT developed and produced by Delta's subsidiary DELBio Inc. won the highest honor at last year's Taiwan Excellence Gold Awards. With the advent of DELPet- μ CT, Delta is expected to bring new contributions to medical research, new drug development, and other applications.

Although demand in the information market is slowing, we believe that Delta will continue to grow as we expand our application coverage. The revenue and profits contributed by the Power Electronics business will also become one of the strongest and most important pillars supporting Delta's strategic transformation and the development of our new businesses.

Automation

Industrial automation is an area that Delta has been devoted to for over two decades. In addition to the horizontal expansion of product specifications, we also have complete vertical integration in our product line. Delta's acquisition of Unicom in 2016, which includes an MES (Manufacturing Execution System), further perfected Delta's vertical layout in industrial automation.

Delta has been planning to introduce its Delta Smart Manufacturing (DSM) solutions since 2016, and in 2017, and has established the Smart Manufacturing Department responsible for the development and promotion of Delta's smart manufacturing business. Our goal is to automate equipment, automate processes, automate logistics, and through the collection of big data, analysis of data, and others, to gradually

and progressively achieve the ultimate goal of industrial “intelligence”. At the same time, through the introduction of Delta's own automation experience, we can provide customers with better solutions, and help create a more flexible smart green factory.

In terms of building automation, following Delta’s acquisitions of Loytec and Delta Controls Inc. in 2016, we again publicly acquired a 49.2% share in the Taiwan-listed company Vivotek Inc. in 2017 to complement Delta’s security monitoring capabilities.

In response to the market's rising demand for Industry 4.0 and smart green buildings, we believe that the automation department's business will continue to lead Delta to its next peak and become one of the most important dynamics of the company's future growth.

Infrastructure

In terms of communication infrastructure, Delta not only holds a leading global position in telecommunications power supplies, but also plays a significant role in the global market for continuous power systems, comprehensive data center solutions, and network communications.

In terms of energy infrastructure, we are looking at the market layout of the entire smart microgrid of the future. With government policies that continue to promote the adoption of electric cars, we are providing energy storage devices as well as cooperating with well-known vehicle manufacturers in two-way grids for electric cars. The power-receiving and power-supply design enables each electric car to become a mobile energy storage battery, so as to buffer the grid load and achieve optimum energy use.

We are convinced that to become a truly sustainable enterprise for the next century, we must continue to invest in corporate social responsibility and improve corporate governance while pursuing optimal revenue growth and financial performance. This is our duty.

Delta's mission is “To provide innovative, clean and energy-efficient solutions for a better tomorrow”. With our long-term focus on climate change and sustainable corporate development, we continue to invest in R&D to provide highly efficient energy-saving products and solutions. Delta is among the first to adopt international targets to scientifically reduce carbon emissions. Our carbon target is to reduce carbon intensity by 56.6% by 2025 using the base year of 2014. In December 2017, Delta passed the Science Based Targets initiative (SBTi) conformity review, becoming the first in Taiwan and among the first 100 companies in the world to be approved, and taking specific actions towards the goal of controlling global warming by 2°C.

Delta actively participates in international climate events through the Delta Electronics Foundation. At the COP23 UN Climate Conference held in Bonn, Germany in 2017, Delta was invited by the Local Governments for Sustainability, Council for Sustainable Development (ICLEI) to share with opinion leaders and decision makers from various countries our experience assisting cities in promoting sustainable development, and our practical achievements in construction, transportation, and energy infrastructure. Delta was the only corporate representative participating in the related conferences.

Delta's achievements in promoting corporate social responsibility are highly recognized worldwide. We were selected for the "World Index" and "Emerging Markets Index" of the Dow Jones Sustainability Indices in 2017, and won the RobecoSAM "2017 Sustainability Award". Our "Carbon Disclosure Project" received "Climate Change Leadership Level" revealing the climate change aspects of the supply chain, and gained A-level recognition. Last year, Delta won Corporate Social Responsibility Awards presented by Global Views Monthly, CommonWealth Magazine, and the 2017 Taiwan Corporate Sustainability Awards, and ranked as one of the Top 5% Listed Companies by the "Taiwan Stock Exchange" Corporate Governance Review Awards. In addition, the value of Delta's brand in 2017 once again made a major leap forward, up 11% from 2016, reaching US\$250 million. We are one of the companies with the highest ratio of brand value growth as well as the only company that has grown for two consecutive years. Delta sincerely thanks our customers, suppliers, shareholders and the community for your support.

Looking to the future, we hope that through the balanced development of our three major business areas Power Electronics, Automation and Infrastructure, Delta will continue to operate sustainably and pursue opportunities in the international arena. As we lead our Delta team members to yet another growth peak, we are devoted to maintaining our role as a well-respected, world-class company that addresses human needs, is friendly to the environment, and has a positive impact on society.

Sincerely,

Yancey Hai, Chairman



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 2017, the board convened on six occasions. The overall attendance rate was 92.31%.

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 Audit Committee is 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.

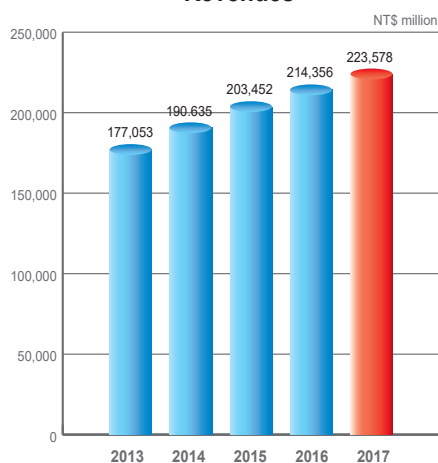
Delta's efforts in corporate governance continued to win outside recognition in 2017. We were selected for the "World Index" and "Emerging Markets Index" of the Dow Jones Sustainability Indices in 2017, and won the RobecoSAM "2017 Sustainability Award". Our "Carbon Disclosure Project" received "Climate Change Leadership Level" revealing the climate change aspects of the supply chain, and gained A-level recognition. Last year, Delta won Corporate Social Responsibility Awards presented by Global Views Monthly, CommonWealth Magazine, and the 2017 Taiwan Corporate Sustainability Awards, and ranked as one of the Top 5% Listed Companies by the "Taiwan Stock Exchange" Corporate Governance Review Awards.

Consolidated Financial Highlights

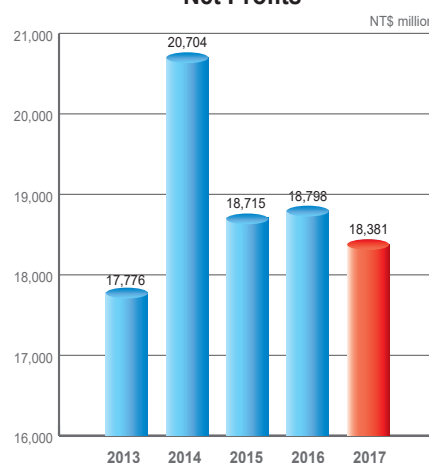
(in NT\$ million, except otherwise indicated)

NT\$ million	2017	2016
Sales	223,578	214,356
Gross Profit	60,768	59,494
Gross Margin	27.18%	27.75%
Operating Profit	19,774	20,826
Operating Margin	8.84%	9.72%
Net Income After Tax Attributable to Owners of the Parent	18,381	18,798
Net Margin	8.22%	8.77%
EPS (NT\$)	7.08	7.24
Total Assets	250,539	235,115
Total Shareholders' Equity Attributable to Owners of the Parent	124,557	124,114
ROE (%)	14.78%	15.13%

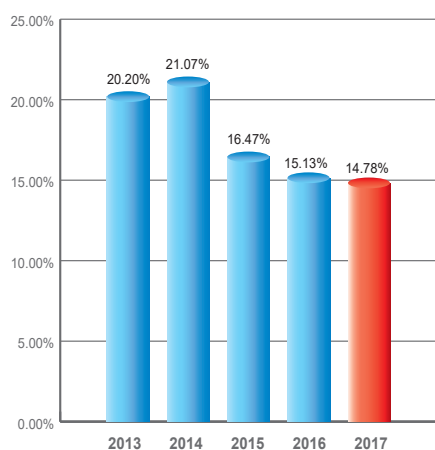
Revenues



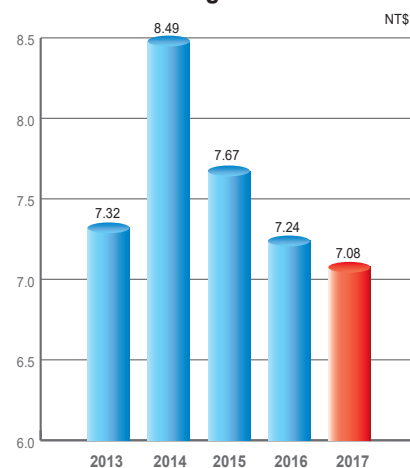
Net Profits



Return on Stockholders' Equity



Earnings Per Share



Financial Report

**DELTA ELECTRONICS, INC. AND
SUBSIDIARIES**

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

December 31, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and 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 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the current period are stated as follows:

Business combination

Description

The Group acquired 51% of Delta Energy Systems (Switzerland) AG (renamed as Delta Electronics (Switzerland) AG) in the amount of NT\$388,940 thousand in April 2017. 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(33).

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 this 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 appointed internal appraisers to review 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, 2017, the recognised goodwill and intangible assets – customer relationship as a result of acquisitions of Cyntec Co., Ltd., Loy Tec electronics GmbH, Eltek AS, Delta Controls Inc. and Delta Greentech (China) Co., Ltd. amounted to NT\$15,844,592 thousand and NT\$5,113,030 thousand, constituting 8.37% of 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 with operating margin with historical data, economic and industrial forecast documents; and
 - (c) Comparing the discount rate with cost of capital assumptions of cash generating units and rate of returns of similar assets.

Other matter – Scope of the Audit

We did not audit the financial statements of wholly-owned consolidated subsidiaries and an investment accounted for under the equity method that are included in the consolidated financial statements. Total assets of the subsidiaries amounted to NT\$9,128,719 thousand and NT\$5,202,263 thousand, constituting 3.64% and 2.21% of consolidated total assets as of December 31, 2017 and 2016, respectively, and operating revenue was NT\$4,218,765 thousand and NT\$3,513,380 thousand, constituting 1.89% and 1.64% of consolidated total operating revenue for the years then ended, respectively. The balance of investment accounted for under equity method was NT\$7,418,365 thousand and NT\$7,084,482 thousand, constituting 2.96% and 3.01% of consolidated total assets as of December 31, 2017 and 2016, respectively, and the share of profit (loss) of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method was NT\$923,720 thousand and NT\$909,301 thousand, constituting 6.79% and 7.07% 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 report thereon have been furnished to

us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter-Parent company only financial reports

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, 2017 and 2016.

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, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated

financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The consolidated financial statements of Delta Electronics, Inc. and subsidiaries as of and for the year ended December 31, 2017 expressed in US dollars are presented solely for the convenience of the reader and were translated from the financial statements expressed in New Taiwan dollars using the exchange rate of \$29.76 to US\$1.00 at December 31, 2017. This basis of translation is not in accordance with International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins that are ratified by the FSC.

Lin, Yu-Kuan Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2018

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, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	Notes	US Dollars	New Taiwan Dollars	
		December 31, 2017	December 31, 2017	December 31, 2016
Current assets				
Cash and cash equivalents	6(1)	\$ 1,927,642	\$ 57,366,617	\$ 55,572,744
Financial assets at fair value through profit or loss - current	6(2)	3,856	114,748	56,252
Available-for-sale financial assets - current	6(3)	38,364	1,141,700	675,817
Derivative financial assets for hedging - current	6(5)	237	7,061	7,708
Notes receivable, net		134,760	4,010,445	3,553,181
Accounts receivable, net	6(6)	1,659,382	49,383,213	46,756,514
Accounts receivable - related parties	7	44,337	1,319,469	1,431,921
Other receivables		24,011	714,556	717,329
Other receivables - related parties	7	2,358	70,181	104,580
Current income tax assets		10,821	322,046	218,467
Inventories	6(8)	1,035,800	30,825,402	25,953,182
Prepayments		58,179	1,731,406	2,779,206
Non-current assets held for sale, net	6(13)	-	-	15,647
Other current assets	8	23,421	697,034	559,150
Total current assets		<u>4,963,168</u>	<u>147,703,878</u>	<u>138,401,698</u>
Non-current assets				
Available-for-sale financial assets - non-current	6(3)	158,604	4,720,058	5,926,691
Financial assets carried at cost - non-current	6(4)	38,564	1,147,672	1,113,279
Investments accounted for under equity method	6(9)	283,418	8,434,519	8,319,562
Property, plant and equipment	6(10)	1,489,873	44,338,628	40,558,137
Investment property, net	6(11)	59,691	1,776,411	1,924,097
Intangible assets	6(12)	1,136,883	33,833,648	30,918,856
Deferred income tax assets	6(30)	196,122	5,836,595	5,334,038
Other non-current assets	6(14) and 8	92,311	2,747,150	2,618,312
Total non-current assets		<u>3,455,466</u>	<u>102,834,681</u>	<u>96,712,972</u>
Total assets		<u>\$ 8,418,634</u>	<u>\$ 250,538,559</u>	<u>\$ 235,114,670</u>

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

Liabilities and Equity	Notes	US Dollars	New Taiwan Dollars	
		December 31, 2017	December 31, 2017	December 31, 2016
Current liabilities				
Short-term borrowings	6(15)	\$ 586,811	\$ 17,463,509	\$ 12,539,294
Financial liabilities at fair value through profit or loss - current	6(16)	327	9,746	219,490
Notes payable		329	9,792	-
Accounts payable		1,233,495	36,708,824	37,045,171
Accounts payable - related parties	7	40,531	1,206,197	468,980
Other payables		847,093	25,209,483	23,275,430
Current income tax liabilities	6(30)	74,127	2,206,019	1,572,229
Other current liabilities	6(17)	215,309	6,407,577	6,143,043
Total current liabilities		<u>2,998,022</u>	<u>89,221,147</u>	<u>81,263,637</u>
Non-current liabilities				
Long-term borrowings	6(17)	376,980	11,218,936	8,513,958
Deferred income tax liabilities	6(30)	406,700	12,103,399	12,386,659
Other non-current liabilities	6(18)	141,856	4,221,603	3,941,550
Total non-current liabilities		<u>925,536</u>	<u>27,543,938</u>	<u>24,842,167</u>
Total Liabilities		<u>3,923,558</u>	<u>116,765,085</u>	<u>106,105,804</u>
Equity				
Share capital				
Share capital - common stock	6(19)	872,830	25,975,433	25,975,433
Capital surplus				
Capital surplus	6(20)	1,627,900	48,446,318	48,442,451
Retained earnings				
Legal reserve	6(21)	718,192	21,373,388	19,493,608
Special reserve		93,002	2,767,749	527,556
Unappropriated retained earnings		1,111,634	33,082,224	31,915,572
Other equity interest				
Other equity interest		(238,176)	(7,088,143)	(2,240,194)
Equity attributable to owners of the parent		4,185,382	124,556,969	124,114,426
Non-controlling interest	6(22)	309,694	9,216,505	4,894,440
Total equity		<u>4,495,076</u>	<u>133,773,474</u>	<u>129,008,866</u>
Significant contingent liabilities and unrecorded contract commitments				
Significant subsequent events				
Total liabilities and equity	11	<u>\$ 8,418,634</u>	<u>\$ 250,538,559</u>	<u>\$ 235,114,670</u>

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

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	US Dollars		New Taiwan Dollars	
		2017	2017	2017	2016
Sales revenue	6(23) and 7	\$ 7,512,685	\$ 223,577,514	\$ 214,355,571	
Operating costs	6(8)(24)(28)(29) and 7	(5,470,741)	(162,809,240)	(154,861,840)	
Gross profit		<u>2,041,944</u>	<u>60,768,274</u>	<u>59,493,731</u>	
Operating expenses	6(28)(29)				
Selling expenses		(507,294)	(15,097,073)	(13,896,495)	
General and administrative expenses		(308,807)	(9,190,101)	(9,284,163)	
Research and development expenses		(561,402)	(16,707,312)	(15,487,402)	
Total operating expenses		<u>(1,377,503)</u>	<u>(40,994,486)</u>	<u>(38,668,060)</u>	
Operating profit		<u>664,441</u>	<u>19,773,788</u>	<u>20,825,671</u>	
Non-operating income and expenses					
Other income	6(25)	130,528	3,884,502	4,032,505	
Other gains and losses	6(26)	(6,585)	(195,968)	(611,243)	
Finance costs	6(27)	(12,731)	(378,861)	(383,647)	
Share of profit of associates and joint ventures accounted for under equity method	6(9)	<u>24,020</u>	<u>714,819</u>	<u>926,675</u>	
Total non-operating income and expenses		<u>135,232</u>	<u>4,024,492</u>	<u>3,964,290</u>	
Profit before income tax		799,673	23,798,280	24,789,961	
Income tax expense	6(30)	(169,399)	(5,041,328)	(5,529,979)	
Profit for the year		<u>\$ 630,274</u>	<u>\$ 18,756,952</u>	<u>\$ 19,259,982</u>	

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	US Dollars	New Taiwan Dollars	
		2017	2017	2016
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		(\$ 4,942)	(\$ 147,085)	(\$ 3,522)
Share of other comprehensive income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		654	19,459	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	861	25,631	910
Components of other comprehensive loss that will not be reclassified to profit or loss		(3,427)	(101,995)	(4,432)
Components of other comprehensive (loss) income that will be reclassified to profit or loss				
Financial statements translation differences of foreign operations		(192,097)	(5,716,900)	(5,583,670)
Unrealized gain (loss) on valuation of available-for-sale financial assets		696	20,710	(1,482,432)
Hedging instrument gain on effective hedge of cash flow hedges		1,084	32,270	57,307
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss		2,945	87,656	(119,472)
Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	17,558	522,517	725,208
Components of other comprehensive loss that will be reclassified to profit or loss		(169,814)	(5,053,747)	(6,403,059)
Other comprehensive loss for the year		<u>(\$ 173,241)</u>	<u>(\$ 5,155,742)</u>	<u>(\$ 6,407,491)</u>
Total comprehensive income for the year		<u>\$ 457,033</u>	<u>\$ 13,601,210</u>	<u>\$ 12,852,491</u>
Profit attributable to:				
Owners of the parent		<u>\$ 617,626</u>	<u>\$ 18,380,552</u>	<u>\$ 18,797,799</u>
Non-controlling interest		<u>\$ 12,648</u>	<u>\$ 376,400</u>	<u>\$ 462,183</u>
Comprehensive income attributable to:				
Owners of the parent		<u>\$ 451,297</u>	<u>\$ 13,430,608</u>	<u>\$ 12,633,666</u>
Non-controlling interest		<u>\$ 5,736</u>	<u>\$ 170,602</u>	<u>\$ 218,825</u>
Earnings per share (in dollars)	6(31)			
Basic earnings per share		<u>\$ 0.24</u>	<u>\$ 7.08</u>	<u>\$ 7.24</u>
Diluted earnings per share		<u>\$ 0.24</u>	<u>\$ 7.02</u>	<u>\$ 7.17</u>

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

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

Notes	Equity attributable to owners of the parent										Total equity
	Retained earnings				Other equity interest			Total	Non-controlling interest	Total equity	
	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
	\$ 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
6(21)	-	-	1,871,462	-	(1,871,462)	-	-	-	-	-	-
	-	-	-	527,556	(527,556)	-	-	-	(12,987,717)	-	(12,987,717)
	-	-	-	-	(12,987,717)	-	-	-	-	-	(12,987,717)
6(22)	-	(9,692)	-	-	-	-	-	-	(9,692)	(507,007)	(9,692)
	-	-	-	-	-	-	-	-	-	-	(507,007)
	-	(12,384)	-	-	(4,432)	(4,724,834)	(1,482,432)	47,565	(12,384)	(243,358)	(12,384)
	-	-	-	-	-	-	-	-	(6,164,133)	(243,358)	(6,407,491)
	-	120,366	-	-	-	-	-	-	120,366	-	120,366
	-	-	-	-	18,797,799	-	-	-	18,797,799	462,183	19,259,982
	\$ 25,975,433	\$ 48,442,451	\$ 19,493,608	\$ 527,556	\$ 31,915,572	\$ 1,016,396	\$ 1,277,551	\$ 53,753	\$ 124,114,426	\$ 4,894,440	\$ 129,008,866
	\$ 25,975,433	\$ 48,442,451	\$ 19,493,608	\$ 527,556	\$ 31,915,572	\$ 1,016,396	\$ 1,277,551	\$ 53,753	\$ 124,114,426	\$ 4,894,440	\$ 129,008,866
6(21)	-	-	1,879,780	-	(1,879,780)	-	-	-	-	-	-
	-	-	-	2,240,193	(2,240,193)	-	-	-	(12,987,717)	-	(12,987,717)
	-	-	-	-	(12,987,717)	-	-	-	(348)	-	(348)
	-	3,867	-	-	(4,215)	-	-	-	-	4,151,463	4,151,463
6(22)	-	-	-	-	(101,995)	(4,895,443)	20,710	26,784	(4,949,944)	(205,798)	(5,155,742)
	-	-	-	-	18,380,552	-	-	-	18,380,552	376,400	18,756,952
	\$ 25,975,433	\$ 48,446,318	\$ 21,373,388	\$ 2,767,749	\$ 33,082,224	\$ 5,911,839	\$ 1,256,841	\$ 80,537	\$ 124,556,969	\$ 9,216,505	\$ 133,773,474

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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	
	\$ 872,830	\$ 1,627,771	\$ 655,027	\$ 17,727	\$ 1,072,431	(\$ 34,153)	(\$ 42,928)	\$ 1,805	\$ 4,170,510	\$ 164,464	\$ 4,334,974
6(21)											
Balance at January 1, 2017											
Distribution of 2016 earnings											
Legal reserve			63,165		(63,165)						
Special reserve				75,275	(75,275)						
Cash dividends											
From share of changes in equities of subsidiaries					(436,415)				(436,415)		(436,415)
Changes in non-controlling interests		129			(141)				(12)	139,496	(12)
6(22)											
Other comprehensive (loss) income for the year					(3,427)	(164,497)	695	902	(166,327)	(6,914)	(173,241)
Profit for the year					617,626				617,626	12,648	630,274
Balance at December 31, 2017	\$ 872,830	\$ 1,627,900	\$ 718,192	\$ 93,002	\$ 1,111,634	(\$ 198,650)	(\$ 42,233)	\$ 2,707	\$ 4,185,382	\$ 309,694	\$ 4,495,076

2017 US Dollars

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

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Notes	US Dollars		New Taiwan Dollars	
		2017	2017	2016	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Consolidated profit before tax for the year		\$ 799,673	\$ 23,798,280	\$ 24,789,961	
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)	278,152	8,277,810	7,293,247	
Amortisation	6(12)	63,155	1,879,506	1,839,254	
Provision for bad debts	6(6)	12,606	375,165	123,086	
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(26)	(8,593)	(255,740)	176,974	
Interest expense	6(27)	12,731	378,861	383,647	
Interest income	6(25)	(21,248)	(632,353)	(623,297)	
Dividend income	6(25)	(5,131)	(152,687)	(136,534)	
Share-based payment	6(34)	1,095	32,599	-	
Share of profit of associates accounted for under the equity method	6(9)	(24,020)	(714,819)	(926,675)	
Gain on disposal of property, plant and equipment	6(26)	(3,380)	(100,584)	(145,171)	
Gain on disposal of non-current assets held for sale	6(26)	(12,538)	(373,138)	-	
Gain on disposal of investments	6(26)	(11,360)	(338,087)	(212,799)	
Impairment loss on financial assets	6(3)(4)(26)	22,260	662,465	108,693	
Impairment loss on non-financial assets	6(10)(12)	24	718	74,457	
Changes in assets/liabilities relating to operating activities					
Net changes in assets relating to operating activities					
Financial assets held for trading		(2,848)	(84,757)	(60,647)	
Notes receivable		(15,365)	(457,264)	(452,385)	
Accounts receivable		(31,850)	(947,848)	(1,108,240)	
Accounts receivable - related parties		4,197	124,903	47,366	
Other receivables		836	24,865	(224,634)	
Other receivables - related parties		1,156	34,399	21,028	
Inventories		(124,713)	(3,711,462)	(1,606,928)	
Prepayments		32,330	962,148	1,217,971	
Other current assets		(4,637)	(137,998)	394,052	
Other non-current assets		15,028	447,227	(121,341)	
Net changes in liabilities relating to operating activities					
Notes payable		329	9,792	-	
Accounts payable		(39,456)	(1,174,198)	1,488,687	
Accounts payable - related parties		3,685	109,659	10,272	
Other payables		51,392	1,529,431	805,993	
Other current liabilities		17,571	522,902	604,717	
Other non-current liabilities		983	29,242	(752,214)	
Cash generated from operations		1,012,064	30,119,037	33,008,540	
Interest received		19,838	590,381	627,229	
Dividends received		28,134	837,278	876,657	
Interest paid		(12,457)	(370,730)	(381,465)	
Income taxes paid		(141,353)	(4,206,676)	(3,231,112)	
Net cash provided by operating activities		906,226	26,969,290	30,899,849	

(Continued)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Notes	US Dollars 2017	New Taiwan Dollars	
			2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		\$ 2,726	\$ 81,132	\$ 186,936
Acquisition of available-for-sale financial assets		(17,951)	(534,229)	(844,593)
Proceeds from disposal of available-for-sale financial assets		25,748	766,254	331,639
Proceeds from capital reduction of available-for-sale financial assets		3,217	95,733	34,679
Acquisition of financial assets at cost		(3,020)	(89,874)	(463,948)
Proceeds from disposal of financial assets at cost		-	-	2,514
Proceeds from capital reduction of financial assets carried at cost		-	-	32
Net cash flow from acquisition of subsidiaries (net of cash acquired)	6(33)	(102,764)	(3,058,262)	(7,732,070)
Proceeds from disposal of subsidiaries (net of cash disposed)	6(34)	21,270	633,010	-
Acquisition of property, plant and equipment	6(10)	(432,751)	(12,878,670)	(8,078,237)
Proceeds from disposal of property, plant and equipment		9,208	274,022	797,778
Advances on sale of property, plant and equipment		-	-	473,606
Acquisition of intangible assets	6(12)	(12,049)	(358,579)	(220,585)
Decrease in other financial assets		404	12,021	76,026
(Increase) decrease in other non-current assets		(9,063)	(269,712)	86,406
Net cash used in investing activities		(515,025)	(15,327,154)	(15,349,817)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Increase in short-term borrowings		152,674	4,543,591	1,429,721
Proceeds from long-term debt		86,634	2,578,236	4,453,199
Repayment of long-term debt		(1,677)	(49,919)	-
Cash dividends paid		(436,415)	(12,987,717)	(12,987,717)
Cash dividends paid to minority share interests	6(22)	(10,601)	(315,485)	(225,604)
Acquisition of non-controlling interests in subsidiaries		-	-	(873,505)
Net cash used in financing activities		(209,385)	(6,231,294)	(8,203,906)
Effects due to changes in exchange rate		(121,538)	(3,616,969)	(3,025,835)
Increase in cash and cash equivalents		60,278	1,793,873	4,320,291
Cash and cash equivalents at beginning of year		1,867,364	55,572,744	51,252,453
Cash and cash equivalents at end of year		<u>\$ 1,927,642</u>	<u>\$ 57,366,617</u>	<u>\$ 55,572,744</u>

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

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, DC brushless fans, thermal system, and miniaturization key component, industrial automation products, digital display products, communication products, consumer electronics products, energy-saving lighting application, renewable energy applications, EV charging, 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 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, automation business, and infrastructure business.

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

These consolidated financial statements were authorized for issuance by to the Board of Directors on March 8, 2018.

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”)

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>
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016

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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(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 the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 financial performance based on the Group's assessment.

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.

A. When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Under the new standards, the Group expects to reclassify financial assets at cost, current available-for-sale financial assets and non-current available-for-sale financial assets in the amounts of \$1,147,672, \$1,141,700 and \$4,720,058, respectively, to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in the amount of \$3,632,504 and \$3,376,926, respectively, and increasing retained earnings in the amount of \$492,141 and decreasing other equity interest in the amount of \$492,141.

B. In line with the regulations under IFRS 9 on provision for impairment, other equity interest will have to be decreased by \$626,735 and retained earnings increased by \$626,735.

(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 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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 are consistent 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 (%)		
				December 31, 2017	December 31, 2016	
1	Delta International Holding Limited (DIH)	Equity investments	Delta Electronics, Inc.	94	94	
2	Delta Networks Holding Limited (DNH)	"	"	100	100	Note 15
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 19
6	Cyntec Co., Ltd. (Cyntec)	Research, development, manufacturing and sales of film optic-electronics devices	Delta Electronics, Inc.	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	
9	Delta Electronics Int'l (Singapore) Pte. Ltd. (DEIL-SG)	Sales of electronic products	"	100	100	
10	Allied Material Technology Corp. (AMT)	Lease services, etc.	"	99.97	99.97	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
11	Delta Green Life Co., Ltd. (DGL)	Providing installation and construction of lighting equipment	Delta Electronics, Inc.	100	100	
12	Delta America Ltd. (DAL)	Equity investments	Delta Electronics, Inc., DEN, Castle Horizon Limited and Energy Dragon Global Limited	100	100	Note 17
13	Delta Electronics (H.K.) Ltd. (DHK)	Equity investments, operations management and engineering services	DIH	100	100	
14	Delta Electronics International Limited (DEIL-Labuan)	Sales of electronic products	//	100	100	
15	Delta Power Sharp Limited (DPS)	Operations and engineering services	//	-	100	Note 10
16	DEI Logistics (USA) Corp. (ALI)	Warehousing and logistics services	//	100	100	
17	Delta Electronics (Japan), Inc. (DEJ)	Sales of power products, display solution products, electronic components, industrial automation products and their materials	//	100	100	
18	DAC Holding (Cayman) Limited (DAC)	Equity investments	//	100	100	
19	Ace Pillar Holding Co., Ltd. (Ace)	//	//	100	100	
20	Drake Investment (HK) Limited (Drake-HK)	//	//	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
21	Delta Greentech (China) Co., Ltd. (DGC)	Manufacturing and sales of uninterruptible power systems	DIH, Ace, Drake-HK, DGSG and Boom	95.91	95.91	
22	Vivitek Corporation (Vivitek)	Sales of projector products and their materials	DIH	100	100	
23	Delta Greentech SGP Pte. Ltd. (DGSG)	Equity investments	"	100	100	
24	Delta Electronics Europe Ltd. (DEU)	Repair centre and providing support services	"	100	100	
25	Boom Treasure Limited (Boom)	Equity investments	"	100	100	
26	Apex Investment (HK) Limited (Apex-HK)	"	"	100	100	
27	Galaxy Star Investment (HK) Limited (Galaxy Star-HK)	"	"	100	100	
28	Jade Investment (HK) Limited (Jade-HK)	"	"	100	100	
29	Delta Electronics (Dongguan) Co., Ltd. (DDG)	Manufacturing and sales of transformer and thermal products	DHK	100	100	
30	Delta Electronics Power (Dongguan) Co., Ltd. (DEP)	Manufacturing and sales of transformer and power supplies	"	100	100	
31	Delta Electronics (Shanghai) Co., Ltd. (DPEC)	Product design, management consulting service and distribution of electronic products	"	100	100	
32	Delta Electronics (Jiangsu) Ltd. (DWJ)	Manufacturing and sales of power supplies and transformers	DHK, Apex-HK, Galaxy Star-HK and Jade-HK	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
33	Delta Electronics Components (Wujiang) Ltd. (DWC)	Manufacturing and sales of new-type electronic components, variable-frequency drive and others	DHK, Apex-HK, Galaxy Star-HK and Jade-HK	100	100	
34	Delta Video Display System (Wujiang) Ltd. (DWV)	Manufacturing and sales of various projectors	"	100	100	
35	Delta Electronics (Wuhu) Co., Ltd. (DWH)	Manufacturing and sales of LED light source, power supplies and others	DHK	100	100	
36	Delta Electronics (Chenzhou) Co., Ltd. (DCZ)	Manufacturing and sales of transformers	"	100	100	
37	Delta Electronics International Mexico S.A. DE C.V. (DEIL-MX)	Sales of power management of industrial automation product and telecommunications equipment	"	100	100	
38	Delta Electronics (Wujiang) Trading Co., Ltd. (DWT)	Installation, consulting and trading of electronic products	"	100	100	
39	Delta Green (Tianjin) Industries Co., Ltd. (DGT)	Manufacturing and sales of transformers	"	100	100	
40	Delta Electronics (Pingtan) Co., Ltd. (Delta Pingtan)	Wholesale and retail of electronic products and energy-saving equipment	"	100	100	
41	PreOptix (Jiang Su) Co., Ltd. (PJS)	Manufacturing and sales of lenses and optical engines for projectors	PHK	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
42	Addtron Technology (Japan), Inc. (AT Japan)	Trading of networking system and peripherals	DEJ	100	100	
43	Delta Electronics (Korea), Inc. (Delta Korea)	Sales of power products, display solution products electronic components, industrial automation products and their materials	"	100	100	
44	Delta Electronics Mexico S.A. DE C.V. (DEM)	Manufacturing and sales of electronic products	DAC	100	100	
45	Delta Video Technology Limited (DVT)	Sales of electronic products	"	100	100	
46	Wuhu Delta Technology Co., Ltd. (WDT)	Manufacturing and sales of transformers	DWH	100	100	
47	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	Note 12
48	Chenzhou Delta Technology Co., Ltd. (CDT)	Manufacturing and sales of transformers	DCZ	100	100	
49	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	Note 14

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
50	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	
51	Delta Energy Technology (Shanghai) Co., Ltd. (DET-SH)	"	DPEC and DGC	100	100	
52	Delta Networks, Inc. (DNI Cayman)	Equity investments	DNH	100	100	
53	Delta Networks, Inc. (Taiwan) (DNIT)	Manufacturing and sales of networking system and peripherals	Delta Electronics, Inc.	99.98	99.98	Note 15
54	DNI Logistics (USA) Co. (ALN)	Trading of networking system and peripherals	DNI Cayman	100	100	
55	Delta Networks International Limited (DNIL-Labuan)	Trading of networking system and peripherals	DNI Cayman	100	100	Note 28
56	Delta Networks (H.K.) Limited (DNHK)	Equity investments	"	100	100	
57	Delta Networks (Dongguan) Ltd. (DII)	Manufacturing and sales of other radio-broadcast receivers and the equipment in relation to broadband access networking system	DNHK	100	100	
58	Delta Networks (Shanghai) Ltd. (DNS)	Design of computer software	"	100	100	
59	Fairview Assets Ltd. (Fairview)	Equity investments	Cyntec	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
60	Grandview Holding Ltd. (Grandview)	Equity investments	Fairview	100	100	
61	Cyntec Holding (H.K.) Ltd. (CHK)	"	Grandview	100	100	
62	Cyntec International Trading Ltd. (CIL-Labuan)		"	100	100	
63	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	CHK	100	100	
64	DelBio (Wujiang) Co., Ltd.	Manufacturing, wholesale and retail of medical equipment	DelBio	100	100	
65	ELTEK AS	Research and sales of power supplies and others	DEN	100	100	
66	Castle Horizon Limited	Equity investments	"	100	100	Note 2 Note 17
67	Energy Dragon Global Limited	"	"	100	100	Note 2 Note 17
68	Delta Controls Inc. (DCI)	"	"	100	100	Note 2
69	Eltek Energy Holding, Inc.	"	ELTEK AS	100	100	
70	ELTEK PAKISTAN (PRIVATE) LIMITED	Sales of power supplies and others	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
71	Eltek Deutschland GmbH	Sales of power supplies and others and system installation	ELTEK AS	100	100	
72	ELTEK AUSTRALIA PTY LIMITED	"	"	100	100	
73	Eltek Egypt for Power Supply S.A.E	Sales of power supplies and others	"	95	95	
74	Eltek SGS Pvt Ltd.	Sales of power supplies and others and system installation	"	100	100	
75	Eltek SGS Mechanics Pvt Ltd.	Sales of power supplies and others	ELTEK AS and Eltek SGS Pvt Ltd.	51	51	
76	ELTEK POWER PTE. LTD.	Sales of power supplies and others and system installation	ELTEK AS	100	100	
77	Eltek Polska Sp. z o. o.	Sales of power supplies and others and system installation	ELTEK AS	51	51	
78	Eltek s.r.o.	Manufacturing and sales of power supplies	"	-	100	Note 8
79	ELTEK POWER FRANCE SAS	Sales of power supplies and others and system installation	"	100	100	
80	ELTEK LIMITED	Equity investments and trading	"	100	100	
81	ELTEK MEA FZCO	Closure	"	-	80	Note 24
82	ELTEK MEA DMCC	Sales of power supplies and others	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
83	ELTEK KENYA LIMITED	Sales of power supplies	ELTEK MEA DMCC and ELTEK AS	100	100	
84	ELTEK WEST AFRICA LIMITED	"	"	100	100	
85	Eltek Italia S.r.l.	Sales of power supplies and others	ELTEK AS	100	100	
86	Eltek Power Sweden AB	Sales of power supplies and others and equity investments	"	100	100	Note 18
87	Eltek Power (UK) Ltd.	Sales of power supplies	"	100	100	
88	Eltek Power Oy	Sales of power supplies and others	"	100	100	
89	OOO Eltek	Sales of power supplies and others and system installation	"	100	100	
90	ELTEK ENERJI SISTEMLERI LIMITED SIRKETI	Sales of power supplies and others	"	100	100	
91	Eltek Montage GmbH	Installation and maintenance of power supplies	Eltek Deutschland GmbH	100	100	
92	E.V.I Electronics Sp. z o. o.	Trading and construction of power supply model	"	100	100	
93	ELTEK POWER INCORPORATED	Sales of power supplies and others	ELTEK POWER PTE. LTD.	100	100	
94	ELTEK POWER CO., LTD.	"	"	100	100	Note 5
95	ELTEK POWER (COMBODIA) LTD.	"	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
96	ELTEK POWER (MALAYSIA) SDN. BHD.	Sales of power supplies and others	ELTEK POWER PTE. LTD.	100	100	Note 6
97	Eltek Power Korea Co., Ltd.	"	"	-	100	Note 16
98	ELTEK CVI LIMITED	Equity investments	ELTEK LIMITED	100	100	
99	Eltek Energy Technology	Development, manufacturing and sale of intelligent power equipment and system for supporting access networking system, and manufacturing and sale of intelligent power equipment for supporting renewable energy	ELTEK CVI LIMITED	100	100	
100	Eltek, Inc.	Manufacturing and sales of power supplies	Eltek Energy Holding Inc.	100	100	
101	Eltek Argentina S.R.L.	Sales of power supplies and others	Eltek, Inc.	100	100	
102	Eltek Sistemas de Energia Industria e Comercio S.A.	Manufacturing and sales of power supplies	"	100	100	
103	Eltek Peru S.R.L.	Sales of power supplies and others	"	100	100	
104	Eltek Colombia S.A.S.	"	"	100	100	
105	Eltek Energy International I, LLC	Equity investments	"	100	100	
106	Eltek Energy International II, LLC	"	"	100	100	

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
107	Eltekenergy Services, S.A. de C.V.	Sales of power supplies and others	Eltek Energy International II, LLC	100	100	
108	Eltekenergy International de México, S. de R.L. de C.V.	//	//	100	100	
109	Delta Electronics (Americas) Ltd.	Sales of electronic components	DAL	100	100	Note 13 Note 27
110	Delta Solar Solutions LLC	Equity investments	//	100	100	
111	2009 PPA LLC	Sales of power supplies	Delta Electronics (Americas) Ltd.	100	100	
112	AGEMA SYSTEMS, INC	Trading of networking system and peripherals	//	-	100	Note 13
113	DSS-CI LLC	Rental of solar power systems	Delta Solar Solution LLC	100	100	
114	DSS-USF LLC	//	//	100	100	
115	Power Forest Technology Corporation	Manufacturing of electronic components	Cyntec	60.02	60.02	Note 2 Note 7
116	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	100	Note 2
117	Loy Tec electronics GmbH	Consulting service of building management and control solutions	DEIL-SG	85	85	Note 2
118	LOYTEC Asia Corp., Ltd.	Consulting service of building management and control solutions	Loy Tec electronics GmbH and Delta Electronics, Inc.	-	54	Note 2 Note 9 Note 11

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
119	LOYTEC Americas, Inc.	Consulting service of building management and control solutions	Loy Tec electronics GmbH	100	100	Note 2
120	Delta Electronics (Beijing) Co., Ltd.	Installation of mechanic, electronic, telecommunication and circuit equipment	DHK	100	100	Note 2
121	Delta Electronics (Xi'an) Co., Ltd.	Sales of computer, peripheral and software	"	100	100	Note 2
122	Beijing Industrial Foresight Technology Co., Ltd.	Computer system services and data process	Delta Electronics (Beijing) Co., Ltd.	80	80	Note 2
123	UNICOM SYSTEM ENG. CORP.	Design and sales of computer, peripheral and information system (software and hardware)	Delta Electronics, Inc.	100	-	Note 1
124	Unicom (Nanjing) System Eng. Corp	"	UNICOM SYSTEM ENG. CORP.	100	-	Note 1
125	Delta Electronics (Switzerland) AG (DES)	Equity investments, research, development and sales of electronic products	DEN	51	-	Note 1 Note 4
126	Delta Greentech (Brasil) S.A. (DGB)	Manufacturing and sales of electronic products	"	100	-	Note 1
127	Delta Greentech Electronics Industry LLC	Marketing and sales of electronic products	"	51	-	Note 1
128	Delta Greentech (USA) Corporation (DGA)	Sales of electronic products	"	100	-	Note 1

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
129	Delta Electronics (Czech Republic), spol. s.r.o.	Sales of electronic products	DES	100	-	Note 1 Note 20
130	Delta Energy Systems (Italy) S.r.l.	"	"	100	-	Note 1 Note 25
131	Delta Energy Systems (Poland) Sp. z o. o.	"	"	100	-	Note 1 Note 3
132	Delta Soutions (Finland) Oy	Manufacturing and sales of electronic products	"	100	-	Note 1 Note 26
133	Delta Energy Systems (Spain) S.L	Sales of electronic products	"	100	-	Note 1 Note 22
134	Delta Electronics (France) SA	"	"	100	-	Note 1 Note 21
135	Delta Energy Systems (Sweden) AB	"	"	100	-	Note 1
136	Vivotek Inc.	Manufacturing and sales of video compression software and encoding, network video server, webcam and its related components	Delta Electronics, Inc.	48.80	-	Note 1 Note 23
137	Vatics Inc.	Designing and sales on multimedia integrated circuits	Vivotek Inc.	49.55	-	Note 1
138	Vivotek Holdings, Inc.	Holding company	"	100	-	Note 1
139	Realwin Investment Inc.	Investment in networking system industry	"	100	-	Note 1
140	Vivotek Netherlands B.V.	Sales service	"	100	-	Note 1

No.	Name of Subsidiary	Main Business Activities	Name of Investor	Ownership (%)		Description
				December 31, 2017	December 31, 2016	
141	Vivotek USA, Inc.	Sales of webcams and related components	Vivotek Holdings, Inc.	100	-	Note 1
142	Wellstates Investment, LLC	Investment and commercial lease of real estate	Realwin Investment Inc.	100	-	Note 1
143	Otus Imaging, Inc.	Sales of webcams and related components	Vivotek Inc. and Realwin Investment Inc.	100	-	Note 1
144	Aetek Inc.	Sales of webcams and related components	Realwin Investment Inc.	56.21	-	Note 1
145	Vivotek Middle East FZCO	Sales of webcams and related components	"	89.99	-	Note 1
146	Lidlight Inc.	Lighting equipment sales	"	51	-	Note 1
147	Delta Electronics Brasil Ltda	Manufacturing and sales of electronic products	DEN	100	-	Note 1

Note 1: Companies were established or acquired through merger during 2017.

Note 2: Companies were established or acquired through merger during 2016.

Note 3: Formerly named Delta Energy Systems (Poland) Sp. Z.o.o., and was renamed Delta Electronics Systems (Poland) Sp. Z o.o.

Note 4: Formerly named Delta Energy Systems (Switzerland) AG., and was renamed Delta Electronics (Switzerland) AG.

Note 5: 55% of shares are held through others due to local regulations.

Note 6: 71% of shares are held through others due to local regulations.

Note 7: 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 8: On April 1, 2017, the company was sold to the Group's associate, Delta Greentech (Netherlands) B.V..

Note 9: In February 2017, the Company directly held 46% share ownership of LOYTEC Asia Corp., Ltd. and the comprehensive shareholding ratio was 91.9% if the 45.9%

comprehensive share ownership of LOYTEC Asia Corp., Ltd. held by the Company's subsidiary, DEIL-SG, was inclusive.

Note 10: In August 2016, the subsidiary company began liquidation process, which had been completed in the second quarter of 2017.

Note 11: In the first quarter of 2017, the subsidiary company was dissolved and the dissolution process had been completed on November 30, 2017.

Note 12: Delta Energy Technology (Wuhu) Co., Ltd. had been liquidated and dissolved in August 2017.

Note 13: AGEMA SYSTEMS, INC. merged with Delta Products Corporation in September 2017. Under the merger, Delta Products Corporation was the surviving company while AGEMA SYSTEMS, INC. was the dissolved company.

Note 14: Delta Energy Technology (Chenzhou) Co., Ltd. had been liquidated and dissolved in March 2017.

Note 15: The subsidiary, DNH, distributed its shares in Delta Networks to the Company in October 2016.

Note 16: Eltek Power Korea Co., Ltd. had been liquidated in July 2017.

Note 17: 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 18: Eltek Holding AB and Valere Power Europe AB 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 companies.

Note 19: In the fourth quarter of 2015, the subsidiary company began liquidation process and was dissolved, but has not yet been completed as of December 31, 2017.

Note 20: Formerly named Delta Energy Systems (Czech Republic), spol. s.r.o., and was renamed Delta Electronics (Czech Republic), spol. s.r.o.

Note 21: Formerly named Delta Energy Systems (France) S.A., and was renamed Delta Electronics (France) SA.

Note 22: Formerly named Delta Energy Systems (Spain) S.L., and was renamed Delta Electronics Solutions (Spain) S.L.

Note 23: Because most of the shares were held by the company and other shareholdings are disaggregated, therefore, it was included in the consolidated financial statements.

Note 24: This company had been liquidated in November, 2017.

Note 25: Formerly named Delta Energy Systems (Italy) S.r.l., and was renamed Delta Electronics (Italy) S.r.l.

Note 26: Formerly named Delta Energy Systems (Finland) Oy., and was renamed Delta Solutions (Finland) OY.

Note 27: Formerly named Delta Products Corporation, and was renamed Delta Electronics (Americas) Ltd.

Note 28: In the fourth quarter of 2017, the subsidiary company began liquidation and dissolved process, but has not yet been completed as of December 31, 2017.

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, 2017 and 2016, the non-controlling interest amounted to \$9,216,505 and \$4,894,440, 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, 2017		December 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)
Delta International Holding Ltd. (DIH)	Cayman Islands	\$ 3,940,019	6%	\$ 4,323,174	6%
Vivotek Inc.	Taiwan	4,206,236	51.20%	-	-

Summarised financial information of the subsidiary:

Balance sheet

	DIH	
	December 31, 2017	December 31, 2016
Current assets	\$ 82,004,197	\$ 81,957,178
Non-current assets	40,540,530	41,319,991
Current liabilities	(44,828,240)	(41,771,968)
Non-current liabilities	(2,073,048)	(2,587,336)
Total net assets	\$ 75,643,439	\$ 78,917,865

	Vivotek Inc.
	<u>December 31, 2017</u>
Current assets	\$ 3,188,626
Non-current assets	6,446,325
Current liabilities	(1,217,494)
Non-current liabilities	(202,154)
Total net assets	<u>\$ 8,215,303</u>

Statement of comprehensive income

	DIH	
	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 155,108,606	\$ 151,768,484
Profit before income tax	7,161,357	7,577,947
Income tax expense	(1,921,637)	(2,118,254)
Profit for the year from continuing operations	5,239,720	5,459,693
Loss attributable to non-controlling interest	(29,463)	(42,945)
Profit for the year	5,210,257	5,416,748
Other comprehensive income (loss), net of tax	2,012,159	(1,616,101)
Total comprehensive income for the year	<u>\$ 7,222,416</u>	<u>\$ 3,800,647</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 433,345</u>	<u>\$ 134,354</u>
Dividends paid to non-controlling interest	<u>\$ 310,287</u>	<u>\$ 218,881</u>

	Vivotek Inc.
	<u>Years ended</u>
	<u>December 31,</u>
	<u>2017</u>
Revenue	\$ 5,876,591
Profit before income tax	401,753
Income tax expense	(105,577)
Profit for the year from continuing operations	296,176
Gains attributable to non-controlling interest	81,755
Profit for the year	377,931
Other comprehensive loss, net of tax	(26,898)
Total comprehensive income for the year	<u>\$ 351,033</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 89,089</u>
Dividends paid to non-controlling interest	<u>\$ -</u>

Statements of cash flows

	DIH	
	Years ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 7,971,941	\$ 14,399,018
Net cash used in investing activities	(5,505,694)	(5,049,586)
Net cash used in financing activities	(4,307,178)	(3,426,443)
Effect of exchange rates on cash and cash equivalents	(1,384,793)	(2,345,908)
(Decrease) increase in cash and cash equivalents	(3,225,724)	3,577,081
Cash and cash equivalents, beginning of year	34,902,792	31,325,711
Cash and cash equivalents, end of year	<u>\$ 31,677,068</u>	<u>\$ 34,902,792</u>
		Vivotek Inc.
		Year ended
		December 31,
		<u>2017</u>
Net cash provided by operating activities	\$ 426,903	
Net cash used in investing activities	(447,432)	
Net cash used in financing activities	(193,296)	
Effect of exchange rates on cash and cash equivalents	(20,812)	
Decrease in cash and cash equivalents	(234,637)	
Cash and cash equivalents, beginning of year		1,420,179
Cash and cash equivalents, end of year		<u>\$ 1,185,542</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.

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 do not arise from 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 are consistent 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 1~15 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 amortised on a straight-line basis over their estimated useful lives of 1~15 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. Remeasurements arising on defined benefit plans are 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. Restricted stocks:

- (a) Restricted stocks issued to employees 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.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees but employees must return the dividends received if they resign during the vesting period, when the Group receives dividends from employees resigning during the vesting period, the Group credits related amounts that were previously debited from retained earnings, legal reserve or capital surplus at the date of dividends declared.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Group will pay the employees who resign during the vesting period to repurchase the stocks, the Group estimates such payments that will be made and recognises such amounts as compensation cost and liability at the grant date, in accordance with the terms of restricted stocks.

(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 is mainly engaged in manufacturing and sales of information, electric machinery, power supply, industrial automation, networking and communication equipment and components and its 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 installation of certain software and module and energy technology 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.

5. 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, 2017</u>	<u>December 31, 2016</u>
Cash on hand	\$ 4,862	\$ 5,748
Checking accounts and demand deposits	29,671,136	35,458,887
Time deposits	27,690,619	20,108,109
	<u>\$ 57,366,617</u>	<u>\$ 55,572,744</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, 2017</u>	<u>December 31, 2016</u>
Current items:		
Financial assets held for trading		
Listed stocks	\$ 29,341	\$ 16,840
Valuation adjustment of financial assets held for trading	85,407	39,412
	<u>\$ 114,748</u>	<u>\$ 56,252</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)	(94,512)
	<u>\$ -</u>	<u>\$ -</u>

A. The Group recognised net gain on financial assets held for trading of \$45,266 and \$35,267 for the years ended December 31, 2017 and 2016, respectively. The Group recognised net loss on financial assets designated as at fair value through profit or loss of \$0 and \$126,995 for the years ended December 31, 2017 and 2016, respectively.

B. The counterparties of the Group's private placement of convertible bonds are mostly listed companies in Taiwan and overseas. The fair value is \$0 after assessment.

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

December 31, 2017

Financial instruments	Contract amount (nominal principal) (in thousands)		Contract period
Forward exchange contracts:			
– Sell AUD / Buy NOK	AUD	3,000	2017.11.28~2018.02.05
– Sell AUD / Buy USD	AUD	2,500	2017.08.25~2018.05.29
– Sell BRL / Buy USD	BRL	5,716	2017.11.28~2018.02.05
– Sell EUR / Buy NOK	EUR	8,000	2017.11.16~2018.04.05
– Sell EUR / Buy USD	EUR	22,800	2017.08.25~2018.05.29
– Sell INR / Buy USD	INR	130,241	2017.11.28~2018.02.05
– Sell JPY / Buy USD	JPY	834,001	2017.08.25~2018.04.26
– Sell THB / Buy SGD	THB	131,018	2017.12.20~2018.01.22
– Sell THB / Buy USD	THB	28,500	2017.12.20~2018.01.22
– Sell USD / Buy RMB	USD	110,571	2017.10.25~2018.02.09
– Sell USD / Buy JPY	USD	1,500	2017.11.06~2018.01.10
– Sell USD / Buy NOK	USD	3,000	2017.12.04~2018.03.05
– Buy USD / Buy SGD	USD	25,200	2017.01.25~2018.11.02
– Sell USD / Buy TWD	USD	3,000	2017.10.25~2018.01.03
– Sell USD / Buy EUR	USD	5,934	2017.11.15~2018.02.02
– Sell USD / Buy HKD	USD	6,200	2017.11.03~2018.02.02
– Sell USD / Buy CZK	USD	350	2017.12.08~2018.01.23
– Sell RMB / Buy USD	RMB	31,000	2017.11.06~2018.02.09

December 31, 2016

Financial instruments	Contract amount (nominal principal) (in thousands)		Contract period
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 NTD	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 SGD	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 NTD	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

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, 2017</u>	<u>December 31, 2016</u>
Current items:		
Listed stocks	\$ 1,197,724	\$ 312,145
Emerging stocks	58,943	59,286
Convertible bonds	65,000	-
Valuation adjustment of available-for-sale financial assets	446,768	304,386
Accumulated impairment-available-for-sale financial assets	(626,735)	-
	<u>\$ 1,141,700</u>	<u>\$ 675,817</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-current items:		
Listed stocks	\$ 4,468,722	\$ 5,462,496
Emerging stocks	585,308	284,583
Convertible bonds	-	137,894
Unlisted stocks	<u>1,593,527</u>	<u>1,826,976</u>
	6,647,557	7,711,949
Valuation adjustment of available-for-sale financial assets	(1,695,776)	(1,574,104)
Accumulated impairment-available-for-sale financial assets	<u>(231,723)</u>	<u>(211,154)</u>
	<u>\$ 4,720,058</u>	<u>\$ 5,926,691</u>

- A. The Group recognised gain (loss) of \$258,085 and (\$1,301,081) in other comprehensive income for fair value change and reclassified \$237,375 and \$181,351 from equity to profit or loss for the years ended December 31, 2017 and 2016, respectively.
- B. At period end, there was a significant decline in the fair value of equity investments held by the Group below its original cost. Accordingly, the Group recognised impairment loss of \$647,304 and \$108,693 for the years ended December 31, 2017 and 2016, respectively.
- C. As of December 31, 2017 and 2016, the Group has no available-for-sale financial assets pledged to others.

(4) Financial assets measured at cost

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-current items:		
Unlisted stocks	\$ 1,181,036	\$ 1,131,150
Accumulated impairment - financial assets measured at cost	<u>(33,364)</u>	<u>(17,871)</u>
	<u>\$ 1,147,672</u>	<u>\$ 1,113,279</u>

- A. 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.
- B. At period end, there was a significant decline in the net value of stock investment held by the Group below its original cost. For the years ended December 31, 2017 and 2016, the Group recognised impairment loss amounting to \$15,161 and \$0, respectively.

(5) Hedge accounting

Items	December 31, 2017	December 31, 2016
	Assets (Liabilities), net	Assets (Liabilities), net
Current items:		
Cash flow hedges using forward foreign exchange contracts	\$ 7,061	\$ 7,708

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 Fair value	Period of anticipated cash flow	Period of gain (loss) expected to be recognised in profit or loss
December 31, 2017	Accounts payable in foreign currency	Forward foreign exchange contracts	\$ 7,061	2017.9.30 ~2018.3.31	2017.9.30 ~2018.3.31
December 31, 2016	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, 2017 and 2016 are recycled into profit or loss in the period or periods when the hedged item affects profit or loss.

(b) Information about gain or loss arising from cash flow hedges recognised in profit or loss and other comprehensive income:

Items	Years ended December 31,	
	2017	2016
Amount of gain or loss adjusted in other comprehensive income	(\$ 647)	\$ 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, 2017	December 31, 2016
Net investments in foreign operations	Borrowing in US dollars	\$ 1,339,199	\$ 1,612,500
"	Borrowing in Euro	426,840	542,399
		<u>\$ 1,766,039</u>	<u>\$ 2,154,899</u>

On December 31, 2017 and 2016, the Group designated a portion of its US dollar and Euro denominated borrowings amounting to \$1,339,199 (USD 45 million), \$426,840 (EUR 12 million) and \$1,612,500 (USD 50 million), \$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, 2017 and 2016 was \$1,766,039 and \$2,154,899, respectively. The foreign exchange gain of \$32,917 and \$49,599 on translation of this portion of borrowing to NTD currency for the years ended December 31, 2017 and 2016 was recognised in other comprehensive income, respectively.

(6) Accounts receivable and overdue receivables

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 50,549,708	\$ 47,663,586
Less: Allowance for doubtful accounts	(1,166,495)	(907,072)
	<u>49,383,213</u>	<u>46,756,514</u>
Overdue receivables (shown as other non-current assets)	238,283	256,516
Less: Allowance for doubtful accounts	(238,283)	(256,516)
	<u>\$ 49,383,213</u>	<u>\$ 46,756,514</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:

	December 31, 2017	December 31, 2016
Up to 90 days	\$ 3,443,039	\$ 2,501,653
91 to 180 days	214,089	314,154
181 to 365 days	243,603	232,110
Over 365 days	166,400	175,519
	<u>\$ 4,067,131</u>	<u>\$ 3,223,436</u>

The above aging analysis was based on past due date.

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

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 256,516	\$ 907,072	\$ 1,163,588
Acquired from business combinations	50,626	63,288	113,914
Provision for (reversal of) impairment	(13,227)	388,392	375,165
Write-offs during the year	(21,948)	(162,675)	(184,623)
Net exchange differences	(33,684)	(29,582)	(63,266)
At December 31	<u>\$ 238,283</u>	<u>\$ 1,166,495</u>	<u>\$ 1,404,778</u>
	2016		
	Individual provision	Group provision	Total
At January 1	\$ 168,850	\$ 1,088,718	\$ 1,257,568
Acquired from business combinations	-	1,833	1,833
Provision for impairment	117,125	5,961	123,086
Write-offs during the year	(17,532)	(122,376)	(139,908)
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>

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, 2017	December 31, 2016
Group 1	\$ 22,112,811	\$ 23,999,392
Group 2	23,203,271	19,533,686
	<u>\$ 45,316,082</u>	<u>\$ 43,533,078</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.

Group 2: 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, 2017 and 2016, the relevant information of unsettled accounts receivable that were sold is set forth below:

December 31, 2017					
<u>Purchaser of accounts receivable</u>	<u>Accounts receivable transferred</u>	<u>Amount derecognised</u>	<u>Facilities</u>	<u>Amount advanced</u>	<u>Interest rate of amount advanced</u>
Taishin International Bank	\$ 150,152	\$ -	\$ 297,600	\$ -	\$ -

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

(8) Inventories

December 31, 2017			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 9,430,769	(\$ 1,342,968)	\$ 8,087,801
Work in process	2,436,778	-	2,436,778
Finished goods	22,034,497	(2,168,107)	19,866,390
Inventory in transit	434,433	-	434,433
	<u>\$ 34,336,477</u>	<u>(\$ 3,511,075)</u>	<u>\$ 30,825,402</u>

December 31, 2016			
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
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>

The Group recognised as expense or loss:

	Years ended December 31,	
	<u>2017</u>	<u>2016</u>
Cost of goods sold	\$ 158,350,323	\$ 150,641,062
Loss on market value decline and obsolete and slow-moving inventories	707,883	575,604
Others	(433,353)	(408,245)
	<u>\$ 158,624,853</u>	<u>\$ 150,808,421</u>

(9) Investments accounted for under the equity method

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

Name of associates	December 31, 2017		December 31, 2016	
	Ownership %	Book value	Ownership %	Book value
	(Note)		(Note)	
Delta Electronics (Thailand) Public Co., Ltd. (DET)	20.93	\$ 7,418,365	20.93	\$ 7,084,482
Optovue, Inc.	23.21	777,126	24.07	894,560
Digital Projection International Ltd. (DPI)	41.00	190,787	41.00	294,265
Others		48,241		46,255
		<u>\$ 8,434,519</u>		<u>\$ 8,319,562</u>

Note: The shareholding ratio in associates represent the ratio of common shares held by the Group.

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

Name of associates	Years ended December 31,	
	2017	2016
DET	\$ 817,150	\$ 1,012,792
Others	(102,331)	(86,117)
	<u>\$ 714,819</u>	<u>\$ 926,675</u>

C. The financial statements of investments using equity method were reviewed by other independent accountants. Share of other comprehensive income of associates of \$923,720 and \$909,301 for the years ended December 31, 2017 and 2016, respectively, and investments accounted for under equity method was \$7,418,365 and \$7,084,482 as of December 31, 2017 and 2016, respectively.

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

Company name	Principal place of business	Shareholding ratio (Note)		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
DET	Thailand	20.93%	20.93%	Holds more than 20% of voting rights	Equity method

Note: The shareholding ratio in associates represent the ratio of common shares held by the Group.

Balance sheet

	DET	
	December 31, 2017	December 31, 2016
Current assets	\$ 33,541,968	\$ 35,230,192
Non-current assets	8,809,093	6,688,743
Current liabilities	(10,860,891)	(11,223,876)
Non-current liabilities	(1,692,283)	(1,833,622)
Total net assets	\$ 29,797,887	\$ 28,861,437
Share in associate's net assets	\$ 6,236,698	\$ 6,040,699
Unrealised upstream and sidestream transactions	(110,193)	(44,555)
Others	1,291,860	1,088,338
Carrying amount of the associate	\$ 7,418,365	\$ 7,084,482

Statement of comprehensive income

	DET	
	Years ended December 31,	
	2017	2016
Revenue	\$ 44,900,209	\$ 43,343,677
Profit for the year from continuing operations	\$ 4,398,990	\$ 5,017,576
Loss attributable to non-controlling interests	(1,912)	-
Other comprehensive income (loss), net of tax	341,519	(287,505)
Total comprehensive income	\$ 4,738,597	\$ 4,730,071
Dividends received from associates	\$ 684,591	\$ 739,303

- 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, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to \$1,016,154 and \$1,235,080, respectively.

	Years ended December 31,	
	2017	2016
Loss for the year from continuing operations	(\$ 101,420)	(\$ 86,117)
Other comprehensive loss, net of tax	(18,307)	(16,197)
Total comprehensive loss	(\$ 119,727)	(\$ 102,314)

- F. The Group's investment in DET has quoted market price. The fair value of DET as of December 31, 2017 and 2016 was \$17,550,474 and \$19,259,012, respectively.

(10) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Testing equipment	Others	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2017</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
<u>2017</u>							
Opening net book amount	\$ 5,624,844	\$ 23,273,869	\$ 6,333,358	\$ 2,320,741	\$ 2,201,221	\$ 804,104	\$ 40,558,137
Additions	178,990	532,797	6,019,728	2,131,405	1,902,183	2,113,567	12,878,670
Acquired through business combinations	411,854	160,076	3,434	2,766	131,006	436	709,572
Effect of decrease in consolidated entities	(3,011)	(441,348)	(9,289)	-	(14,800)	-	(468,448)
Disposal	(121)	(28,006)	(77,946)	(43,662)	(23,703)	-	(173,438)
Transfer	38,750	211,236	574,192	227,379	372,574	(1,424,131)	-
Depreciation charge	-	(1,759,794)	(3,168,147)	(1,602,138)	(1,600,045)	-	(8,130,124)
Net exchange differences	(62,593)	(476,241)	(156,957)	(29,951)	(82,643)	(227,356)	(1,035,741)
Closing net book amount	\$ 6,188,713	\$ 21,472,589	\$ 9,518,373	\$ 3,006,540	\$ 2,885,793	\$ 1,266,620	\$ 44,338,628
<u>At December 31, 2017</u>							
Cost	\$ 6,200,330	\$ 34,716,148	\$ 32,147,803	\$ 14,124,840	\$ 12,529,075	\$ 1,266,620	\$ 100,984,816
Accumulated depreciation and impairment	(11,617)	(13,243,559)	(22,629,430)	(11,118,300)	(9,643,282)	-	(56,646,188)
	\$ 6,188,713	\$ 21,472,589	\$ 9,518,373	\$ 3,006,540	\$ 2,885,793	\$ 1,266,620	\$ 44,338,628

	Land	Buildings and structures	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
Disposals	(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)
Provision for impairment	-	(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

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

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(11) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2017</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>2017</u>			
Opening net book amount	\$ 465,724	\$ 1,458,373	\$ 1,924,097
Depreciation charge	-	(147,686)	(147,686)
Closing net book amount	<u>\$ 465,724</u>	<u>\$ 1,310,687</u>	<u>\$ 1,776,411</u>
<u>At December 31, 2017</u>			
Cost	\$ 465,724	\$ 4,298,176	\$ 4,763,900
Accumulated depreciation and impairment	-	(2,987,489)	(2,987,489)
	<u>\$ 465,724</u>	<u>\$ 1,310,687</u>	<u>\$ 1,776,411</u>
	<u>Land</u>	<u>Buildings and structures</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>

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,	
	2017	2016
Rental revenue from the lease of the investment property	\$ 34,090	\$ 105,567
Direct operating expenses of investment property that generated rental revenue during the year	\$ 38,160	\$ 63,906
Direct operating expenses of investment property that did not generate rental revenue during the year	\$ 134,352	\$ 108,477

B. The fair value of the investment property held by the Group as at December 31, 2017 and 2016 was \$3,253,316 and \$2,498,692, respectively, which was revalued by the Group.






(12) Intangible assets

	Trademarks		Patents		Goodwill		Customer Relationship		Technical Skill		Others		Total		
<u>At January 1, 2017</u>	\$	3,089,441	\$	1,127,285	\$	16,851,610	\$	10,070,984	\$	3,985,745	\$	2,620,949	\$	37,746,014	
Accumulated amortisation and impairment	(	407,175)	(	1,021,597)	(	7,291)	(	3,570,182)	(	478,762)	(	1,342,151)	(	6,827,158)
	\$	<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>2017</u>															
Opening net book amount	\$	2,682,266	\$	105,688	\$	16,844,319	\$	6,500,802	\$	3,506,983	\$	1,278,798	\$	30,918,856	
Additions - acquired separately		-		11,187		-		-		-		347,392		358,579	
Additions - acquired through business combinations		-		-		3,791,065		76,551		-		2,430,116		6,297,732	
Effect of decrease in consolidated entities		-		-		224,856)		-		-		1,770)		226,626)	
Amortisation	(	215,058)	(	15,725)	(	-	(	978,698)	(	297,794)	(	372,231)	(	1,879,506)
Impairment loss		-		-		(718)		-		-	-		(718)
Net exchange differences	(	161,321)	(	-	(	732,855)	(	376,644)	(	271,891)	(	91,958)	(	1,634,669)
Closing net book amount	\$	<u>2,305,887</u>	\$	<u>101,150</u>	\$	<u>19,676,955</u>	\$	<u>5,222,011</u>	\$	<u>2,937,298</u>	\$	<u>3,590,347</u>	\$	<u>33,833,648</u>	
<u>At December 31, 2017</u>															
Cost	\$	2,928,120	\$	1,138,472	\$	19,684,246	\$	9,770,892	\$	3,713,854	\$	5,304,729	\$	42,540,313	
Accumulated amortisation and impairment	(	622,233)	(	1,037,322)	(	7,291)	(	4,548,881)	(	776,556)	(	1,714,382)	(	8,706,665)
	\$	<u>2,305,887</u>	\$	<u>101,150</u>	\$	<u>19,676,955</u>	\$	<u>5,222,011</u>	\$	<u>2,937,298</u>	\$	<u>3,590,347</u>	\$	<u>33,833,648</u>	

At January 1, 2016	Customer		Technical		Total		
	Trademarks	Patents	Goodwill	Relationship		Skill	Others
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
Reclassification	-	-	(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	\$ 10,070,984	\$ 3,985,745	\$ 2,620,949	\$ 37,746,014
Accumulated amortisation and impairment	(407,175)	(1,021,597)	(7,291)	(3,570,182)	(478,762)	(1,342,151)	(6,827,158)
	<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>

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

	Years ended December 31,	
	2017	2016
Operating costs	\$ 9,253	\$ 8,137
Selling expenses	1,226,062	1,161,243
Administrative expenses	125,848	112,633
Research and development expenses	518,343	557,241
	<u>\$ 1,879,506</u>	<u>\$ 1,839,254</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 amortised 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, 2017	December 31, 2016
Goodwill:		
Cyntec and its subsidiaries	\$ 5,146,053	\$ 5,146,053
Eltek	5,127,578	5,795,224
Vivotek Inc.	3,258,375	-
DCI	2,487,777	2,451,714
DGC	1,725,415	1,869,771
Loy Tec	1,376,514	1,491,679
Others	555,243	89,878
	<u>\$ 19,676,955</u>	<u>\$ 16,844,319</u>
Trademarks:		
Power electronics business (It belonged to smart green life business before the first quarter of 2017)	<u>\$ 386,823</u>	<u>\$ 386,823</u>

Acquisition prices in business combination are calculated based on 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 Vivotek Inc. in October, 2017, and the allocation of acquisition price will be completed within a year.

D. As of December 31, 2017, the Group's goodwill arose from business combinations amounting to \$19,671,955 in order to improve benefit comprising of potential customer relations and operating revenue in the location of acquired companies. Based on IAS 36, goodwill acquired in a business combination should be tested at least annually for impairment. For the impairment testing of goodwill, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the business combination.

Each company may be a cash-generating unit which can generate independent cash flows and the impairment of goodwill is calculated based on value in use and carrying amount of net assets of each company.

For the calculated value of share right based on the analysis report issued by experts hired by the merged company when the business combination occurred, the analyzed information of value in use of each company was evaluated based on financial projections of operating revenue by product for each company. The consolidated financial statements would indicate how much of the projected revenues had been achieved based on the financial statements as of December 31, 2017 and 2016.

The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was 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, LOYTEC Asia Corp., Ltd., was liquidated in the fourth quarter of 2017. The Group has assessed and recognised impairment loss on goodwill of \$718 for the year ended December 31, 2017.

(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 transfer of ownership has been completed, and gain on disposal of non-current assets classified as held for sale was \$373,138.

(14) Other non-current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Prepayments for long-term investments	\$ 131,193	\$ 72,323
Long-term prepaid rent	1,085,468	1,155,734
Prepayments for business facilities	759,459	533,339
Guarantee deposits paid	262,902	275,617
Cash surrender value of life insurance	69,195	74,281
Others	438,933	507,018
	<u>\$ 2,747,150</u>	<u>\$ 2,618,312</u>

(15) Short-term borrowings

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unsecured bank loans	\$ 17,463,509	\$ 12,539,294
Credit lines	\$ 95,092,313	\$ 87,147,362
Interest rate per annum	<u>0.40%~10.00%</u>	<u>0.40%~17.40%</u>

As of December 31, 2017, short-term borrowings of \$1,766,039 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, 2017</u>	<u>December 31, 2016</u>
Current item:		
Valuation adjustment of non-hedging derivatives	\$ <u>9,746</u>	\$ <u>219,490</u>

A. The Group recognised net gain (loss) of \$210,474 and (\$85,246) for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are provided in Note 6(2)C.

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Credit loans	\$ 11,081,754	\$ 8,561,030
Collateral loans	185,934	
Less: Current portion (shown as other current liabilities)	(<u>48,752</u>)	(<u>47,072</u>)
	<u>\$ 11,218,936</u>	<u>\$ 8,513,958</u>
Credit lines	<u>\$ 46,106,721</u>	<u>\$ 51,396,216</u>
Interest rate per annum	<u>0.35%~6.23%</u>	<u>0.33%~6.00%</u>

A. As of December 31, 2017, the revolving loans of \$10,576,000 can be drawn down during the period from June 30, 2017 to August 10, 2019 and are payable before the due date under the agreement.

B. Information in relation to the assets pledged to others as collateral for bank borrowings is provided in Note 8.

(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, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	(\$ 4,213,525)	(\$ 4,162,664)
Fair value of plan assets	<u>1,360,130</u>	<u>1,260,045</u>
Net defined benefit liability	<u>(\$ 2,853,395)</u>	<u>(\$ 2,902,619)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	(\$ 4,162,664)	\$ 1,260,045	(\$ 2,902,619)
Current service cost	(38,942)	-	(38,942)
Interest (expense) revenue	(67,609)	18,939	(48,670)
Past service cost	16,949	-	16,949
	<u>(4,252,266)</u>	<u>1,278,984</u>	<u>(2,973,282)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(8,625)	(8,625)
Change in demographic assumptions	(4,754)	-	(4,754)
Change in financial assumptions	(93,355)	-	(93,355)
Experience adjustments	(61,142)	-	(61,142)
	<u>(159,251)</u>	<u>(8,625)</u>	<u>(167,876)</u>
Pension fund contribution	-	219,368	219,368
Paid pension	212,522	(154,017)	58,505
Exchange difference	40,888	-	40,888
Effect of business combination	(55,418)	24,420	(30,998)
Balance at December 31	<u>(\$ 4,213,525)</u>	<u>\$ 1,360,130</u>	<u>(\$ 2,853,395)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2016</u>			
Balance at January 1	(\$ 4,268,432)	\$ 634,444	(\$ 3,633,988)
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	2,792	-	2,792
	<u>(4,376,844)</u>	<u>643,793</u>	<u>(3,733,051)</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	25,270	-	25,270
	<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	17,521	-	17,521
Balance at December 31	<u>(\$ 4,162,664)</u>	<u>\$ 1,260,045</u>	<u>(\$ 2,902,619)</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, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Discount rate	<u>1.25%~4.25%</u>	<u>1.5%~3.5%</u>
Future salary increases	<u>3%~3.5%</u>	<u>3%~3.5%</u>

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 is as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ <u>124,600</u>)	<u>\$ 129,898</u>	<u>\$ 119,042</u>	(\$ <u>114,864</u>)
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ <u>127,832</u>)	<u>\$ 133,438</u>	<u>\$ 131,524</u>	(\$ <u>125,196</u>)

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, 2017 are \$54,866.

- (g) As of December 31, 2017, the weighted average duration of that retirement plan is 11~20 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	139,919
1-2 year(s)		155,755
2-5 years		600,540
Over 5 years		4,690,463
	\$	<u>5,586,677</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, 2017 and 2016 were \$351,193 and \$313,021, respectively.
- (b) Other overseas companies have defined contribution plans in accordance with the local regulations.

(19) Share capital

- A. In accordance with the Company’s Articles of Incorporation, the total authorised common stock is 4 billion shares (including 100 million shares for stock warrants conversion). As of December 31, 2017, the total issued and outstanding common stock was 2,597,543 thousand shares with par value of \$10 (in dollars) per share.
- 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, 2017, there were 2,343 thousand units outstanding, representing 11,715 thousand common shares of the Company's common stock.

(20) 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.

(21) 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 2016 and 2015 earnings had been approved by the shareholders during their meeting on June 13, 2017 and June 8, 2016, respectively. Details are summarised below:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 1,879,780		\$ 1,871,462	
Special reserve appropriated	2,240,193		527,556	
Cash dividends	12,987,717	\$ 5.0	12,987,717	\$ 5.0

- E. The appropriations of 2017 earnings had been proposed by the Board of Directors on March 8, 2018. Details are summarised below:

	2017	
	Amount	Dividends per share (in dollars)
Appropriation for legal reserve	\$ 1,838,056	
Appropriation for special reserve	4,320,394	
Cash dividends	12,987,717	\$ 5.0

As of March 8, 2018, the abovementioned 2017 earnings appropriation has not yet been approved by the stockholders.

- F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(29).

(22) Non-controlling interest

	Years ended December 31,	
	2017	2016
At January 1	\$ 4,894,440	\$ 5,182,622
Share attributable to non-controlling interest:		
Profit for the year	376,400	462,183
Currency translation differences	(205,798)	(243,358)
Dividends paid to minority interest	(315,485)	(225,604)
Increase in non-controlling interest (Note 1)	4,466,948	498,901
Decrease in non-controlling interest (Note 2)	-	(780,304)
At December 31	<u>\$ 9,216,505</u>	<u>\$ 4,894,440</u>

(Note 1) The increase in non-controlling interest mainly arises from the acquisitions of share capital of DES, Delta Greentech Electronics Industry LLC and Vivotek Inc. in 2017, and the acquisitions of share capital of Power Forest Technology Corporation and Loy Tec in 2016.

(Note 2) It was caused by the acquisition of a 49.79% non-controlling interest of DAL in 2016.

(23) Operating revenue

	Years ended December 31,	
	2017	2016
Sales revenue	\$ 217,443,508	\$ 209,591,547
Service revenue	3,018,173	2,439,269
Other operating revenue	3,115,833	2,324,755
	<u>\$ 223,577,514</u>	<u>\$ 214,355,571</u>

(24) Operating cost

	Years ended December 31,	
	2017	2016
Cost of sales	\$ 158,624,853	\$ 150,808,421
Cost of services	2,350,396	2,311,322
Other operating cost	1,833,991	1,742,097
	<u>\$ 162,809,240</u>	<u>\$ 154,861,840</u>

(25) Other income

	Years ended December 31,	
	2017	2016
Interest income	\$ 632,353	\$ 623,297
Rental income	92,768	196,015
Dividend income	152,687	136,534
Others	3,006,694	3,076,659
	<u>\$ 3,884,502</u>	<u>\$ 4,032,505</u>

(26) Other gains and losses

	Years ended December 31,	
	2017	2016
Net currency exchange (loss) gain	(\$ 21,904)	\$ 229,912
Gain (loss) on financial assets / liabilities at fair value through profit or loss	255,740	(176,974)
Gain on disposal of property, plant and equipment	100,584	145,171
Gain on disposal of non-current assets classified as held for sale	373,138	-
Gain on disposal of investments	338,087	212,799
Miscellaneous disbursements	(578,430)	(839,001)
Impairment loss	(663,183)	(183,150)
	<u>(\$ 195,968)</u>	<u>(\$ 611,243)</u>

(27) Finance costs

	Years ended December 31,	
	2017	2016
Interest expense	<u>\$ 378,861</u>	<u>\$ 383,647</u>

(28) Expenses by nature

	Years ended December 31,	
	2017	2016
Employee benefit expense	\$ 41,085,372	\$ 37,467,630
Depreciation charges on property, plant and equipment	8,130,124	7,143,696
Amortisation charges on intangible assets	1,879,506	1,839,254
	<u>\$ 51,095,002</u>	<u>\$ 46,450,580</u>

(29) Employee benefit expense

	Years ended December 31,	
	2017	2016
Post-employment benefit		
Defined contribution plans	\$ 593,874	\$ 402,037
Defined benefit plans	70,663	99,063
	<u>664,537</u>	<u>501,100</u>
Other employee benefits	40,420,835	36,966,530
	<u>\$ 41,085,372</u>	<u>\$ 37,467,630</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, 2017 and 2016, employees' compensation was accrued at \$2,277,777 and \$3,454,571, respectively; while directors' remuneration was accrued at \$35,400 and \$32,904, respectively. The aforementioned amounts were recognised in salary expenses.

For the years ended December 31, 2017, 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 \$1,746,152 and directors' remuneration of \$35,400 for 2017 were resolved by the Board of Directors on March 8, 2018.

The employees' compensation and directors' remuneration for 2016 resolved by the Board of Directors were \$2,631,691 and \$35,400, respectively, which were \$0 and \$2,496 less than those amounts recognised in the current financial statements, respectively. The differences had been adjusted and recognised in 2017.

Information about employees' compensation 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.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2017	2016
Current tax:		
Current tax on profits for the year	\$ 5,170,284	\$ 3,730,502
Prior year income tax overestimation	(336,403)	(116,288)
Additional 10% income tax on undistributed surplus earnings	178,342	381,377
Total current tax	<u>5,012,223</u>	<u>3,995,591</u>
Deferred tax:		
Origination and reversal of temporary differences	788	1,505,944
Impact of change in tax rate	28,317	28,444
Total deferred tax	<u>29,105</u>	<u>1,534,388</u>
	<u>\$ 5,041,328</u>	<u>\$ 5,529,979</u>

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

	Years ended December 31,	
	2017	2016
Gain (losses) on remeasurements of defined benefit obligations	\$ 25,631	(\$ 910)
Cash flow hedges	(5,486)	(9,742)
Currency translation differences	528,003	734,950
	<u>\$ 548,148</u>	<u>\$ 724,298</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate	\$ 6,934,002	\$ 7,135,502
Effect from items disallowed by tax regulation	(1,277,281)	(1,490,337)
Tax exempt income by tax regulation	-	(3,095)
Effect from investment tax credits	(499,411)	(406,645)
Effect from taxable loss	32,577	10,444
Prior year income tax overestimation	(336,403)	(116,288)
Effect from Alternative Minimum Tax	9,502	19,021
Tax on undistributed earnings	178,342	381,377
Tax expenses	<u>\$ 5,041,328</u>	<u>\$ 5,529,979</u>

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

	2017					
	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	\$ 484,560	\$ 60,583	\$ -	\$ -	\$ 14,543	\$ 559,686
Pension liability	448,589	(64,704)	25,631	-	5,479	414,995
Assets impairment	214,612	92,718	-	-	-	307,330
Tax losses	574,196	(244,075)	-	-	156,159	486,280
Depreciation difference between tax and financial basis	1,703,525	(55,328)	-	-	-	1,648,197
Others	1,908,556	443,866	-	-	67,685	2,420,107
	<u>5,334,038</u>	<u>233,060</u>	<u>25,631</u>	<u>-</u>	<u>243,866</u>	<u>5,836,595</u>
Deferred tax liabilities:						
-Temporary differences:						
Long-term equity investments	(10,053,509)	(484,429)	528,003	(666)	(350)	(10,010,951)
Land revaluation increment tax	(119,862)	-	-	-	-	(119,862)
Others	(2,213,288)	250,581	(5,486)	-	(4,393)	(1,972,586)
	<u>(12,386,659)</u>	<u>(233,848)</u>	<u>522,517</u>	<u>(666)</u>	<u>(4,743)</u>	<u>(12,103,399)</u>
	(\$ 7,052,621)	(\$ 788)	\$ 548,148	(\$ 666)	\$ 239,123	(\$ 6,266,804)

2016

	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	\$ 445,168	\$ 39,269	\$ -	\$ -	\$ 123	\$ 484,560
Investments tax credits	8,436	(8,436)	-	-	-	-
Pension liability	598,907	(149,408)	(910)	-	-	448,589
Assets impairment	246,931	(32,319)	-	-	-	214,612
Tax losses	704,364	(132,295)	-	-	2,127	574,196
Depreciation difference between tax and financial basis	1,772,599	(69,074)	-	-	-	1,703,525
Others	1,886,822	21,734	-	-	-	1,908,556
	5,663,227	(330,529)	(910)	-	2,250	5,334,038
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)
	(11,715,032)	(1,175,415)	725,208	(24,653)	(196,767)	(12,386,659)
	(\$ 6,051,805)	(\$ 1,505,944)	\$ 724,298	(\$ 24,653)	(\$ 194,517)	(\$ 7,052,621)

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

December 31, 2017				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2003-2017	\$ 9,045,715	\$ 8,988,329	\$ 8,222,272	2035

December 31, 2016				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2007-2016	\$ 11,958,542	\$ 11,870,620	\$ 9,237,077	2028

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

	December 31, 2017	December 31, 2016
Deductible temporary differences	\$ 443,831	\$ 352,717

F. The Group has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary differences unrecognised as deferred tax liabilities were \$6,969,342 and \$6,907,483, respectively.

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

	Latest year assessed by Tax Authority
Cyntec, DNIT and UNICOM SYSTEM ENG. CORP.	2014
The Company, NEM, AMT, Delta Capital, DGL, Power Forest Technology Corporation, Vivotek Inc., Vatics Inc., Realwin Investment Inc., Otus Imaging, Inc., Aetek Inc. and DelBio	2015
Lidlight Inc.	It is newly established in 2017, which has not yet been assessed by the Tax Authority.

H. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	<u>December 31, 2016</u>
Earnings generated in and before 1997	\$ -
Earnings generated in and after 1998	<u>31,915,572</u>
	<u>\$ 31,915,572</u>

I. As of December 31, 2016, the balance of the imputation tax credit account was \$1,005,087. The creditable tax rate was 1.56% for the year ended December 31, 2016.

(31) Earnings per share

	<u>Year ended December 31, 2017</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	\$ 18,380,552	<u>2,597,543</u>	<u>\$ 7.08</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 18,380,552	2,597,543	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	<u>-</u>	<u>20,412</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 18,380,552</u>	<u>2,617,955</u>	<u>\$ 7.02</u>

	Year ended December 31, 2016		
	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	\$ 18,797,799	2,597,543	\$ 7.24
<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' compensation	-	25,335	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 18,797,799	2,622,878	\$ 7.17

(32) Transactions with non-controlling interest

On October 3, 2016, the Group indirectly acquired 49.79% issued shares of DAL for cash of \$873,505 through a subsidiary, DEN. The details of the transaction which had an impact on equity attributable to owners of parent are as follows:

	Year ended December 31, 2016
Carrying amount of non-controlling interest acquired	\$ 993,871
Consideration paid to non-controlling interest	(873,505)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	\$ 120,366
Increase in capital surplus contributed to:	
Owners of the parent	\$ 120,366

(33) Business combinations

A. Business combination transactions of the Group for the years ended December 31, 2017 and 2016 are as follows:

- (a) In January 2017, the Group acquired 100% share ownership of UNICOM SYSTEM ENG. CORP. for cash of \$351,014. In the third quarter, the acquisition price decreased by \$9,320 based on the adjustment rule in the contract.
- (b) In April 2017, the Group acquired 51% of the share capital of DES, acquired 100% of the share capital of DGB, acquired 51% of share capital of Delta Greentech Electronics Industry

LLC, and acquired 100% of share capital of DGA for a total amount of \$755,090 (approximately US\$24,850 thousand).

- (c) On October 2, 2017, the Group publicly acquired 49.22% share ownership of Vivotek Inc. for cash of \$3,945,583, and the allocation of acquisition price will be completed within a year.
 - (d) 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, and acquired 21.21% of the share capital of Power Forest Technology Corporation for a total amount of \$55,368 in 2015. The Group acquired a total of 60.02% of the share capital of Power Forest Technology Corporation for a total amount of \$179,161.
 - (e) On April 28, 2016, the Group acquired 85% of the share capital of Loy Tec and INNOCONTROL for a total amount of \$2,229,415 (approximately EUR \$61,200 thousand).
 - (e) 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. (name was changed to Delta Controls Inc.) on July 11, 2016.
 - (g) On December 15, 2016, the Group acquired 100% share ownership of AGEMA SYSTEMS, INC. for cash of \$20,972 (US\$658 thousand).
- 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, 2017</u>	<u>December 31, 2016</u>
Purchase consideration		
Cash	\$ 5,042,367	\$ 7,909,748
Fair value of equity interest in the acquired companies held by the Company and subsidiaries before the business combination	-	1,095
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>4,466,948</u>	<u>498,901</u>
	<u>9,509,315</u>	<u>8,409,744</u>
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	1,984,105	122,310
Other current assets	3,916,309	795,058
Investments accounted for using equity method	1,196	2,368
Property, plant and equipment	709,572	323,652
Intangible assets	2,506,667	3,585,515
Deferred tax assets	243,866	2,250
Other non-current assets	97,720	1,440
Current liabilities	(3,187,761)	(264,443)
Non-current liabilities	(443,243)	(31,770)
Deferred tax liabilities	(4,743)	(196,767)
Minority interest	(105,438)	-
Total identifiable net assets	<u>5,718,250</u>	<u>4,339,613</u>
Goodwill	<u>\$ 3,791,065</u>	<u>\$ 4,070,131</u>

C. Starting from the acquisition of share ownership in the abovementioned subsidiaries, the operating revenue and loss before tax included in the consolidated statements of comprehensive income (loss) and contributed by those companies amounted to \$6,667,581 and \$305,832 for the year ended December 31, 2017, respectively. Had those companies been consolidated from January 1, 2016, the consolidated statement of comprehensive income would show operating revenue and profit before income tax as follows:

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Operating revenue	\$ 229,220,959	\$ 225,784,507
Profit before income tax	24,132,567	25,431,081

(34) Supplemental cash flow information

The Group sold 100% of shares in the subsidiary-Eltek s.r.o in April 2017, and therefore lost control over the subsidiary (please refer to Note 4(3) B. No. 8). The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	<u>April 1, 2017</u>
Consideration received	
Cash	\$ 668,490
Total consideration	<u>668,490</u>
Carrying amount of the assets and liabilities of the subsidiary - Eltek s.r.o.	
Cash	35,480
Accounts receivable	22,882
Accounts receivable due from related parties	98,412
Inventories	195,628
Prepayments	161,308
Other current assets	114
Deferred income tax assets	76,806
Property, plant and equipment	468,448
Intangible assets	226,626
Other non-current assets	2,523
Accounts payable	(143,383)
Accounts payable to related parties	(69,612)
Other payables	(431,753)
Current income tax liabilities	(244)
Other current liabilities	(3,992)
Deferred income tax liabilities	(86,267)
Total net assets	<u>\$ 552,976</u>

For information of the deferred gain on disposal of subsidiary, Eltek s.r.o of 20.01%, please refer to Note 6(9) D.

(35) Share-based payment

A. For the year ended December 31, 2017, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Power Forest - Employee stock options	2017.3.3	1,000,000	6 years	1 year's service: 40% vested 2 years' service: 70% vested 3 years' service: 100% vested
Vatics Inc. - Employee stock options	2016.11.8	2,116,000	3 years	1~3 years' service
Vivotek Inc. - Plan of restricted stocks to employees	2017.11.20	700,000	2 years	1~2 years' performance

B. Details of the share-based payment arrangements are as follows:

(a) Employee share options

	2017	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	-	\$ -
Acquired from business combinations	1,838,000	16.50
Options granted	1,000,000	15.00
Options forfeited	(96,000)	14.51
Options outstanding at December 31	<u>2,742,000</u>	<u>15.95</u>
Options exercisable at December 31	<u>871,000</u>	<u>16.50</u>

(b) Restricted stocks to employees

	2017	2016
	No. of shares	No. of shares
January 1	\$ -	\$ -
Issued during the year	<u>700,000</u>	-
December 31	<u>\$ 700,000</u>	<u>\$ -</u>

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2017	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)
March 3, 2017	March 2, 2023	1,000,000	\$ 15.00
November 8, 2016	November 8, 2019	1,742,000	16.50

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Power Forest- Employee stock options	2017.3.3	18.38	15.00	32.08%~ 33.22% (Note)	3.5~4.5	5%	0.79%~ 0.88%	4.0053~ 4.0960
Vatics Inc.- Employee stock options	2016.11.8	14.60	16.50	36.37%~ 37.25% (Note)	2.5~3.5	0%	0.57%~ 0.67%	2.7995~ 3.3727
Vivotek Inc.- Plan of restricted stocks to employees	2017.11.20	97.20	-	Not applicable	1~2	Not applicable	Not applicable	97.2000

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:

	Years ended December 31,	
	2017	2016
Equity-settled	\$ 32,599	\$ -

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names and relationship of related parties	Relationship with the Group
Delta Electronics (Thailand) Public Company Limited	Associates
Delta Power Solutions (India) Pvt Ltd.	"
Delta Electronics (Slovakia) s.r.o.	"
Delta Electronics India Pvt Ltd.	"
Delta Energy Systems (Singapore) PTE. LTD.	"
Delta Energy Systems (Australia) PTY.LTD.	"
Delta Greentech (Netherlands) B.V.	"
Digital Projection Ltd.	"
Digital Projection Inc.	"
Infani Technology Inc.	It was an associate since October 2, 2017

Names and relationship of related parties	Relationship with the Group
Delta Electronics (Switzerland) AG (Note 1)	It was an associate before April 1, 2017, and became a subsidiary since April 1, 2017.
Delta Electronics (Italy) S.r.l (Note 2)	"
Delta Greentech (Brasil) S.A.	"
Delta Greentech (USA) Corporation	"
Eltek s.r.o.	It was a subsidiary before April 1, 2017, and became an associate since April 1, 2017.

Note 1: Formerly named Delta Energy Systems (Switzerland) AG, and was renamed Delta Electronics (Switzerland) AG.

Note 2: Formerly named Delta Energy Systems (Italy) S.r.l., and was renamed Delta Electronics (Italy) S.r.l..

(2) Significant transactions and balances with related parties

A. Sales of goods

	Years ended December 31,	
	2017	2016
Sales of goods:		
Associates	\$ 5,748,053	\$ 5,553,935

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

B. Purchases of goods

	Years ended December 31,	
	2017	2016
Purchases of goods:		
Associates	\$ 4,894,669	\$ 1,422,296

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

	December 31, 2017	December 31, 2016
Receivables from related parties:		
Associates	\$ 1,319,469	\$ 1,431,921

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.

D. Period-end balances arising from purchases of goods

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Payables to related parties:		
Associates	\$ 1,206,197	\$ 468,980

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, 2017</u>	<u>December 31, 2016</u>
Other receivables-related parties		
Associates	\$ 70,181	\$ 104,580

The above pertain mainly to payments on behalf of others.

F. Property transactions:

(a) Acquisition of financial assets:

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Year ended December 31, 2017 Consideration</u>
Delta Greentech (Netherlands) B.V.	Investments accounted for using equity method	10,200	Delta Electronics Systems (Switzerland) AG	\$ 388,940
"	"	4,315,657	Delta Greentech (Brasil) S.A.	216,044
"	"	15,708	Delta Greentech Electronics Industry LLC	24,309
"	"	1,500,000	Delta Greentech (USA) Corporation	125,797
Total				<u>\$ 755,090</u>

The Group has not acquired financial assets from related parties for the year ended December 31, 2016.

(b) Disposal of financial assets:

	Accounts	No. of shares	Objects	Year ended	
				December 31, 2017	
				Proceeds	Gain/(loss)
Delta Greentech (Netherlands) B.V.	Investments accounted for using equity method	Not applicable	Eltek s.r.o.	\$ 668,490	\$ 115,514

A. As of December 31, 2017, all proceeds have been collected, and gains on disposal of financial assets are deferred based on shareholding ratio.

B. For the year ended December 31, 2016, the Group has not disposed financial assets to related parties.

(c) Acquisition of equipment

	December 31, 2017	December 31, 2016
Associates	\$ 2,300	\$ -

(3) Key management compensation

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 434,245	\$ 561,149

8. PLEDGED ASSETS

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

Pledged assets	Book value		Pledge purpose
	December 31, 2017	December 31, 2016	
Demand deposits (shown as other current assets and other non-current assets)	\$ 96,349	\$ 146,174	Performance bonds
Time deposits (shown as other current assets)	183,623	145,819	Performance bonds, customs deposits and other guarantee
Property, plant and equipment	399,957	-	Long-term borrowings and credit line
	<u>\$ 679,929</u>	<u>\$ 291,993</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, 2017</u>	<u>December 31, 2016</u>
Property, plant and equipment	\$ 352,348	\$ 148,991
Costs of computer software	\$ -	\$ 175,350

B. Operating lease commitments

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not later than one year	\$ 342,577	\$ 318,111
Later than one year but not later than five years	600,593	594,015
Later than five years	115,309	171,317
	<u>\$ 1,058,479</u>	<u>\$ 1,083,443</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 8, 2018, the Board of Directors adopted a resolution to acquire the land located in Zhongli District, Taoyuan City amounting to \$1,285,000 in order to expand the plant for future business development.

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 amortised cost (including notes receivable,

accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, 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, 2017

Foreign currency	amount	Exchange	Book value
(Foreign currency: functional currency)	(in thousands)	rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB : USD (Note)	\$ 1,306,689	0.1536	\$ 5,972,706
USD : RMB (Note)	374,463	6.5108	11,144,019
USD : NTD	366,890	29.7600	10,918,646
USD : NOK (Note)	55,435	8.2224	1,649,746
EUR : NOK (Note)	52,568	9.8276	1,869,844
EUR : USD (Note)	39,844	1.1952	1,417,251
<u>Non-monetary items</u>			
USD : NTD	\$ 3,639,718	29.7600	\$ 108,318,012
THB : NTD	9,486,456	0.9170	8,704,772
RMB : USD (Note)	6,575,994	0.1536	30,058,012
THB : USD (Note)	(1,401,926)	0.0308	(1,286,407)
EUR : USD (Note)	58,244	1.1952	2,071,730
NOK : USD (Note)	4,146,750	0.1216	15,008,748
CAD : USD (Note)	104,037	0.7967	2,446,714
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB: USD (Note)	\$ 1,866,439	0.1536	\$ 8,531,250
USD : RMB (Note)	313,273	6.5108	9,323,004
USD : NTD	286,275	29.7600	8,519,544
USD : CAD (Note)	98,108	1.2552	2,919,694
USD : NOK (Note)	91,127	8.2224	2,711,940
EUR : NOK (Note)	41,218	9.8276	1,466,124

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

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	32.2500	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 (Note)	65,423	1.0512	2,217,841
USD : NTD	3,425,504	32.2500	110,472,488
THB : NTD	8,776,613	0.9050	7,942,835
THB : USD (Note)	(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	32.2500	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.

- v. Total exchange (loss) 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, 2017 and 2016 amounted to (\$21,904) and \$229,912, respectively.

(Foreign currency: functional currency)	Year ended December 31, 2017		
	Sensitivity analysis		
	<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>			
RMB : USD (Note)	1%	\$ 59,727	\$ -
USD : RMB (Note)	1%	111,440	-
USD : NTD	1%	109,186	-
USD :NOK (Note)	1%	16,497	-
EUR : NOK (Note)	1%	18,698	-
EUR : USD (Note)	1%	14,173	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB : USD (Note)	1%	\$ 85,313	\$ -
USD : RMB (Note)	1%	93,230	-
USD : NTD	1%	85,195	-
USD : CAD (Note)	1%	29,197	-
USD : NOK (Note)	1%	27,119	-
EUR : NOK (Note)	1%	14,661	-

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

(Foreign currency: functional currency)	Year ended December 31, 2016		
	Sensitivity analysis		
	<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>			
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.

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, 2017 and 2016 would have increased/decreased by \$309 and \$151, 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 \$57,902 and \$64,624 as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 \$1,435 and \$1,093 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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 non-derivative financial liabilities (including non-current disposal group classified as held for sale) 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, 2017</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	\$ 17,463,509	\$ -	\$ -	\$ -
Notes and accounts payable (including related parties)	37,924,813	-	-	-
Other payables	25,209,483	-	-	-
Long-term borrowings (including current portion)	48,752	10,730,741	102,195	386,000

<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

Derivative financial liabilities:

As of December 31, 2017 and 2016, 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, 2017 and 2016 is as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 30,911	\$ -	\$ -	\$ 30,911
Forward exchange contracts	-	83,837	-	83,837
Available-for-sale financial				
assets				
Equity securities	4,209,730	-	1,580,428	5,790,158
Convertible bonds	71,600	-	-	71,600
Derivative financial assets for				
hedging	-	7,061	-	7,061
	<u>\$ 4,312,241</u>	<u>\$ 90,898</u>	<u>\$ 1,580,428</u>	<u>\$ 5,983,567</u>
Liabilities				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair				
value through profit or loss				
Forward exchange contracts	\$ -	\$ 9,746	\$ -	\$ 9,746

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<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>
<u>Liabilities</u>				
<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>

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:

	<u>Listed shares</u>	<u>Convertible (exchangeable) bond</u>
Market quoted price	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, 2017 and 2016, 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, 2017 and 2016:

	2017	2016
	Equity securities	Equity securities
At January 1	\$ 1,582,140	\$ 1,322,317
Acquired in the year	502,639	422,835
Losses recognised in profit or loss	(20,569)	(108,693)
Losses recognised in other comprehensive income	-	(14,150)
Proceeds from capital reduction	(95,733)	(34,679)
Disposals in the year	(49,500)	-
Transfers out from level 3	(314,776)	-
Net exchange differences	(23,773)	(5,490)
At December 31	<u>\$ 1,580,428</u>	<u>\$ 1,582,140</u>

G. Because some of Level 3 equity securities were listed or emerged in 2017, and there is sufficient observable market information available, the Group has transferred the fair value from Level 3 into Level 1 at the end of the month when the event occurred.

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, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,580,428	Net asset value	Not applicable	-	Not applicable
	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

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

		December 31, 2017			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instrument	Net asset value	± 1%	\$ -	\$ -	\$ 15,804 (\$ 15,804)
		December 31, 2016			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instrument	Net asset value	± 1%	\$ -	\$ -	\$ 15,821 (\$ 15,821)

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: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- 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 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- 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 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 6, 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, 2017.

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,

automation business and infrastructure business. Breakdown of the revenue from all sources is as follows:

- A. Power electronics: Component, Embedded Power, Fans and Thermal Management, Automotive Electronics, Merchant & Mobile Power and Vivitek Projectors.
- B. Automation: Industrial Automation and Building Automation.
- C. Infrastructure: ICT Infrastructure and Energy Infrastructure.

Because of the change of product classification, the Group's internal business segment restructured accordingly. 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, 2017			
	Power electronics business	Automation business	Infrastructure business	Total
Revenue from external customers	\$ 117,951,431	\$ 33,025,178	\$ 70,728,482	\$ 221,705,091
Segment income (Note)	\$ 13,917,261	\$ 5,474,338	\$ 5,550,517	\$ 24,942,116
	Year ended December 31, 2016			
	Power electronics business	Automation business	Infrastructure business	Total
Revenue from external customers	\$ 118,741,155	\$ 26,961,883	\$ 67,084,844	\$ 212,787,882
Segment income (Note)	\$ 16,133,906	\$ 4,621,967	\$ 5,051,938	\$ 25,807,811

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, 2017 and 2016 is provided as follows:

	Years ended December 31,	
	2017	2016
Reportable segments income	\$ 24,942,116	\$ 25,807,811
Other segments' loss	(5,168,328)	(4,982,140)
Non-operating income and expenses	4,024,492	3,964,290
Income before tax from continuing operations	<u>\$ 23,798,280</u>	<u>\$ 24,789,961</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, 2017 and 2016 were as follows:

	Years ended December 31,			
	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	\$ 123,318,752	\$ 29,197,097	\$ 117,653,470	\$ 26,255,162
U.S.A.	34,617,660	2,721,513	39,626,956	2,916,163
Taiwan	7,029,237	28,919,089	10,668,246	21,749,131
Others	58,611,865	21,858,138	46,406,899	25,098,946
	<u>\$ 223,577,514</u>	<u>\$ 82,695,837</u>	<u>\$ 214,355,571</u>	<u>\$ 76,019,402</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, 2017 and 2016.

Delta Electronics Inc. and Subsidiaries

Loans to others

Year ended December 31, 2017

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

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2017 (Note 2)	Balance at December 31, 2017	Actual amount drawn down	Interest rate	Nature of loan (Note 7)	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 Ltd.	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	\$ 7,440,000	\$ 7,440,000	\$ 7,440,000	0.50%	2	-	Additional operating capital	-	None	\$ 27,181,071	\$ 27,181,071	Note 5
1	Fairview Assets Ltd.	Delta Controls Inc.	Other receivables - related parties	Yes	3,868,800	3,868,800	2,886,720	0.50%	2	-	Additional operating capital	-	None	27,181,071	27,181,071	Note 5
2	Delta Networks Holding Limited	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	6,547,200	6,547,200	6,547,200	0.50%	2	-	Additional operating capital	-	None	10,991,810	10,991,810	Note 5
3	Delta Electronics (H.K.) Ltd.	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	833,280	833,280	833,280	0.50%	2	-	Additional operating capital	-	None	14,643,249	14,643,249	Note 4
4	Delta International Holding Limited	Delta Electronics (Netherlands) B.V.	Other receivables - related parties	Yes	892,800	892,800	892,800	0.50%	2	-	Additional operating capital	-	None	30,055,980	30,055,980	Note 4
5	ELTEK AS	Eltek Italia S.r.l.	Other receivables - related parties	Yes	21,342	21,342	21,341	1.90%	2	-	Additional operating capital	-	None	3,958,907	3,958,907	Note 5
5	ELTEK AS	ELTEK MEA DMCC	Other receivables - related parties	Yes	202,368	202,368	-	2.70%	2	-	Additional operating capital	-	None	3,958,907	3,958,907	Note 5
5	ELTEK AS	Eltek s.r.o.	Other receivables - related parties	Yes	256,104	-	-	1.90%	2	-	Additional operating capital	-	None	3,958,907	3,958,907	Note 5 and 8
6	Eltek Deutschland GmbH	E.V.I. Electronics Sp. z o.o.	Other receivables - related parties	Yes	321,100	321,100	-	3.25%	2	-	Additional operating capital	-	None	329,084	329,084	Note 5
7	Delta Electronics (Wuhu) Co. Ltd.	Cyntec Electronics (Suzhou) Co., Ltd.	Other receivables - related parties	Yes	1,599,805	1,403,257	1,403,257	4.35%	2	-	Additional operating capital	-	None	1,853,398	1,853,398	Note 4
8	Delta Electronics Compens (Wujang) Ltd.	Cyntec Electronics (Suzhou) Co., Ltd.	Other receivables - related parties	Yes	594,213	594,213	-	0.00%	2	-	Additional operating capital	-	None	2,878,616	2,878,616	Note 4
9	Vivotek Inc.	Vivitek Inc.	Other receivables - related parties	Yes	200,000	200,000	117,170	1.00%	2	-	Additional operating capital	-	None	280,822	561,644	Note 6
9	Vivotek Inc.	Aetek Inc.	Other receivables - related parties	Yes	30,000	30,000	-	1.00%	2	-	Additional operating capital	-	None	60,000	561,644	Note 6

Note 1: 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 2: Maximum outstanding balance during the current period was translated into New Taiwan dollars using the exchange rate at December 31, 2017, which the Company reported to the Securities and Futures Bureau.

Note 3: 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 4: 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 5: 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 6: The calculation and amount on ceiling of loans of Vivotek Inc. are as follows:

- (1) The ceiling on total amount of loans to others shall not exceed 20% of the company's net assets value in the latest financial statement which was reviewed or audited by independent accountant.
- (2) For the short-term financing, the limit on loans granted to a single party shall not exceed 10% of the borrower's paid-in capital and Vivotek Inc.'s net assets value in the latest financial statement which was reviewed or audited by independent accountant.

Note 7: Nature of loans:

- (1) Business transaction: 1.
- (2) Short-term financing: 2.

Note 8: The loans occurred when Elek s.r.o. was an overseas subsidiary to which the Company indirectly held 100% of its voting right. Therefore, the limit of loan was calculated according to Note 5.

Delta Electronics Inc. and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2017

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

Table 2

Number (Note 1)	Endorser / guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party	Maximum outstanding endorsement / guarantee amount as of December 31, 2017	Outstanding endorsement / guarantee amount at December 31, 2017	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	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 6)											
1	ELTEK AS	ELTEK POWER PTE. LTD.	3	\$ 2,491,139	\$ 297,600	\$ 297,600	-	\$ -	0.24%	\$ 6,227,848	Y	N	N	Note 3
1	ELTEK AS	Eteck Power Sweden AB	3	2,491,139	18,050	18,050	18,050	-	0.01%	6,227,848	Y	N	N	Note 3
1	ELTEK AS	ELTEK MEA DMCC	3	2,491,139	69,423	69,423	69,423	-	0.06%	6,227,848	Y	N	N	Note 3
1	ELTEK AS	ELTEK AUSTRALIA PTY LIMITED	3	2,491,139	133,920	133,920	133,920	-	0.11%	6,227,848	Y	N	N	Note 3
2	Vivotek Inc.	Vates Inc.	1	192,900	120,000	120,000	-	-	4.27%	1,123,288	Y	N	N	Note 5

Note 1: 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 2: 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 endorsements to a single company is 20% 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 3: In accordance with Eteck'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, and limit on endorsements to a single party is 2% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 4: The Company's net assets based on the latest audited or reviewed financial statements were \$124,556,969 thousand (2017/12/31).

Note 5: The limit on total endorsements/guarantees of Vivotek Inc. shall not exceed 40% of the company's net assets value in the latest financial statement which was reviewed or audited by independent accountant, and limit on endorsements to a single party is 20% of Vivotek Inc.'s net assets based on the latest audited or reviewed financial statements. At the same, the limit is not allowed to exceed the purchase or sales amount, which is higher, within one year or current period when endorsements and guarantees are incurred.

Note 6: 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)
December 31, 2017
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, 2017			Footnote
				Number of shares	Book value	Ownership (%)		Fair value
Delta Electronics Inc.	Swissray Global Healthcare Holding Limited common stock	None	Available-for-sale financial assets	26,852,000	\$ 254,825	18.94	\$ 254,825
Delta Electronics Inc.	Neo Solar Power Corp. common stock	None	Available-for-sale financial assets	167,145,851	2,298,255	16.40	2,298,255
Delta Electronics Inc.	Tong Hsing Electronic Industries, Ltd.	None	Available-for-sale financial assets	608,000	82,080	0.37	82,080
Delta Electronics Inc.	Others	None	-	-	232,087	-	232,087
Delta International Holding	Solarflare Communications, Inc. preferred shares	None	Available-for-sale financial assets	9,547,235	284,126	3.68	284,126
Delta International Holding	Mentis Technology, Inc., etc	None	-	-	89,282	-	89,282
Delta Electronics (Japan) Inc.	Macy Inc. common stock	None	Financial assets carried at cost - non-current	74,000,000	32,808	19.79	32,808
Delta Electronics (Pinatam) Co., Ltd.	Pingtan Hi Tech Investment Development Shares Co., Ltd.	None	Financial assets carried at cost - non-current	-	34,282	15.00	34,282
Delta Electronics Capital Company	Fusheng Precision Co., Ltd. common stock	None	Available-for-sale financial assets	1,800,000	265,122	1.52	265,122
Delta Electronics Capital Company	Tong Hsing Electronic Industries, Ltd. common stock	None	Available-for-sale financial assets	1,809,000	244,215	1.09	244,215
Delta Electronics Capital Company	Nien Made Enterprise Co., Ltd. common stock	None	Available-for-sale financial assets	822,043	261,410	0.28	261,410
Delta Electronics Capital Company	Globalwafers Co., Ltd. common stock	None	Available-for-sale financial assets	573,650	228,026	0.13	228,026
Delta Electronics Capital Company	EBM Technologies, Inc. common stock, etc.	None	-	-	1,801,879	-	1,801,879
Delta America Ltd.	VPT, Inc. common stock, etc.	None	Financial assets carried at cost - non-current	-	5,208	-	5,208
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	3.46	336,195
Cyntec Co., Ltd.	GaN Systems Inc. stock	None	Financial assets carried at cost - non-current	1,454,193	89,874	3.31	89,874
Delta Electronics Int'l (Singapore) Pte. Ltd.	PBA International Pte. Ltd. common stock	None	Financial assets carried at cost - non-current	1,900	341,203	19.00	341,203
Delta Electronics Int'l (Singapore) Pte. Ltd.	Assent Solution Pte Ltd. preferred shares	None	Financial assets carried at cost - non-current	33,795	44,281	4.65	44,281
UNICOM SYSTEM ENG. CORP.	IMES TECH, INC. common stock, etc.	None	Financial assets carried at cost - non-current	-	3,885	-	3,885
Delta Electronics (Netherlands) B.V.	Wynd Technologies Inc. warrants	None	Financial assets carried at cost - non-current	-	11,904	-	11,904

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, 2017
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, 2017		Addition		Disposal				Balance as at December 31, 2017		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 Inc	UNICOM SYSTEM ENG. CORP.	Investments accounted for using equity method	Natural person	None	-	\$ -	570,000	\$ 378,504 (Note 1)	-	\$ -	\$ -	-	570,000	\$ 378,504	
Delta Electronics Inc.	Delta Electronics Capital Company	Investments accounted for using equity method	Delta Electronics Capital Company	Subsidiary	266,254,470	2,948,807	40,000,000	708,762 (Note 2)	-	-	-	-	306,254,470	3,657,569	
Delta Electronics Inc.	Vivotek Inc.	Investments accounted for using equity method	Natural person	None	-	-	40,261,047	3,983,116 (Note 8)	-	-	-	-	40,261,047	3,983,116	
ELTEK AS	Elitek s.r.o.	Investments accounted for using equity method	Delta Electronics (Netherlands) B.V.	The Company	-	348,059	-	204,917 (Note 5)	-	668,490	552,976	Note 4	-	-	
Delta Electronics (Netherlands) B.V.	Delta Electronics (Switzerland) AG	Investments accounted for using equity method	Delta Greentech (Netherlands) B.V.	Associates	-	-	10,200	497,894 (Note 3)	-	-	-	-	10,200	497,894	
Delta Electronics (Netherlands) B.V.	Elitek s.r.o.	Investments accounted for using equity method	Delta Greentech (Netherlands) B.V.	Associates	-	-	-	552,976 (Note 6)	-	668,490	552,976	115,514 (Note 7)	-	-	

Note 1: Delta Electronics Inc. increased investment by \$341,694 in UNICOM SYSTEM ENG. CORP. in 2017, which includes recognition of adjustments in profit (loss) and net value of associates.

Note 2: Delta Electronics Inc. increased investment by \$400,000 in Delta Electronics Capital Company in March 2017, which includes recognition of adjustments in profit (loss) and net value of associates.

Note 3: Delta Electronics (Netherlands) B.V. increased investment by \$388,940 in Delta Electronics (Switzerland) AG in April 2017, which includes recognition of adjustments in profit (loss) and net value of associates.

Note 4: The transaction resulted from the Group's adjustment in investment structure. There was no gain or loss on disposal pursuant to related ordinances.

Note 5: It reflected the movement in the profit (loss) and net value of investments recognised in this period.

Note 6: In April 2017, Delta Electronics (Netherlands) B.V. increased investment in Elitek s.r.o.

Note 7: There was 20.01% of gain on disposal was deferred after selling the subsidiary, Elitek s.r.o. Please refer to Note 6(9)D for details.

Note 8: Delta Electronics Inc. increased investment by \$3,945,583 in Vivotek Inc. in October, 2017, which includes recognition of adjustments in profit (loss) and net value of associates.

Delta Electronics Inc. and Subsidiaries

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

Year ended December 31, 2017

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

Table 5

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount (Note 1)	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Delta Electronics (Dongguan) Co., Ltd.	One plant and nine dormitories at Tong Fu Road, Shi Jie Township, Dong Wan City.	2017/9/28	1994/8/10	\$ -	\$ 323,592	Based on mutual agreement	\$ 323,592	Dongguan Starry-sky City Investment Co., Ltd.	None	Preventing idle assets	Evaluated by professional appraisal institute and active market price.	Based on mutual agreement

Note 1: This table is translated at the exchange rate of 4.5389 from RMB to NTD.

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, 2017
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

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	Purchases (sales) and other operating revenue	\$ 12,126,635	31.43	70 days	\$ -	-	\$ 1,796,651	23.14	
Delta Electronics Inc.	Cyntec Electronics (Suzhou) Co., Ltd.	Affiliated enterprise	Sales	330,290	0.86	70 days	-	-	-	-	
Delta Electronics Inc.	DEI Logistics (USA) Corp.	Affiliated enterprise	Sales	308,279	0.80	70 days	-	-	58,837	0.76	
Delta Electronics Inc.	Delta Electronics (Thailand) Public Company Limited	Associate	Sales	378,870	0.98	70 days	-	-	21,833	0.28	
Delta Electronics Inc.	Delta Energy Systems (Singapore) PTE. LTD	Associate	Sales	259,965	0.67	70 days	-	-	78,532	1.01	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	Ultimate parent company	Sales	17,791,963	7.96	70 days	-	-	6,256,498	12.58	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	7,299,027	3.26	70 days	-	-	1,411,348	2.84	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	14,736,696	6.59	70 days	-	-	2,530,486	5.09	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Jiangsu) Ltd.	Affiliated enterprise	Sales	17,698,067	7.91	70 days	-	-	1,152,152	2.32	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	Sales	11,605,748	5.19	70 days	-	-	1,165,966	2.34	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Video Display System (Wujiang) Ltd.	Affiliated enterprise	Sales	4,356,622	1.95	70 days	-	-	490,336	0.99	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Preoptix (Jiangsu) Co., Ltd.	Affiliated enterprise	Sales	117,690	0.05	70 days	-	-	33,584	0.07	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	Sales	5,394,342	2.41	70 days	-	-	903,943	1.82	

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 (Chenzhou) Co., Ltd.	Affiliated enterprise	Sales	\$ 2,493,982	1.12	70 days	\$	-	-	\$ 734,630	1.48	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Chenzhou Delta Technology Co. Ltd.	Affiliated enterprise	Sales	185,384	0.08	70 days		-	-	30,642	0.06	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Japan), Inc.	Affiliated enterprise	Sales	3,582,984	1.60	70 days		-	-	810,306	1.63	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Korea), Inc.	Affiliated enterprise	Sales	244,508	0.11	70 days		-	-	70,046	0.14	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics International Mexico SA de CV	Affiliated enterprise	Sales	247,510	0.11	70 days		-	-	51,011	0.10	
Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	Affiliated enterprise	Sales	19,098,785	8.54	70 days		-	-	6,156,833	12.38	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Vivitek Corporation	Affiliated enterprise	Sales	491,452	0.22	70 days		-	-	123,867	0.25	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	Affiliated enterprise	Sales	16,658,229	7.45	70 days		-	-	3,733,155	7.50	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks, Inc. (Taiwan)	Affiliated enterprise	Sales	647,368	0.29	70 days		-	-	240,126	0.48	
Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	Affiliated enterprise	Sales	9,486,220	4.24	70 days		-	-	2,434,393	4.89	
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK AUSTRALIA PTY LIMITED	Affiliated enterprise	Sales	492,081	0.22	70 days		-	-	33,537	0.07	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Greentech (Brasil) S.A.	Affiliated enterprise	Sales	193,344	0.09	70 days		-	-	147,958	0.30	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	Sales	2,404,094	1.07	70 days		-	-	608,097	1.22	
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK AS	Affiliated enterprise	Sales	1,212,452	0.54	70 days		-	-	243,564	0.49	
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK POWER PTE. LTD.	Affiliated enterprise	Sales	207,090	0.09	70 days		-	-	133,180	0.27	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Americas) Ltd.	Affiliated enterprise	Sales	2,497,662	1.12	70 days		-	-	502,287	1.01	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Greentech (USA) Corporation	Affiliated enterprise	Sales	1,031,823	0.46	70 days		-	-	331,138	0.67	

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 Energy Systems (Australia) PTY LTD.	Affiliated enterprise	Sales	\$ 137,566	0.06	70 days	\$ -	-	\$ 43,931	0.09	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Digital Projection Ltd	Associate	Sales	222,943	0.10	70 days	-	-	77,807	0.16	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Power Solutions (India) Pvt Ltd.	Associate	Sales	975,937	0.44	70 days	-	-	244,453	0.49	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics India Pvt Ltd	Associate	Sales	884,183	0.40	70 days	-	-	308,643	0.62	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Slovakia) s.r.o.	Associate	Sales	341,815	0.15	70 days	-	-	40,362	0.08	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Thailand) Public Company Limited	Associate	Sales	298,668	0.13	70 days	-	-	71,041	0.14	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Digital Projection Inc	Associate	Sales	415,269	0.19	70 days	-	-	179,250	0.36	
Preoptix (Jiangsu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	511,626	98.31	70 days	-	-	40,105	98.74	
Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	18,582,061	84.83	70 days	-	-	3,138,276	91.38	
Delta Networks, Inc. (Taiwan)	Delta Electronics Inc.	Ultimate parent company	Sales and other operating revenue	1,025,289	11.32	70 days	-	-	63,616	4.00	
Delta Networks, Inc. (Taiwan)	DNI Logistics (USA) Co.	Affiliated enterprise	Sales	3,977,859	49.09	70 days	-	-	1,167,416	73.49	
Delta Networks, Inc. (Taiwan)	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	789,295	9.74	70 days	-	-	252,333	15.88	
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	9,580,873	80.63	70 days	-	-	2,246,575	74.99	
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	1,153,967	9.71	70 days	-	-	409,784	13.68	
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	20,325,911	91.53	70 days	-	-	2,770,647	78.11	
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	1,368,173	6.16	70 days	-	-	536,523	15.12	
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	121,344	0.55	70 days	-	-	104,381	2.94	

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 (Jiangsu) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	\$ 4,142,552	6.81	70 days	\$ -	-	\$ 855,837	14.51	
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	35,598,708	58.55	70 days	-	-	3,093,816	52.46	
Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	Sales	462,437	0.76	70 days	-	-	122,534	2.08	
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	Sales	159,214	0.26	70 days	-	-	50,918	0.86	
Delta Electronics (Jiangsu) Ltd.	Eitek Energy Technology (Dongguan) Ltd.	Affiliated enterprise	Sales	106,150	0.17	70 days	-	-	918	0.02	
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	10,245,818	28.00	70 days	-	-	3,275,717	49.18	
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	13,877,976	37.93	70 days	-	-	1,282,138	19.25	
Delta Video Display System (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	2,005,388	20.12	70 days	-	-	843,522	45.83	
Delta Video Display System (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	4,449,488	44.63	70 days	-	-	395,387	21.48	
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	9,555,049	99.12	70 days	-	-	1,946,010	98.00	
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	4,079,511	94.32	70 days	-	-	618,288	89.79	
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	Sales	245,505	5.68	70 days	-	-	70,288	10.21	
Chenzhou Delta Technology Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	1,574,728	73.96	70 days	-	-	389,984	74.18	
Chenzhou Delta Technology Co., Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	Affiliated enterprise	Sales	125,478	5.89	70 days	-	-	31,967	6.08	
Chenzhou Delta Technology Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	421,329	19.79	70 days	-	-	100,115	19.04	
Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	Affiliated enterprise	Sales	13,161,817	54.13	70 days	-	-	3,838,701	53.84	
Delta Electronics (Shanghai) Co., Ltd.	Delta Networks (Dongguan) Ltd.	Affiliated enterprise	Sales	121,081	0.50	70 days	-	-	39,962	0.56	

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 (Shanghai) Co., Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	Sales	\$ 185,728	0.76	70 days	\$ -	-	\$ 11,314	0.16	
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics (Thailand) Public Company Limited	Associate	Sales	454,176	1.87	70 days	-	-	34,088	0.48	
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics (Pnmatan) Co., Ltd.	Affiliated enterprise	Sales	1,506,628	6.20	70 days	-	-	523,001	7.33	
Delta Electronics (Japan), Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	951,186	17.54	70 days	-	-	199,911	19.01	
Vivotek Inc.	Vivotek USA, Inc.	Affiliated enterprise	Sales	575,275	10.53	90 days	-	-	138,809	13.49	
Vivotek Inc.	Vatics Inc.	Affiliated enterprise	Purchases	192,900	5.19	30 days	-	-	(12,574)	-	
Cyntec Co., Ltd.	Cyntec International Ltd - LABUAN	Affiliated enterprise	Sales	1,235,407	28.61	Note 1	-	-	125,739	15.61	
Cyntec Co., Ltd.	DEI Logistics (USA) Corp.	Affiliated enterprise	Sales	415,184	9.62	Note 2	-	-	88,385	10.97	
Cyntec Co., Ltd.	Delta Electronics Inc.	Ultimate parent company	Sales and other operating revenue	660,167	15.29	Note 2	-	-	244,134	30.31	
Cyntec Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	747,419	17.31	Note 2	-	-	84,393	10.48	
Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd - LABUAN	Affiliated enterprise	Sales	4,566,861	44.89	Note 1	-	-	495,321	40.58	
Cyntec Electronics (Suzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	5,605,320	55.10	Note 2	-	-	724,966	59.39	
Cyntec International Ltd. - LABUAN	Cyntec Co., Ltd.	Affiliated enterprise	Sales	858,606	10.54	Note 1	-	-	181,054	5.93	
Cyntec International Ltd. - LABUAN	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	Sales	402,247	4.92	Note 2	-	-	32,617	1.07	
ELTEK AS	Eltek s.r.o.	Associate	Sales	581,503	3.40	70 days	-	-	63,912	3.61	
ELTEK AS	Eltek s.r.o.	Associate	Purchases	2,480,223	19.90	70 days	-	-	(104,803)	(14.33)	
Delta Electronics (Netherlands) B.V.	Delta Electronics (Italy) S.r.l.	Affiliated enterprise	Sales	198,873	5.88	70 days	-	-	54,024	6.75	
Delta Electronics (Netherlands) B.V.	Delta Grentech Electronics Industry LLC	Affiliated enterprise	Sales	146,541	4.33	70 days	-	-	-	-	

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 (Switzerland) AG	Delta Electronics (Slovakia) s.r.o.	Associate	Purchases	\$ 1,160,199	81.60	70 days	\$ -	-	-	(\$ 322,270)	(67.03)	
Delta Electronics (Americas) Ltd	Delta Electronics (Thailand) Public Company Limited	Associate	Purchases	643,943	19.00	70 days	-	-	-	(126,763)	(19.78)	

Note 1: 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 2: For the sales transactions, the amount is calculated by adding costs, fees and all necessary 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, 2017

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

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance date (Note 2)	Allowance for doubtful accounts
					Amount	Action taken		
Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Subsidiary	\$ 1,796,651	6.81	\$ -	-	\$ 1,796,651	\$ -
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	Ultimate parent company	6,256,498	5.36	-	-	2,795,883	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	1,411,348	10.36	-	-	1,296,180	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	2,530,486	10.24	-	-	2,455,463	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Jiangsu) Ltd.	Affiliated enterprise	1,152,152	27.40	-	-	1,152,152	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Components (Wujiang) Ltd.	Affiliated enterprise	1,165,966	21.66	-	-	1,165,966	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Video Display System (Wujiang) Ltd.	Affiliated enterprise	490,336	17.07	-	-	490,336	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	903,943	13.20	159	-	903,943	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	Affiliated enterprise	734,630	7.73	-	-	357,120	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Japan), Inc.	Affiliated enterprise	810,306	9.74	28	-	492,790	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	Affiliated enterprise	6,156,833	6.33	1,226,556	-	2,899,423	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Vivitek Corporation	Affiliated enterprise	123,867	8.42	29,908	-	87,632	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	Affiliated enterprise	3,733,155	8.60	-	-	2,913,073	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks, Inc. (Taiwan)	Affiliated enterprise	240,126	7.11	71	-	90,121	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	Affiliated enterprise	2,434,393	5.83	-	-	1,363,930	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Greentech (Brazil) S.A.	Affiliated enterprise	147,958	3.48	55,477	-	13,412	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	608,097	9.87	-	-	72,043	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK AS	Affiliated enterprise	243,564	10.62	-	-	206,381	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	ELTEK POWERPTE. LTD.	Affiliated enterprise	133,180	6.22	112	-	93,163	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Americas) Ltd.	Affiliated enterprise	502,287	8.33	54,538	-	210,326	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance date (Note 2)	Allowance for doubtful accounts
					Amount	Action taken		
Delta Electronics Int'l (Singapore) Pte. Ltd.	Digital Greenitech (USA) Corporation	Affiliated enterprise	\$ 331,138	7.34	\$ 893		\$ 232,790	\$ -
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Power Solutions (India) Pvt. Ltd.	Associate	244,453	9.25	47,920		131,055	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics India Pvt. Ltd.	Associate	308,643	6.57	85,585		148,607	-
Delta Electronics Int'l (Singapore) Pte. Ltd.	Digital Projection Ltd.	Associate	179,250	9.18	42,713		95,242	-
Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	3,138,276	4.83	-		3,065,280	-
Delta Networks, Inc. (Taiwan)	DNI Logistics (USA) Co.	Affiliated enterprise	1,167,416	6.71	-		824,382	-
Delta Networks, Inc. (Taiwan)	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	252,333	10.40	-		252,333	-
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	2,246,575	4.83	-		1,755,840	-
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	409,784	3.25	-		251,575	-
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	2,770,647	5.28	-		2,770,647	-
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	536,523	3.15	-		343,528	-
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	104,381	0.56	-		90,785	-
Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	855,837	4.92	-		855,837	-
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	3,093,816	15.51	-		3,093,816	-
Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Wuhu) Co., Ltd.	Affiliated enterprise	122,534	8.77	-		79,273	-
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	3,275,717	4.77	-		2,160,757	-
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,282,138	14.89	-		1,282,138	-
Delta Video Display System (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Affiliated enterprise	843,522	3.42	-		527,760	-
Delta Video Display System (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	395,387	16.40	-		395,387	-
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	1,946,010	5.98	-		1,827,067	-
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	618,288	5.64	-		-	-
Chenzhou Delta Technology Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	389,984	5.00	-		389,948	-
Chenzhou Delta Technology Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	100,115	0.19	-		-	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance date (Note 2)	Allowance for doubtful accounts
					Amount	Action taken		
Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	Affiliated enterprise	\$ 3,838,701	3.36	\$ -		\$ 2,681,580	\$ -
Delta Electronics (Shanghai) Co., Ltd.	Delta Electronics (Pington) Co., Ltd.	Affiliated enterprise	523,001	4.19	-		305,988	-
Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	199,911	2.60	-		93,249	-
Cyntec Co., Ltd.	Cyntec International Ltd. - LABUAN	Affiliated enterprise	125,739	5.84	-		125,739	-
Cyntec Co., Ltd.	Delta Electronics Inc.	Ultimate parent company	244,245	3.85	-		151,707	-
Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd. - LABUAN	Affiliated enterprise	495,321	5.41	-		495,321	-
Cyntec Electronics (Suzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	724,966	6.24	-		724,966	-
Cyntec International Ltd. - LABUAN	Cyntec Co., Ltd.	Affiliated enterprise	181,054	5.17	-		181,054	-
Vivotek Inc.	Vivotek USA, Inc.	Affiliated enterprise	138,809	4.48	-		52,118	-
Fairview Assets Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	7,440,000	-	-		-	-
Fairview Assets Ltd.	Delta Controls Inc.	Affiliated enterprise	2,886,720	-	-		-	-
Delta Networks Holding Limited	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	6,547,200	-	-		-	-
Delta Electronics (HK) Ltd.	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	833,280	-	-		-	-
Delta International Holding Limited	Delta Electronics (Netherlands) B.V.	Affiliated enterprise	892,800	-	-		-	-
Delta Electronics (Wuhu) Co., Ltd.	Cyntec Electronics (Suzhou) Co., Ltd.	Affiliated enterprise	1,403,257	-	-		-	-
Vivotek Inc.	Vatics Inc.	Affiliated enterprise	117,170	-	-		-	-

Note 1: Including other receivables in excess of \$100,000.

Note 2: The amount represents collections subsequent to December 31, 2017 up to March 8, 2018.

Delta Electronics Inc. and Subsidiaries
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2017
 Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account Sales and other operating revenue	Amount	Transaction terms (Note 4)	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	1	Sales and other operating revenue	\$ 12,126,635	(Note 4)	5.42
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	2	Sales	17,791,963	(Note 4)	7.96
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Dongguan) Co., Ltd.	3	Sales	7,299,027	(Note 4)	3.26
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	3	Sales	14,736,696	(Note 4)	6.59
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Jiangsu) Ltd.	3	Sales	17,698,067	(Note 4)	7.92
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Components (Wujiang) Ltd.	3	Sales	11,605,748	(Note 4)	5.19
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Video Display System (Wujiang) Ltd.	3	Sales	4,356,622	(Note 4)	1.95
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Wuhu) Co., Ltd.	3	Sales	5,394,342	(Note 4)	2.41
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Chenzhou) Co., Ltd.	3	Sales	2,493,982	(Note 4)	1.12
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Japan), Inc.	3	Sales	3,582,984	(Note 4)	1.60
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	3	Sales	19,098,785	(Note 4)	8.54
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	3	Sales	16,658,229	(Note 4)	7.45
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DNI Logistics (USA) Co.	3	Sales	9,486,220	(Note 4)	4.24
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Netherlands) B.V.	3	Sales	2,404,094	(Note 4)	1.08

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics (Americas) Ltd.	3	Sales	\$ 2,497,662	(Note 4)	1.12
2	Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	18,582,061	(Note 4)	8.31
3	Delta Networks, Inc, (Taiwan)	DNI Logistics (USA) Co.	3	Sales	3,977,859	(Note 4)	1.78
4	Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	9,580,873	(Note 4)	4.29
5	Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	20,325,911	(Note 4)	9.09
6	Delta Electronics (Jiangsu) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Sales	4,142,552	(Note 4)	1.85
6	Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	35,598,708	(Note 4)	15.92
7	Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Sales	10,245,818	(Note 4)	4.58
7	Delta Electronics Components (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	13,877,976	(Note 4)	6.21
8	Delta Video Display System (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	4,449,488	(Note 4)	1.99
9	Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	9,555,049	(Note 4)	4.27
10	Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	4,079,511	(Note 4)	1.82
11	Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	3	Sales	13,616,817	(Note 4)	5.89
12	Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd. - LABUAN	3	Sales	4,566,861	(Note 4)	2.04
12	Cyntec Electronics (Suzhou) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Sales	5,605,320	(Note 4)	2.51
13	ELTEK AS	Eltek s.r.o.	3	Purchases	2,480,223	(Note 4)	1.11
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Inc.	2	Accounts receivable	6,256,498	(Note 4)	2.50

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 4)	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	3	Accounts receivable	\$ 2,530,486	(Note 4)	1.01
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	DEI Logistics (USA) Corp.	3	Accounts receivable	6,156,833	(Note 4)	2.46
1	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Networks (Dongguan) Ltd.	3	Accounts receivable	3,733,155	(Note 4)	1.49
2	Delta Networks (Dongguan) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Accounts receivable	3,138,276	(Note 4)	1.25
5	Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Accounts receivable	2,770,647	(Note 4)	1.11
6	Delta Electronics (Jiangsu) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	Accounts receivable	3,093,816	(Note 4)	1.23
7	Delta Electronics Components (Wujiang) Ltd.	Delta Electronics (Shanghai) Co., Ltd.	3	Accounts receivable	3,275,717	(Note 4)	1.31
11	Delta Electronics (Shanghai) Co., Ltd.	Delta Greentech (China) Co., Ltd.	3	Accounts receivable	3,838,701	(Note 4)	1.53
14	Fairview Assets Ltd.	Delta Electronics (Netherlands) B.V.	3	Other receivables	7,440,000	(Note 5)	2.97
14	Fairview Assets Ltd.	Delta Controls Inc.	3	Other receivables	2,886,720	(Note 5)	1.15
15	Delta Networks Holding Limited	Delta Electronics (Netherlands) B.V.	3	Other receivables	6,547,200	(Note 5)	2.61

Note 1: 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 2: 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 3: 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 4: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and all the credit terms are 70 days.

Note 5: Lending of capital

Note 6: 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 7: Selling price was calculated based on the cost plus handling charges and necessary 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.

Note 8: 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, 2017

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

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Delta Electronics Inc.	Delta International Holding Limited	Cayman Islands	Equity investments	\$ 8,922,118	\$ 8,922,118	67,680,000	94.00	\$ 5,204,079	\$ 4,676,624	(Note 6)	
Delta Electronics Inc.	Delta Networks Holding Ltd.	Cayman Islands	Equity investments	29,581	29,581	83,800,000	100.00	666,718	706,300	(Note 6)	
Delta Electronics Inc.	PreOptix (Hong Kong) Co. Ltd.	Hong Kong	Equity investments	162,376	162,376	5,250,000	39.62	10,440	4,136		
Delta Electronics Inc.	Cyntee Co., Ltd.	Taiwan	Research, development, manufacturing and sales of thin film optic-electronic devices	12,067,931	12,067,931	2,062,257,714	100.00	2,195,664	1,949,899	(Note 6)	
Delta Electronics Inc.	Delta Electronics Capital Company	Taiwan	Equity investments	2,900,000	2,500,000	306,254,470	100.00	128,185	128,185		
Delta Electronics Inc.	Delta Electronics Int'l (Singapore) Pte. Ltd.	Singapore	Sales of electronics products	7,270	7,270	300,000	100.00	8,608,714	8,655,833	(Note 6)	
Delta Electronics Inc.	DelBio Inc.	Taiwan	Manufacturing, wholesale and retail of medical equipment	900,000	900,000	90,000,000	100.00	26,635	26,607	(Note 6)	
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	(134,470)	(134,430)		
Delta Electronics Inc.	UNICOM SYSTEM ENG. CORP.	Taiwan	Design and sales of computer, peripheral and information system (software and hardware)	341,695	-	570,000	100.00	39,246	37,213		
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	(648)	(637)		
Delta Electronics Inc.	Delta Electronics (Thailand) Public Co., Ltd	Thailand	Manufacturing and sales of electronic products	114,615	114,615	69,128,140	5.54	3,228,791	817,150	(Note 6 and 7)	
Delta Electronics Inc.	Delta Electronics (Netherlands) B.V.	Netherlands	Sales of electronics products	4,247,073	4,247,073	120,219,545	100.00	205,380	198,602	(Note 6)	
Delta Electronics Inc.	LOYTEC Asia Corp., Ltd.	Taiwan	Consulting services of building management and control solutions	-	-	-	-	(666)	(1,026)	(Note 11)	
Delta Electronics Inc.	Delta Green Life Co., Ltd.	Taiwan	Manufacturing of electronic parts, etc.	135,083	135,083	23,817,300	100.00	(60,602)	(60,593)	(Note 6)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Delta Electronics Inc.	Delta Networks, Inc. (Taiwan)	Taiwan	Main business activities: Manufacturing and design of networking system and peripherals	\$ 2,490,390	\$ 2,490,390	50,040,838	99.98	\$ 1,597,444	\$ 648,648	603,679 (Note 6)	
Delta Electronics Inc.	Delta America Ltd.	U.S.A	Equity investments	103,065	103,065	2,100,000	10.26	273,393	108,159	25,644 (Note 9)	
Delta International Holding Limited	Vivitek Inc.	Taiwan	Manufacturing and sales of communication machinery, electronic components and telecom equipment	3,945,583	-	40,261,047	48.80	3,983,116	348,701	45,994	
Delta International Holding Limited	Delta Electronics International Ltd.	Malaysia	Sales of electronics products	59,520	59,520	2,000,000	100.00	-	73,664	73,664 (Note 1)	
Delta International Holding Limited	Delta Electronics (H.K.) Ltd.	Hong Kong	Equity investments	9,773,097	9,773,097	2,549,297,600	100.00	36,596,542	3,882,040	3,882,040 (Note 1)	
Delta International Holding Limited	DAC Holding (Cayman) Ltd.	Cayman Islands	Equity investments	480,334	480,334	22,200,000	100.00	296,161	(10,199)	(10,199) (Note 1)	
Delta International Holding Limited	Delta Electronics (Japan), Inc.	Japan	Sales of power products, display solution products, electronic components, industrial automation products and their materials	85,083	85,083	5,600	100.00	411,311	78,071	78,071 (Note 1)	
Delta International Holding Limited	Digital Projection International Ltd.	Britain	Equity investments	340,465	340,465	19,249,667	41.00	190,787	(126,314)	(51,789) (Note 1)	
Delta International Holding Limited	PreOptix (Hong Kong) Co., Ltd.	Hong Kong	Equity investments	238,080	238,080	8,000,000	60.38	314,035	10,796	6,519 (Note 1)	
Delta International Holding Limited	Delta Power Sharp Ltd.	Hong Kong	Operations management and engineering services	-	38,487	-	-	-	-	(Note 1 and 12)	
Delta International Holding Limited	DEI Logistics (USA) Corp.	U.S.A	Warehousing and logistics services	14,880	14,880	500,000	100.00	169,272	23,510	23,510 (Note 1)	
Delta International Holding Limited	Ace Pillar Holding Ltd.	Samoa	Equity investments	406,387	406,387	2,858,718	100.00	396,977	24,987	12,345 (Note 1)	
Delta International Holding Limited	Drake Investment (H.K.) Ltd.	Hong Kong	Equity investments	5,122,182	5,122,182	304,504,306	100.00	4,722,375	318,893	157,921 (Note 1)	
Delta International Holding Limited	Delta Electronics International Mexico SA de CV	Mexico	Sales of power management system of industrial automation product and telecommunications equipment	-	-	1	-	-	(16,235)	(Note 1)	
Delta International Holding Limited	Vivitek Corporation	U.S.A	Sales of projector products	44,640	44,640	9,000,000	100.00	67,533	56,494	56,494 (Note 1)	
Delta International Holding Limited	Delta Greentech SGP Pte Ltd.	Singapore	Equity investments	831,216	831,216	12,175,470	100.00	706,166	53,102	15,199 (Note 1)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Delta International Holding Limited	Delta Electronics Europe Limited	Britain	Main business activities Maintenance centre and providing support service	\$ 108,922	\$ 108,922	500,000	100.00	\$ 46,517	\$ 7,219	7,219 (Note 1)	
Delta International Holding Limited	Boom Treasure Limited	Hong Kong	Equity investments	2,592,718	2,592,718	1	100.00	2,158,580	166,444	41,177 (Note 1)	
Delta International Holding Limited	Apex Investment (HK) Limited	Hong Kong	Equity investments	3,760,004	3,760,004	2,000,001	100.00	1,657,627	218,800	220,763 (Note 1)	
Delta International Holding Limited	Galaxy Star Investment (HK) Limited	Hong Kong	Equity investments	3,760,004	3,760,004	2,000,001	100.00	1,657,627	218,800	220,763 (Note 1)	
Delta International Holding Limited	Jade Investment (HK) Limited	Hong Kong	Equity investments	3,760,004	3,760,004	2,000,001	100.00	1,657,627	218,800	220,763 (Note 1)	
Delta Electronics (H.K.) Ltd.	Delta Electronics International Mexico SA de CV	Mexico	Sales of power management system of industrial automation product and telecommunications equipment	31,248	31,248	252,002	100.00	589	(16,235)	(16,235) (Note 2)	
Delta International Holding Limited	Delta Electronics (Netherlands) B.V.	Netherlands	Sales of electronics products	1	1	260,416,667	-	17,730	205,380	- (Note 1)	
Delta America Ltd.	Delta Electronics (Americas) Ltd.	U.S.A	Manufacturing and design of networking system and peripherals	224,815	224,815	250,000	100.00	906,150	51,484	51,484	
Delta America Ltd.	Delta Solar Solutions LLC	U.S.A	Equity investments	67,555	67,555	-	100.00	61,510	(2,886)	(2,886)	
Delta Electronics Int'l (Singapore) Pte. Ltd.	Loy Tec electronics GmbH	Austria	Consulting services of building management and control solutions	2,056,646	2,056,646	-	85.00	2,071,730	103,556	26,814 (Note 10)	
Loy Tec electronics GmbH	LOYTEC Americas, Inc.	U.S.A	Consulting services of building management and control solutions	297	297	9,978	100.00	12,706	5,737	5,737	
Loy Tec electronics GmbH	LOYTEC Asia Corp., Ltd.	Taiwan	Consulting services of building management and control solutions	-	2,160	-	-	-	(666)	(360) (Note 11)	
Delta Networks Holding Limited	Delta Networks, Inc.	Cayman Islands	Equity investments	5,293,083	5,293,083	1,196,886,000	100.00	3,860,189	637,720	637,720 (Note 3)	
Delta Networks Inc.	Delta Networks (H.K.) Limited	Hong Kong	Equity investments	1,041,600	1,041,600	35,000,000	100.00	3,561,279	471,633	471,633 (Note 4)	
Delta Networks Inc.	Delta Networks International Ltd. (Labuan)	Malaysia	Research, development, design, manufacturing and sales of networking system and peripherals	29,760	29,760	1,000,000	100.00	-	34,110	34,110 (Note 4)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Delta Networks Inc.	DNI Logistics (USA) Corp.	U.S.A	Main business activities Research, development, design, manufacturing and sales of networking system and peripherals	\$ 16,548	\$ 16,548	500,000	100.00	\$ 72,716	\$ 6,561	(Note 4)	
Cyntec Co., Ltd.	Fairview Assets Ltd.	Cayman Islands	Equity investments	1,116,521	1,116,521	32,740,062	100.00	27,181,071	2,006,846	(Note 5)	
Cyntec Co., Ltd.	Power Forest Technology Corporation	Taiwan	Design of power management IC	179,161	179,161	8,702,934	60.02	186,359	33,554	(Note 5)	
Delta Electronics (Netherlands) B.V.	ELTEK AS	Norway	Research, development and sales of power supplies and others	14,795,704	14,795,704	93,531,101	100.00	14,896,121	1,402,051	(Note 8)	
Delta Electronics (Netherlands) B.V.	Delta America Ltd.	U.S.A	Equity investments	683,989	683,989	8,179,182	39.95	814,531	108,159	(Note 8 and 9)	
Delta Electronics (Netherlands) B.V.	Optovue, Inc.	U.S.A	Research, development, design, manufacturing and sales of medical equipment	892,800	892,800	3,750,000	23.21	777,126	(224,795)	(Note 8)	
Delta Electronics (Netherlands) B.V.	Delta Controls Inc.	Canada	Consulting services of building management and control	2,232,000	2,232,000	75,000,000	100.00	2,448,203	241,471	(Note 8)	
Delta Electronics (Netherlands) B.V.	Energy Dragon Global Limited	British Virgin Islands	Equity investments	144,671	144,671	10,001	100.00	181,442	9,611	(Note 8 and 9)	
Delta Electronics (Netherlands) B.V.	Castle Horizon Limited	Republic of Seychelles	Equity investments	674,730	674,730	471,800	100.00	846,318	44,829	(Note 8 and 9)	
Delta Electronics (Netherlands) B.V.	Delta Electronics (Switzerland) AG	Switzerland	Equity investments, research and development and sales of electronic products	380,928	-	10,200	51.00	497,894	110,304	(Note 8)	
Delta Electronics (Netherlands) B.V.	Delta Greentech Electronics Industry LLC	Turkey	Marketing and sales of electronic products	23,808	-	15,708	51.00	14,798	3,120	(Note 8)	
Delta Electronics (Netherlands) B.V.	Delta Greentech (Brasil) S.A.	Brazil	Manufacturing and sales of electronic products	211,594	-	4,315,657	100.00	177,902	(56,487)	(Note 8)	
Delta Electronics (Netherlands) B.V.	Delta Greentech (USA) Corporation	U.S.A	Sales of electronics products	123,206	-	1,500,000	100.00	128,814	48,677	(Note 8)	
Delta Electronics (Netherlands) B.V.	DELTA ELECTRONICS BRASIL LTDA	Brazil	Sales of electronics products	235,104	-	24,999,999	100.00	208,490	(15,274)	(Note 8)	
Vivotek Inc.	Vatics Inc.	Taiwan	Design and sales of Multimedia Integrated Circuit	216,738	216,738	15,798,000	49.55	30,947	(151,402)	(Note 13)	
Vivotek Inc.	Vivotek Holdings, Inc.	U.S.A	Holding company	31,555	31,555	1,000	100.00	187,010	5,301	(Note 13)	
Vivotek Inc.	Realwin Investment Inc.	Taiwan	venture capital company	200,000	150,000	20,000,000	100.00	117,630	(22,223)	(Note 13)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Vivotek Inc.	Vivotek Netherlands B.V.	Netherlands	Sales service	\$ 11,418	\$ 11,418	3,000	100.00	\$ 8,667	\$ 619	(Note 13)	
Vivotek Inc.	OTUS Imaging, Inc.	Taiwan	Sales of webcam and its related components	17,991	-	1,574,000	26.23	9,354	(12,817)	(Note 13)	
Vivotek Holdings, Inc.	Vivotek USA, Inc.	U.S.A	Sales of webcam and its related components	29,760	29,760	10,000,000	100.00	252,803	5,311	(Note 15)	
Realwin Investment Inc.	OTUS Imaging, Inc.	Taiwan	Sales of webcam and its related components	46,146	25,400	4,426,000	73.77	26,304	(12,817)	(Note 14)	
Realwin Investment Inc.	Aetek Inc.	Taiwan	Sales of webcam and its related components	34,045	34,045	3,373,000	56.21	27,549	4,693	(Note 14)	
Realwin Investment Inc.	Lidlight Inc.	Taiwan	Sales of lighting equipment	10,200	-	1,020,000	51.00	6,721	(6,744)	(Note 14)	
Realwin Investment Inc.	Wellstates Investment, LLC	U.S.A	Investment and commercial lease of real estate	34,859	34,859	-	100.00	43,321	1,406	(Note 14)	
Realwin Investment Inc.	Vivotek Middle East FZCO	United Arab Emirates	Sales of webcam and its related components	11,242	11,242	1,000	89.99	(11,764)	(13,096)	(Note 14)	
Realwin Investment Inc.	Skywatch Innovation Incorporation	Taiwan	Wholesale of electronic equipment	6,211	7,718	412,000	13.64	-	(7,763)	(Note 14)	
Realwin Investment Inc.	Aicasa Incorporated	Cayman Islands	venture capital company	10,275	10,275	315,000	35.00	946	(9,626)	(Note 14)	

Note 1: Investment income / loss recognised by Delta International Holding Limited

Note 2: Investment income / loss recognised by Delta Electronics (H.K.) Ltd.

Note 3: Investment income / loss recognised by Delta Networks Holding Limited

Note 4: Investment income / loss recognised by Delta Networks, Inc.

Note 5: Investment income / loss recognised by Cyntec Co., Ltd.

Note 6: The investment income / loss is net of the elimination of intercompany transactions.

Note 7: The weighted average combined ownership percentage of 20.01%.

Note 8: Investment income / loss recognised by Delta Electronics (Netherlands) B.V.

Note 9: 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 10: Investment income / loss and adjustments in net value recognized by Delta Electronics Int'l (Singapore) Pte. Ltd.

Note 11: In February, 2017, the Company acquire a 46% equity interest of LOYTEC Asia Corp., Ltd., considering a 45.9% equity interest held by the Company's subsidiary, DEILL-SG, the comprehensive shareholding is 91.9%. However, LOYTEC Asia Corp., Ltd. resolved to dissolve in the first quarter of 2017, and the liquidation was completed in November, 2017.

Note 12: In August, 2016, the company conducted the liquidation, which was completed in the second quarter of 2017.

Note 13: The Company's second-tier subsidiary, which was recognised as investment gains/losses through Vivotek Inc.

Note 14: The Company's third-tier subsidiary, which was recognised as investment gains/losses through Realwin Investment Inc.

Note 15: The Company's third-tier subsidiary, which was recognised as investment gains/losses through Vivotek Holdings, Inc.

Delta Electronics Inc. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2017

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

Table 10

Investees in Mainland China	Main business activities	Paid-in capital \$	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 \$	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittances from Taiwan to Mainland China as of December 31, 2017 \$	Net income of investee for the year ended December 31, 2017 \$	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 28) \$	Book value of investments in Mainland China as of December 31, 2017 \$	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017 \$	Footnote (Note 3 and 19)
					Remitted to Mainland China \$	Remitted back to Taiwan \$							
Investees in Mainland China Delta Electronics (Dongguan) Co., Ltd.	Main business activities Manufacturing and sales of transformer and thermal products	2,910,826	Invested by DHK	2,000,794	-	-	2,000,794	593,523	94.00	530,063	3,893,229	287,482	(Note 3 and 19)
Delta Electronics Power (Dongguan) Co., Ltd.	Manufacturing and sales of power supplies	1,252,896	Invested by DHK	503,539	-	-	503,539	498,247	94.00	467,911	2,382,883	399,855	(Note 6 and 19)
Delta Electronics (Shanghai) Co., Ltd.	Product design, management consulting service and distribution of electronic products.	3,625,477	Invested by DHK	-	-	-	-	1,662,065	94.00	1,560,764	5,381,104	-	(Note 9 and 19)
Delta Electronics (Wuhu) Co., Ltd.	Manufacturing and sales of LED light source, power supplies and others.	3,987,840	Invested by DHK	167,846	-	-	167,846	287,579	94.00	269,759	4,363,450	-	(Note 10 and 19)
Delta Electronics (Chenzhou) Co., Ltd.	Manufacturing and sales of transformers	1,874,880	Invested by DHK	-	-	-	-	(81,759)	94.00	(45,660)	1,920,503	-	(Note 12 and 19)
Delta Electronics (Jiangsu) Ltd.	Manufacturing and sales of power supplies and transformers	1,190,400	Invested by DHK	3,981,484	-	-	3,981,484	495,458	94.00	465,662	2,557,269	-	(Note 25)
Delta Electronics Components (Wujiang) Ltd.	Manufacturing and sales of new-type electronic components, variable-frequency drive and others.	3,506,026	Invested by DHK	6,304,097	-	-	6,304,097	1,250,062	94.00	1,176,668	6,631,667	52,504	(Note 7 and 25)
Delta Video Display System (Wujiang) Ltd.	Manufacturing and sales of various projectors	863,040	Invested by DHK	1,320,998	-	-	1,320,998	172,048	94.00	166,859	1,311,104	-	(Note 8 and 25)
Delta Electronics (Wujiang) Trading Co., Ltd.	Installation, consulting and trading of electronic products	59,520	Invested by DHK	11,190	-	-	11,190	-	94.00	(10)	96,716	-	(Note 15 and 19)
Delta Green (Tianjin) Industries Co., Ltd.	Manufacturing and sales of transformers	674,064	Invested by DHK	924,059	-	-	924,059	(25,963)	94.00	(24,406)	616,276	-	(Note 14 and 19)
Delta Electronics (Pingtan) Co., Ltd.	Wholesale and retail of electronic products and energy-saving equipment	137,126	Invested by DHK	139,872	-	-	139,872	31,160	94.00	29,290	145,231	-	(Note 19)
PreOptix (Jiang Su) Co., Ltd.	Manufacturing and sales of lenses and optical engines for projectors	394,320	Invested by PHK	380,035	-	-	380,035	10,796	96.38	17,419	429,847	-	(Note 13 and 22)
Wuhu Delta Technology Co., Ltd.	Manufacturing and sales of transformers	134,841	Invested by DWH	-	-	-	-	(1,269)	94.00	(1,153)	141,938	-	(Note 17)
Chenzhou Delta Technology Co., Ltd.	Manufacturing and sales of transformers	116,557	Invested by DCZ	-	-	-	-	(37,451)	94.00	(35,225)	189,041	-	(Note 17)
Delta Energy Technology (Wuhu) Co., Ltd.	Research and development of energy-saving technology; energy-saving equipment, energy management system and technology consulting service, etc.	9,142	Invested by DPEC and DWH	-	-	-	-	13	94.00	13	-	-	(Note 17 and 27)

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, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 26)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Delta Energy Technology (Dongguan) Co., Ltd.	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc	\$ 137,126	Invested by DPEC and DDG	\$ -	\$ -	\$ -	(\$ 570)	94.00	(\$ 535)	\$ 153,143	-	(Note 17)	
Delta Energy Technology (Shanghai) Co., Ltd.	Research and development of energy-saving technology, energy-saving equipment, energy management system and technology consulting service, etc	45,709	Invested by DPEC and DGC	-	-	-	(2,843)	90.54	(2,576)	37,724	-	(Note 17)	
Delta Greentech (China) Co., Ltd.	Manufacturing and sales of uninterruptible power systems	2,596,254	Invested by DIH, Ace, Boom, Drake and DGSG	8,687,656	-	-	740,656	90.16	667,918	4,925,723	-	(Note 4 and 18)	
Delta Energy Technology Puhuan (Shanghai) Co., Ltd.	Energy technology, development and consulting of environmental technical skills, and design and sales of energy saving equipment	457	Invested by DPEC	-	-	-	2,145	90.54	1,942	2,476	-	(Note 17)	
Cynice Electronics (Suzhou) Co., Ltd.	Research, development, manufacturing and sales of new-type electronic components (chip components, sensing elements, hybrid integrated circuits) and wholesale of similar products	6,025,280	Invested by CHK	5,906,240	-	-	277,897	100.00	277,897	6,949,877	-	(Note 21)	
Delta Networks (Dongguan) Ltd.	Manufacturing and sales of other radio-broadcast receivers and the equipment in relation to broadband access networking system	1,041,600	Invested by DNHK	1,330,461	-	-	494,465	100.00	494,465	2,110,211	654,720	(Note 5 and 20)	
Delta Networks (Shanghai) Ltd.	Design of computer software	59,520	Invested by DNHK	84,353	-	-	2,455	100.00	2,455	89,901	-	(Note 11 and 20)	
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	67,413	Invested by DNHK	20,832	-	-	22,853	30.00	(6,881)	20,448	-	(Note 20)	
Eitek Energy Technology	Development, manufacturing and sales of intelligent power equipment and system for supporting access networking system, and manufacturing and sale of intelligent power equipment for supporting renewable energy	220,224	Invested by Eitek AS	1,115,419	-	-	(38,758)	100.00	(38,758)	198,981	-	(Note 24)	
DeIBio (Wujiang), Ltd.	Manufacturing, wholesale and retail of medical equipment	119,040	Invested by DeIBio	119,040	-	-	32,426	100.00	32,426	127,323	-	(Note 23)	
Delta Electronics (Beijing) Co., Ltd.	Installation of mechanic, electronic, telecommunication and circuit equipment	228,544	Invested by DHK	-	-	-	(14,283)	94.00	(13,494)	201,202	-	(Note 16 and 19)	

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, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 26)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
Delta Electronics (Xian) Co., Ltd.	Sales of computer, peripheral equipment and software	\$ 251,398	Invested by DHK	\$ -	\$ 233,669	\$ -	\$ 961	94.00	\$ 903	\$ 237,245	\$ -	(Note 19)
Beijing Industrial Foresight Technology Co., Ltd.	Computer system services and data process	29,711	Invested by Delta Electronics (Beijing) Co., Ltd.	-	-	-	(24,184)	75.20	(18,186)	4,852	-	(Note 17)
Unicom (Nanjing) System Eng. Corp	Design and sales of computer, peripheral and information system (software and hardware)	8,928	Invested by UNICOM SYSTEM ENG. CORP.	8,928	-	-	19,195	100.00	19,195	36,041	-	(Note 26)

Note 1: 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 6.51080 to US\$1 and RMB 4.57087 to NT\$1.

Note 2: The accumulated remittance as of January 1, 2017, remitted or collected this period, accumulated remittance as of December 31, 2017 and investment income remitted back as of December 31, 2017 was translated into New Taiwan Dollars at the average exchange rate of NTD 29.76 to US\$1 at the balance sheet date.

Note 3: Except for the facility of US\$67,231 thousand permitted by Investment Commission, the capitalization of earnings of US\$27,081 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 4: Except for the facility of US\$291,924 thousand permitted by Investment Commission, the capitalization of earnings of US\$980 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 5: Except for the facility of US\$44,706 thousand permitted by Investment Commission, the capitalization of earnings of US\$11,312 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 6: Except for the facility of US\$16,920 thousand permitted by Investment Commission, the capitalization of earnings of US\$2,654 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 7: Except for the facility of US\$211,831 thousand permitted by Investment Commission, the capitalization of earnings of US\$27,303 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 8: Except for the facility of US\$44,388 thousand permitted by Investment Commission, the capitalization of earnings of US\$8,272 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 9: The capitalization of earnings of US\$110,401 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 10: Except for the facility of US\$5,640 thousand permitted by Investment Commission, the capitalization of earnings of US\$120,320 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 11: Except for the facility of US\$2,834 thousand permitted by Investment Commission, the capitalization of earnings of US\$298 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 12: 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 13: Except for the facility of US\$7,520 thousand permitted by Investment Commission, the investment of US\$5,250 thousand by PreOptix Co., Ltd. was permitted by Investment Commission.

Note 14: Except for the facility of US\$31,050 thousand permitted by Investment Commission, the capitalization of earnings of US\$2,665 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 15: Except for the facility of US\$376 thousand permitted by Investment Commission, the capitalization of earnings of US\$1,504 thousand permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note 16: The capitalization of earnings of US\$7,268 thousand permitted by Investment Commission, is excluded from the Company's amount of investment in Mainland China.

Note 17: 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 18: Jointly invested through Delta International Holding Limited, Ace Pillar Holding Co., Ltd., Drake Investment (H.K.) Ltd., Delta Greentech SGP Pte Ltd and Boom Treasure Limited.

Note 19: Invest through Delta Electronics (H.K.) Ltd.

Note 20: Invest through Delta Networks (H.K.) Ltd.

Note 21: Invest through Cyntec Holding (H.K.) Ltd.

Note 22: Invest through PreOptix (Hong Kong) Co., Ltd.

Note 23: Invest through DelBio Inc.

Note 24: Invest through Delta Electronics (Netherlands) B.V.

Note 25: Invest through Delta Electronics (H.K.) Ltd., and Delta International Holding Ltd.

Note 26: Invest through UNICOM SYSTEM ENG. CORP.

Note 27: Delta Energy Technology (Wuhu) Co., Ltd. Company completed the liquidation process and was dissolved in August 2017.

Note 28: The Company recognised investment income / loss based on the audited financial statements.

Company name	Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of Ministry of Economic Affairs (MOEA)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA
Delta Electronics Inc. (Note 2 and 3)	\$ 25,895,651	\$ 26,434,158	-
Cyntec Co., Ltd.	5,906,240	5,906,240	15,845,675
DelBto Inc. (Note 4)	119,040	119,040	117,091
UNICOM SYSTEM ENG. CORP. (Note 5)	8,928	8,928	80,000

Note 1: 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 29.76 to US\$1 at the balance sheet date.

Note 2: The investment income of US\$22,000 thousand, US\$18,000 thousand, US\$10,509 thousand and US\$14,351 thousand 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 3: According to "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China", the Company and Cyntec 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 4: Ceiling of \$117,091 is calculated based on DelBto Inc.'s net assets as of December 31, 2017. However, ceiling was \$119,040 at the time when applying for investments.

Note 5: The limitation pursuant to the regulations is NT \$80 million or 60% of net value or consolidated net assets, whichever is higher.

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. (DELL-SG) and Cyntec International Ltd. (CIL-Labuan) for the year ended December 31, 2017 are shown in Table 5 and 6.

Climate Change Information Disclosure

In reaction to climate-related risks and opportunities, and to disclose relevant information, we adopted the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) structure to disclose our practices on governance, strategy, risk management, metrics and targets.

I. Governance: The organization's policy across climate-related risks and opportunities	
Guiding principles	Specific practices
The board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> The Corporate Social Responsibility (CSR) Committee (hereinafter referred to as the CSR Committee) is affiliated to the Board of Directors. It is at the highest level in the climate risk and opportunity supervision position within Delta, with Mr. Bruce Cheng, the founder and Honorary Chairman of Delta, as the honorary chairperson and Mr. Yancey Hai, Chairman of Delta, as the chairperson. The committee includes many members of the Board of Directors, such as the Vice Chairman, Chief Executive Officer, and Chief Operating Officer, region heads, and functional directors. The committee meets once every six months and is responsible for formulating climate-related strategies and operational directions, monitoring risk events, reviewing energy efficiency and carbon reduction targets as well as annual budgets, and supervising the overall implementation. The implementation results are presented to the Board of Directors annually. Major capital investments, including green building and solar energy equipment construction projects, are reviewed and decided directly by the Board of Directors.
Management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> The CSR Office and the Energy Management Committee, set up by the CSR Committee, are in charge of promotion and implementation of climate-related projects: <ol style="list-style-type: none"> The CSR Office It is a division that assists the CSR Committee, hereinafter referred to as the Secretariat. The Secretariat is responsible for planning climate related strategies, identifying the risks and opportunities related to climate issues, analyzing international trends annually, understanding stakeholders' needs in depth, and managing the application strategies and implementation plans for energy saving projects. Energy Management Committee Energy Management Committee is one of the nine functional committees of the CSR Committee. In order to help reducing GHG emissions and mitigate the impact of climate change, it is responsible for managing and implementing energy saving projects. Meetings are hold quarterly The Secretariat and Energy Management Committee present their project progress to the CSR Committee on a semiannual basis. The Secretariat also holds irregular meetings with the CSR Committee to report and discuss specific topics or major news events.

II. Strategy: the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Guiding principles	Specific practices
<p>Climate-related risks and opportunities the organization has identified over the short, medium, and long term</p>	<ul style="list-style-type: none"> • With reference to the schedule of the internal relative emissions targets, Delta has defined the short-term as three years, the mid-term as three to five years, and the long-term as more than five years. • The short-term, mid-term, and long-term risks identified by Delta in 2018: <ol style="list-style-type: none"> 1. Short-term: the products and services replaced by low-carbon technologies, increased raw material costs, increased prices of greenhouse gas emissions, general environmental regulations (including the regulations at the planning stage), costs for the transition to a low-carbon economy, and changes in precipitation patterns/drastic changes in weather patterns, and average temperature increases. 2. Mid-term: voluntary regulation. 3. Long-term: fuel/energy tax or relevant regulations, renewable energy regulations, uncertain market signals, and increased raw material costs. • The short-term, mid-term, and long-term opportunities identified by Delta in 2018: <ol style="list-style-type: none"> 1. Short-term: use of more energy-efficient production and distribution processes, recycle usage, more energy-efficient buildings, use of low-emission energy, supportive policy incentives, use of new technologies, participation in carbon trading markets, switching to decentralized energy production, development or expansion of low-carbon products and services, development of climate adaptation and insurance solutions, diversification, response to the changes in consumer preferences, new market partnerships. 2. Mid-term: participation in renewable energy projects and improvement of energy efficiency. 3. Long-term: reducing the use of water resources, R&D and innovation of new products and services, and resource substitution and diversification.
<p>Impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning</p>	<ul style="list-style-type: none"> • Delta's identified climate risks and opportunities range from products and services, supply chains, adaptation and mitigation activities, R&D, investment, operations to other relevant aspects, and the probability of occurrence and degree of impact for each risk and opportunity are assessed. • Delta further analyzes the operating costs and revenues, capital expenditures and distributions, acquisitions or divestment, and capital acquisitions, caused by potential incidents, to understand the financial impact on its business and develop responding strategies.

<p>Potential impacts of the organization's strategy, taking into consideration different climate-related scenarios</p>	<ul style="list-style-type: none"> • Based on International Energy Agency's (IEA) scenario for the global temperature increase within 2°C in 2017, Delta has estimated its commitment to reduce carbon emissions and established the 2025 Science-Based Targets (SBT) with the year of 2014 as the benchmark. The targets have already been approved by Science-Based Target initiative (SBTi) in 2017. • To achieve the targets set for the 2°C scenario, apart from continuing implementing the energy management in Scope 2, Delta has begun the carbon reduction plan in Scope 1 at the factories. In the future, it will also assess its reduction strategies and implement carbon asset management with the internal carbon pricing management tools.
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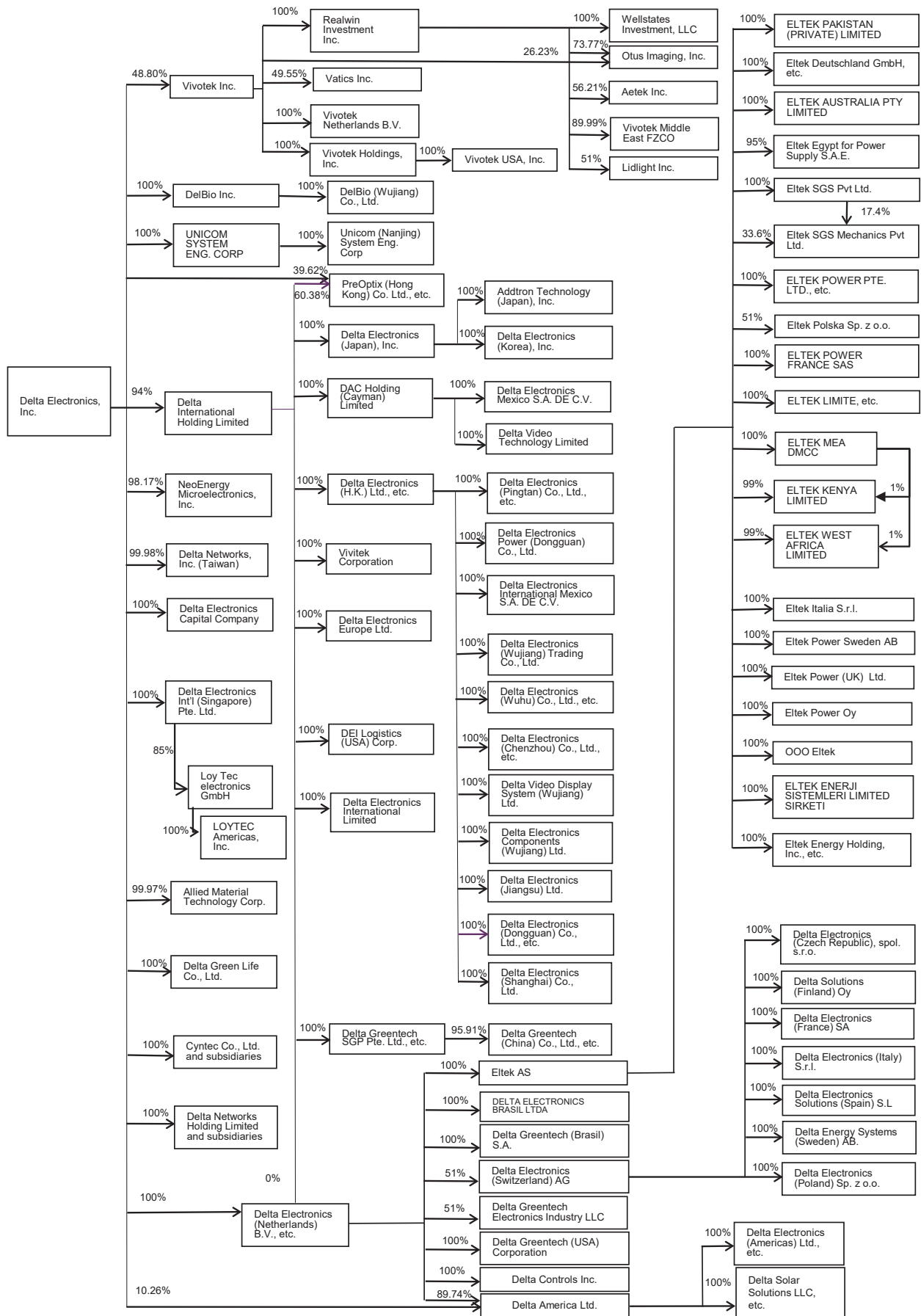
III. Risk management: the processes used by the organization to identify, assess, and manage climate-related risks

Guiding principles	Specific practices
<p>The organization's processes for identifying and assessing climate-related risks.</p>	<ul style="list-style-type: none"> • The Board of Directors has instructed the CSR Committee to manage climate-related issues. Based on the collected climate-related risk issues, the Committee has adopted the risk framework: Recommendations of the Task Force on Climate-related Financial Disclosures, to analyze policies, regulations, technologies, markets, corporate reputation, and risks from acute or chronic climate events from the perspective of transitional and physical risks. • Under the Secretariat's leadership, the relevant executive departments fill out the Climate Risk and Opportunity Assessment Questionnaire and give an overall risk score to each risk event based on the probability of occurrence and degree of impact. If the overall risk score meets the level of significance, the risk will be rated as a significant climate risk. While identifying significant climate risks, the potential opportunities from the risks for Delta are evaluated.
<p>The organization's processes for managing climate-related risks</p>	<ul style="list-style-type: none"> • If the overall score of a climate risk event falls between "significant" and "important," an approach based on "mitigation" and "adaptation" will be adopted. <ol style="list-style-type: none"> 1. Mitigation: To actively promote green operations, energy management, and green buildings, and increase energy efficiency to reduce Delta's dependence on energy. 2. Adaptation: To develop renewable and other alternative clean energy, while analyzing and seizing each opportunity of climate change; to accumulate and enhance R&D strengths, provide customers with integrated energy solutions, and strengthen Delta's adaptability.
<p>Processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management</p>	<ul style="list-style-type: none"> • Delta believes that climate change has a sweeping impact and is one of the most important issues that each country and even company has to face in the coming decades. Therefore, climate-related issues have been singled out and the Board of Directors has placed the CSR Committee in charge of identifying climate-related risks and opportunities, as well as managing and implementing relevant responding measures and projects.

IV. Metrics and Targets: the metrics and targets used to assess and manage relevant climate-related risks and opportunities

Guiding principles	Specific practices
<p>The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</p>	<ul style="list-style-type: none"> The indicators adopted by Delta for assessing climate-related risks include overall Energy Intensity (factories, R&D /office buildings, and data centers), factory Energy Intensity (EI), R&D/office building Energy Use Intensity (EUI), data center Power Usage Effectiveness (PUE), the amount of waste generated from production per unit at major operating sites, and the amount of water consumed from production per unit.
<p>Disclose Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<ul style="list-style-type: none"> According to the GHG Protocol, Delta has conducted greenhouse gas inventories of direct emissions (Scope 1) and indirect emissions (Scope 2) and verified the amount based on the ISO 14064-1 greenhouse gases inventory standards. Since 2016, with reference to GHG Protocol Scope 3, Delta has conducted greenhouse gas inventories of Scope 3, including purchased products and services, usage of products for sales, upstream and downstream transportation and distribution, and waste disposal; it has obtained the ISO 14064-1 greenhouse gas verification report. The results of the annual inventories in the past years are all published in the chapter, titled "Environmental Protection and Energy Savings," of the CSR Report.
<p>Targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<ul style="list-style-type: none"> By using 2014 as a benchmark, Delta has promised to reduce its overall electricity consumption, by 30% by the year 2020. This follows reduction of electricity intensity at its main manufacturing facilities by 50% from 2009 to 2014. Delta expanded this commitment to its entire operations, including offices and data centers. Delta set 2015 as its baseline to reduce water use intensity 30% and waste generation intensity 15% by the year 2020. The status quo and performance of the implementation of each target are disclosed in the chapter, titled "Environmental Protection and Energy Savings," of the CSR Report.

Affiliated Enterprises of Delta Electronics, Inc. As of 12/31/2017





DELTA ELECTRONICS, INC.



Yancey Hai, Chairman



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