Stock Code: 6409

VOLTRONIC POWER TECHNOLOGY CORP.

ANNUAL REPORT 2018

Published on May 31th, 2019

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

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

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   Title: Financial Manager
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   Address: B1, No.210, Sec.3, Chengde Rd., Taipei, Taiwan
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   Tel: (02)2586-5859

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   CPAs: Chen Chung-Chen, Chen Chao-Mei
   Name of CPA firm: Deloitte & Touche
   Address: 20F, No.100, Songjen Rd., Xinyi Dist., Taipei, Taiwan
   Website: www.deloitte.com.tw
   Tel: (02)2725-9988

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

6. Company website: www.voltronicpower.com

Voltronic Power Technology Corp.

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Voltronic Power Technology Corp.
Managerial Philosophy

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

I. A Report to Shareholders

Ladies and gentlemen, our cherished shareholders:

First of all, we would like to thank you, our cherished shareholders, for your valuable support to the Company in the past year. The following data representing the Company's operating results in the Year 2018 and the future prospects of Year 2019 which we take great pleasure in reporting to you, our Shareholders:

I. Operations

Our consolidated revenue totaled NT$11,407,894,000 in 2018, up 15.67% year-over-year. Our net income was NT$1,813,632,000, up 33% from the previous year. Earnings per share stood at NT$23.18, up 32.76% from NT$17.46 in 2017.

Expressed in Thousands of New Taiwan Dollars

	2018	2017	YoY %
Net operating income	11,407,894	9,862,230	15.67%
Cost of goods sold	8,302,728	7,167,582	15.84%
Gross profits	3,105,166	2,694,648	15.23%
Operating expenses	994,203	866,051	14.80%
Operating profits	2,110,963	1,828,597	15.44%
Non-operating income	145,413	(173,407)	183.86%
Pre-tax earnings	2,256,376	1,655,190	36.32%
Net earnings	1,813,632	1,363,644	33.00%

II. Research & Development

1. R&D activities in 2018

Off Line:
(1) Development of Energy Star 2.0 UPS compliance in the Americas.
(2) Development of the American ultra-thin line-interactive step wave model.
(3) Development of the American ultra-thin line-interactive sine wave model.

On Line 1~5KVA:
(1) Development of online 1~3KVA PF=1 ultra-high power factor models development.
(2) Development of online 1~3kVA dual-system dynamic backup machine development.

On Line 6~200KVA:
(1) On line 6/10KVA modular industrial UPS development
(2) On line 6/10KVA (battery set) double BUS bar UPS modules development
(3) Development of online 3/3 60KW high power density modular UPS.
(4) Based on the online 3/3 60KW high frequency dual modules, the development of current sharing 100k/120KVA industrial UPS.
(5) Based on the online 3/3 30KW module, development of a wireless current sharing 160k/200k industrial UPS.
(6) Online 3/3 10/20/30/40KVA modular industrial UPS development.

Inverter, Solar inverter, Charge Controller, Charger, ATS:

(1) Development of 30KW DC module.
(2) Off-grid inverter development.
(3) 30A ATS development
(4) Preliminary study on integrated cabinet technology. (including precision air conditioning, environmental monitoring, UPS)

Viewpower monitoring software:

(1) Wireless communication cards for UPS development
(2) Bluetooth development
(3) WIFI for UPS development
(4) HTML 5 version Viewpower Pro development

2. New products and technologies for 2019

Offline:

(1) Ultra-thin line-interactive step wave model development.
(2) Development of the line-interactive Mini-Tower model

Online 1~5KVA:

(1) Online 1~3KVA Customized model development.
(2) Online 2KVA 1U rack model development.

On Line 6~300KVA:

(1) Online 6/10KVA third-generation high-power density low-noise UPS model development.
(2) Online 3/1 30KVA UPS model development.
(3) Online 3/3 10/20KVA Rack/Tower dual-purpose model development.
(4) Online 3/3 60KW high power density UPS development.

Inverter, Solar inverter, Charger Controller, Charger, ATS:

(1) Development of a 30KW hybrid solar inverter.
(2) BMS system development.
(3) 63A ATS development.
(4) 1~7.5kW general-purpose inverter development.
(5) Integrated cabinet development. (including precision air conditioning, environmental monitoring, UPS)

Viewpower monitoring software development:

(1) APP server setup and Android APP development.
(2) SNMP Modbus 2-in-1 card development.
(3) SNMP WIFI 2-in-1 card development.
(4) High security level SNMP card development.

Business outlook for 2019:
Starting from the fourth quarter of 2016, the prices of major raw materials continually rose sharply until the first half of 2018. As a result, the material costs for the Company jumped significantly during the entire period. The shortage of materials and the rising costs gradually eased starting from the third quarter of 2018. This development should help the

material costs to stabilize in the current year.

Meanwhile, exchange rate fluctuations have also affected the Company's business operations for the past two years. The exchange rate of New Taiwan Dollars appreciated against the US dollar in 2017 and in the first half of 2018. Because the Company exports primarily base on U. S. Dollars, we suffered significant exchange losses in 2017 and the first quarter of 2018. To mitigate the impact of the fluctuation in exchange rates, starting from the second half of 2018, we gradually adjusted the positions of the foreign currency assets and foreign currency liabilities to minimize the potential impact in foreign exchange fluctuations.

Looking ahead in 2019, the overall global economic environment is affected by the trade turmoil between the United States and China, the instability in demand is growing. Although the Company's customer regional portfolio is well diverse and the potential impact is relatively small, some of our markets may still be affected by high tariffs to a certain extent. After the Company's new Zhongshan facility in China came online at the start of this year, we will be able to focus on the growth with the new capcity. In the days and years ahead, the Company will continue to develop new customers and actively strive for new outsourcing orders, we anticipate to grow both in operational revenues and in profitability, to better meet the expectations from shareholders.

Voltronic Power Technology Corp.
Chairman: Hsieh Juor-Ming

II. Company Profile

1. Founding date of Voltronic Power Technology Corp.

May 1, 2008.

2. Highlights in corporate development

(1) Fact of merger/acquisition (M&A), outward investment into affiliated enterprises, reorganization in the most recent year as of the Annual Report issuance date: None

(2) Huge amount transfer or replacement in directors and supervisors or key shareholders holding over 10% shareholding, change of operation ownership, significant change in business operation manner or contents of business operation and other significant issues which would affect shareholders' equity in the most recent year as of the Annual Report issuance date: None

(3) Other information concerned:

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

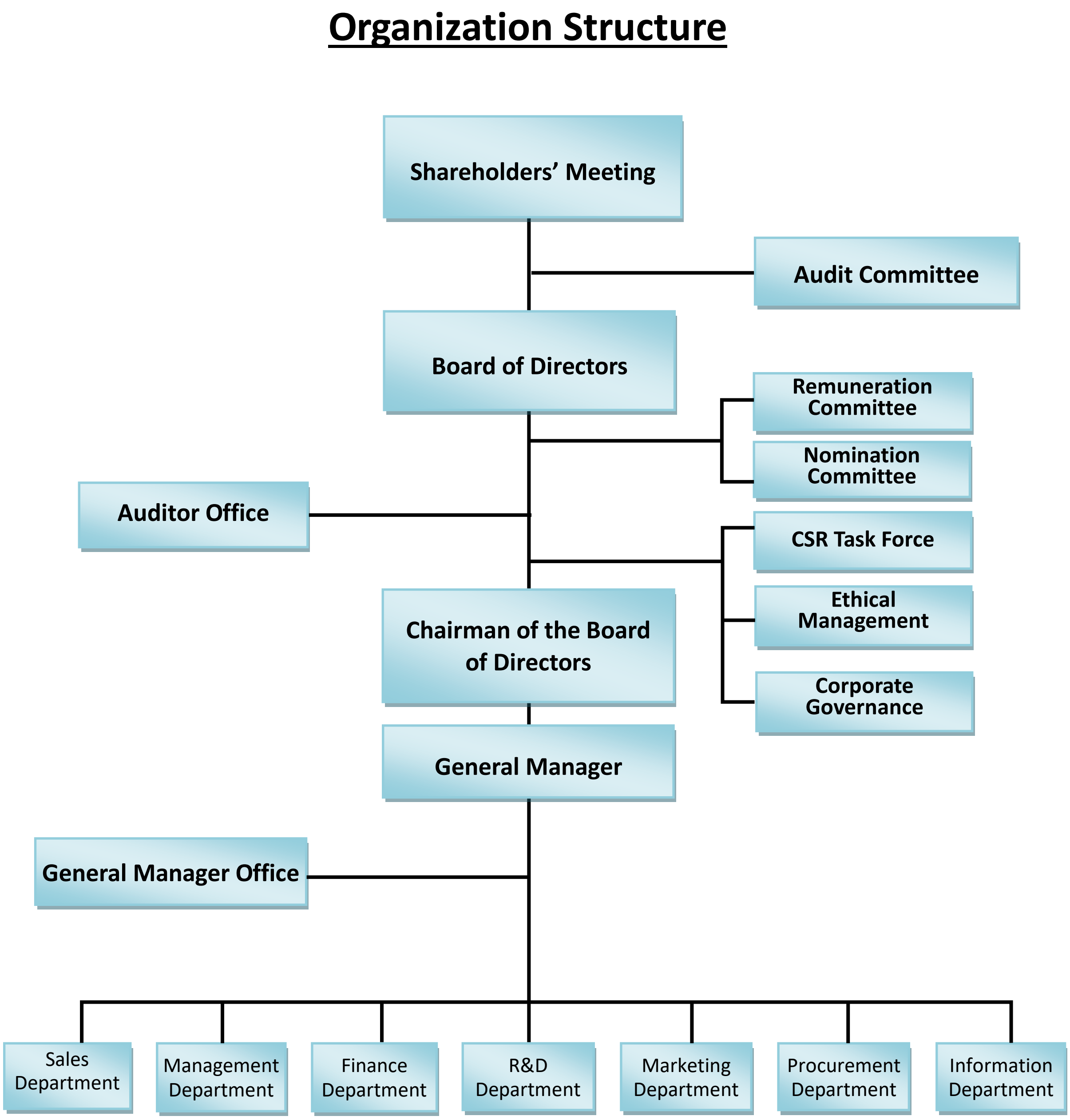
Year	Events
	3. Voltronic Power Technology set up its branch plant.
	4. Voltronic Power Technology successfully completed the development of standalone model, combined solar energy system.
	5. We successfully completed development of the high power density PF 0.9 On-line 1~3KVA UPS series.
2011	1. We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

Year	Events
	capital increase for NT$33,735,000, to make the aggregate total capital after capital increase up to NT$708,434,660.
2015	1. June 30, 2015: Voltronic Power Technology launched new restricted employee shares to write off NT$300,000 capital decrease, to make the aggregate total capital after capital decrease at NT$708,134,660.
	2. August 31, 2015: Voltronic Power Technology converted earnings into capital increase at NT$35,421,740 to make the aggregate total capital after capital increase up to NT$743,556,400.
	3. Voltronic Power Technology got listed onto Medium Size 100 Index Shares in Taiwan.
2016	1. February 25, 2016: Voltronic Power Technology launched new restricted employee shares to write off capital decrease of NT$180,000, to make the aggregate total capital after capital decrease at NT$743,376,400.
	2. July 2016: Zhongshan Voltronic Power Electronic Limited was established.
	3. October 4, 2016: Voltronic Power Technology converted earnings into capital increase for NT$37,177,900 and issuance of new restricted employee shares for NT$6,500,000. Capital increased to NT$787,054,300 after these two capitalization events.
2017	1. April 2017: ranked top 5% by the Third Corporate Governance Evaluation of Listed Companies.
	2. On July 17, 2017, the Company cut capital in an amount of NT$170, 000 amidst restriction of employees' interests in the new shares. After the capital-cut, the Company’s capital amounts to NT$786,884,300.
2018	1. In February 2018, the Company relocated into its Taipei Headquarters at No. 406 Xinhu 1st Road, Neihu District, Taipei City
	2. In April 2018, the Company cut capital in an amount of NT$32,000 amidst restriction of employees' interests in the new shares. After the capital-cut, the Company’s capital amounts T$786, 852, 300.
	3. April 2018: ranked top 5% by the 4th Corporate Governance Evaluation of listed Companies.
2019	1. The new plant of Zhongshan Voltronic Power will be completed in construction to join business operation.
	2. In April 2019: The Company ranked among the top 5% among the 5th Corporate Governance Evaluation Listed companies and among the top 10% of all listed companies in the electronic category with market values over NT$10 billion.

III. Report on Corporate Governance

1. Organization system

(1) Organization structure



(2) Principal business lines of major departments:

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

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

(1) Information on Directors: 10

April 26, 2019；Expressed in shares

Title	Nationality or the venue of registry	Name	Sex	Date of on Board (mm/dd/yy)	Term	Date of on Board for the First Time (mm/dd/yy)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Main Experience/Educational Background	Concurrent Positions in this Company and Other Companies at present	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Chairman cum General Manager	Taiwan, R.O.C.	Hsieh Juor-Ming (Note 1)	Male	06/05/2018	3	05/01/2008	10,024,769	12.74%	10,024,769	12.74%	2,729,807	3.47%	607,772 (Note 2)	0.77%	Department of Business Management, Tatung University Chairman cum General Manager of Centralion Industrial Inc. Director of Phoenixtec Power Co., Ltd.	Position served concurrently at this Company: General Manager Ming Fang International Investment Co., Ltd.- Chairman Voltronic International Corp., Voltronic International H.K. Corp. Limited, Potentia Technology Inc. Limited－director Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company, Zhongshan Voltronic Power Electronic Limited, Zhongshan Voltronic Precision Inc. －legal representative	Director representative	Chen Tsui-Fang	Spouse
Director	Taiwan, R.O.C.	Open Great International Investment Limited Company	-	06/05/2018	3	05/01/2008	3,002,546	3.81%	3,002,546	3.81%	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Representative: Chen Tsui-Fang	Female	06/05/2018	3	05/01/2008	1,743,607	2.22%	1,743,607	2.22%	11,010,969 (Note 1)	13.99%	—	—	Department of Public Finance and Taxation, Takming Junior College of Commerce	Position served concurrently at this Company: Special Assistant of General Manager Open great international investment limited company－Chairman	Chairman	Hsieh Juor-Ming	Spouse
Director	Italy	RPS S.P.A	-	06/30/2015	3	02/23/2009	6,287,957	8.88%	3,382,680	4.30%	—	—	—	—	—	—	—	—	—
	Italy	Representative: Roberto Facci (Note 3)	Male	06/30/2015	3	02/23/2009	—	—	—	—	—	—	—	—	Electrical Engineering, University of Padova, Italy Director, International Sales, RPS S.P.A	Position served concurrently at this Company: None Director, International Sales, RPS S.P.A	—	—	—
Director	Taiwan, R.O.C.	FSP Group	-	06/05/2018	3	05/01/2008	4,992,916	6.35%	4,495,916	5.71%	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Representative: Cheng Ya-Jen	Male	06/05/2018	3	06/30/2015	—	—	—	—	—	—	—	—	Tatung University	Position served concurrently at this Company: None FSP Group-Chairman 3Y POWER TECHNOLOGY INC.-chairman 3Y POWER TECHNOLOGY	—	—	—

Title	Nationality or the venue of registry	Name	Sex	Date of on Board (mm/dd/yy)	Term	Date of on Board for the First Time (mm/dd/yy)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Main Experience/Educational Background	Concurrent Positions in this Company and Other Companies at present	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
																INC.-responsible person AMACROX TECHNOLOGY CO., LTD.-director AMACROX GMBH-responsible person FSP Technology Inc.(Wuxi Quanhan) - director FSP Technology Inc.(Wuxi Zhonghan) - director FSP Technology Inc. (Shenzhen Zhonghan) - director FSP –Powerland Technology Inc. – director FSP Generation Technology Inc. (Jiangsu) - – director FSP TECHNOLOGY USA INC. - Responsible person Haohan Electronic Technology Inc.-(Ji'an)- director LeadSolar Energy Co. Ltd - director			
Director	Italy	Passuello Fabio (Note 5)	Male	06/05/2018	3	06/05/2018	—	—	—	—	—	—	—	—	University degree in Electrical Engineering Director and Manager Director of RPS SpA.	Director and Manager Director of RPS SpA.	—	—	—
Independent director	Taiwan, R.O.C.	Lee Chien-Jan	Male	06/05/2018	3	12/10/2012	—	—	—	—	—	—	—	—	Master of Professional Accounting of National Chengchi University Ph.D. Program in Accountancy of National Chengchi University Chair of Department of Accountancy of National Taipei University Member of the CPA Discipline Committee of Financial Supervisory Commission Independent director of ACES Electronics Co., Ltd. Independent director of Copartner Technology Corporation Independent director of Fortune Semiconductor Corp. Independent director of Smart Ant Telecomm Co., Ltd. Independent director of AutoTools Group Co., Ltd Independent supervisor of Taisol Electronics Co., Ltd.	Position served concurrently at this Company: None Full-time professor, Department of Accountancy, National Taipei University Director of Accounting Research and Development Foundation and committee member of Accounting Standards Board Commission member of Public Functionary Disciplinary Sanction Commission Committee member of Securities Listing Review Committee Independent director of Copartner Tech Corp. Independent director of L&K Engineering Co, Ltd. Chairman of Fly-Hawk Accounting Education Director of Taiwan Institute of Ethical Business and Forensics, and committee member of its Corporate Governance Committee	—	—	—

Title	Nationality or the venue of registry	Name	Sex	Date of on Board (mm/dd/yy)	Term	Date of on Board for the First Time (mm/dd/yy)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Main Experience/Educational Background	Concurrent Positions in this Company and Other Companies at present	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Independent director	Taiwan, R.O.C.	Hsu Chun-An (Note 4)	Male	06/30/2015	3	12/10/2012	–	–	–	–	–	–	–	–	Graduated from Department of Accounting of National Chung Hsing University Retired from the position of Director-General of National Taxation Bureau of the Southern Area, Ministry of Finance Independent director of Brighton-Best International (Taiwan) Inc.	Position served concurrently at this Company: None Director of De Lin Institute of Technology Independent director of Brighton-Best International (Taiwan) Inc. Independent director of ASUSTeK Computer Inc.	–	–	–
Independent director	Taiwan, R.O.C.	Yang Ching-Hsi	Male	06/05/2018	3	10/14/2013	–	–	–	–	–	–	–	–	Doctor of Commerce (major in Accounting), Keio University Adjunct Professor of Institute of Technology Management, National Tsing Hua University Supervisor of Taiwan Sugar Corporation: legal representative of Ministry of Economic Affairs (MOEA)	Position served concurrently at this Company: None Specially Appointed Associate Professor, Department of Accountancy of National Taipei University Independent director of Podak Co., Ltd.	–	–	–
Independent director	Taiwan, R.O.C.	Wang Hsiu-Chih (Note 5)	Female	06/05/2018	3	06/05/2018	–	–	–	–	–	–	–	–	Master of Rider University Professor & Chair of Department of Accountancy of College of Law & Business of National Chung Hsing University Professor & Chair of Department of Accountancy of National Taipei University	Adjunct professor, Department of Accountancy of National Taipei University	–	–	–
Independent director	Taiwan, R.O.C.	Chen Yi (Notes 5, 6)	Male	06/05/2018	3	06/11/2012	–	–	–	–	–	–	–	–	Graduated from Department of Law of National Taiwan University Master of The University of Tokyo Faculty of Law and Graduate Schools for Law and Politics, The University of Tokyo Full-time professor of Department of Law of Kanazawa University	Visiting professor of Kanazawa University Law School, Kanazawa University	–	–	–

Note 1: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares.
Note 2: Ming Fang International Investment Co., Ltd.
Note 3: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018 with Italian RPS discharged.
Note 4: Resigned on March 20, 2018.
Note 5: Duly elected in the overall reelection in the shareholders’ regular meeting convened on June 5, 2018.
Note 6: Resigned on January 1, 2019.
Note 7: The number of substantial shareholding as of the book closure day for the present shareholders’ regular meeting, i.e., April 26, 2019.

1) Major Shareholders of Juristic Person Shareholders

April 30, 2019

Names of the Juristic Person Shareholders	Major Shareholders of Juristic Person Shareholders	Shareholding Ratio
FSP Group	Chuan Han Investment Co., Ltd.	7.28%
	Cheng Ya-Jen	6.33%
	Yang Fu-An	6.13%
	Wang Tsung-Shun	5.86%
	2K INDUSTRIES.INC.	3.53%
	Wang Guang Dong Investment Limited Company	3.10%
	Pai Chuang Investment Co., Ltd.	2.60%
	Bi Cheng Investment Consulting Limited Company	1.64%
	Chen Kuang-Chun	1.56%
	Bi Sheng Investment Consulting Limited Company	1.39%
RPS S.P.A	Riello Electronica Spa (Note 2)	100.00%
Open Great International Investment Limited Company	Hsieh Juor-Ming	55.17%
	CTBC Bank Co. Ltd. (Note 1)	31.04%
	Chen Tsui-Fang	13.79%

Note 1: As trusted to CTBC Bank Co. Ltd.
Note 2: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018 with Italian RPS discharged.

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

April 30, 2018

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

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

Terms / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Information (Note 1)										Number of the Other Public Companies in Which the Concerned Director Acts Concurrently as an Independent Director
	An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Hsieh Juor-Ming	—	—	✓	—	—	—	—	—	—	✓	—	✓	✓	None
Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	—	—	✓	—	—	—	—	—	✓	✓	—	✓	—	None
Representative of RPS S.P.A: Roberto Facci	—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	None
Representative of FSP Group: Cheng Ya-Jen	—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	None
Passuello Fabio	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	None
Lee Chien-Jan	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsu Chun-An (Note 2)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yang Ching-Hsi	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wang Hsiu-Chih (Note 3)	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen Yi (Notes 3, 4)	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

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

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

Note 2: Resigned on March 20, 2018.

Note 3: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018 with Italian RPS discharged.

Note 4 Resigned on January 1, 2019.

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

April 7, 2018；Expressed in shares

Title	Nationality	Name	Sex	Date of on Board (mm/dd/yy)	Shareholding When on Board		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications / Experience	Concurrent Positions in this Company and Other Companies	Managers that have spousal relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
					Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Chairman cum General Manager	Taiwan, R.O.C.	Hsieh Juor-Ming	Male	05/01/2008	10,024,769	12.74%	2,729,807	3.47%	607,772 (Note 2)	0.77%	Department of Business Management, Tatung University Chairman cum General Manager of Centralion Industrial Inc. Director of Phoenixtec Power Co., Ltd.	Ming Fang International Investment Co., Ltd.- chairman Voltronic International Corp., Voltronic International H.K. Corp. Limited, Potentia Technology Inc. Limited - director Voltronic Power Technology (Shen Zhen) Corp., Orchid Power (Shen Zhen) Manufacturing Company, Zhongshan Voltronic Power Electronic Limited, Zhongshan Voltronic Precision Inc. - legal representative	—	—	—
Vice General Manager (Note 3)	Taiwan, R.O.C.	Wang Chia-Yi	Female	05/01/2008	313,338	0.40%	—	—	—	—	Department of Spanish, Tamkang University Manager of Centralion Industrial Inc.	—	—	—	—
Vice General Manager (Note 3)	Taiwan, R.O.C.	Chin Chih-Hsin	Male	06/10/2008	606,344	0.77%	—	—	—	—	Graduate Institute of Electrical Engineering, National Taiwan University Manager of Phoenixtec Power Co., Ltd.	—	—	—	—
Senior Manager of R &D Department	Taiwan, R.O.C.	Lu Yu-Cheng	Male	03/19/2012	82,213	0.10%	—	—	—	—	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology Manager of Phoenixtec Power Co., Ltd.	—	—	—	—

Title	Nationality	Name	Sex	Date of on Board (mm/dd/yy)	Shareholding When on Board		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications / Experience	Concurrent Positions in this Company and Other Companies	Managers that have spousal relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
					Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Manager of R &D Department	Taiwan, R.O.C.	Feng Wen-Lin	Male	03/14/2011	48,271	0.06%	—	—	—	—	Department of Engineering Science, National Cheng Kung University Manager of Phoenixtec Power Co., Ltd.	—	—	—	—
Financial Manager	Taiwan, R.O.C.	Wang Kuo-Chin	Male	05/01/2008	105,070	0.13%	—	—	—	—	Double degree in Chinese and Accounting, Soochow University Assistant Financial Manager of DragonJet Corporation	—	—	—	—
Division Chief of Audit	Taiwan, R.O.C.	Yang Hui-Hua	Female	06/01/2011	1,200	0.00%	—	—	—	—	Department of Accounting, Tunghai University Assistant Manager of Undertaking Division, Horizon Securities Auditor of Uniwill Computer Corp	—	—	—	—

Note 1: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares.
Note 2: As Ming Fang International Investment Co., Ltd.
Note 3: The number of substantial shareholding as of the book closure day for the present shareholders' regular meeting, i.e., April 26, 2019.

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

(1) Remuneration paid to directors (including independent directors) in the most recent year(2018):

Expressed in Thousands of New Taiwan Dollars

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Compensation for Directors</th><th colspan="2" rowspan="2">Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax</th><th colspan="10">Compensation Received by Concurrent Employees</th><th colspan="2" rowspan="2">Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 4)</th><th rowspan="4">Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not</th></tr>
<tr><th colspan="2">Compensation (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Compensation from Earnings Distribution (C)</th><th colspan="2">Fees for Performance of Business (D)</th><th colspan="2">Wages, Bonus and Special Disbursement, etc. (E)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee Bonus from Earnings Distribution (G)</th></tr>
<tr><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company (Note 1)</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th><th colspan="2">This Company (Note 2)</th><th colspan="2">All Companies Specified in the Financial Statements</th><th rowspan="2">This Company</th><th rowspan="2">All Companies Specified in the Financial Statements</th></tr>
<tr><th>Cash amount</th><th>Cash amount</th><th>Cash amount</th><th>Cash amount</th></tr>
<tr><td>Chairman</td><td>Hsieh Juor-Ming</td><td rowspan="11">1,200</td><td rowspan="11">-</td><td rowspan="11">-</td><td rowspan="11">-</td><td rowspan="11">14,400</td><td rowspan="11">14,400</td><td rowspan="11">-</td><td rowspan="11">-</td><td rowspan="11">0.86%</td><td rowspan="11">0.86%</td><td rowspan="11">9,598</td><td rowspan="11">9,598</td><td rowspan="11">-</td><td rowspan="11">-</td><td rowspan="11">13,638</td><td rowspan="11">-</td><td rowspan="11">13,638</td><td rowspan="11">-</td><td rowspan="11">2.14%</td><td rowspan="11">2.14%</td><td rowspan="11">-</td></tr>
<tr><td rowspan="2">Director</td><td>Open Great International Investment Limited Company</td></tr>
<tr><td>Representative: Chen Tsui-Fang</td></tr>
<tr><td rowspan="2">Director</td><td>FSP Group</td></tr>
<tr><td>Representative: Cheng Ya-Jen</td></tr>
<tr><td rowspan="2">Director (Note 5)</td><td>RPS S.P.A</td></tr>
<tr><td>Representative: Roberto Facci</td></tr>
<tr><td>Director</td><td>Passuello Fabio</td></tr>
<tr><td>Independent director</td><td>Lee Chien-Jan</td></tr>
<tr><td>Independent director</td><td>Hsu Chun-An</td></tr>
<tr><td>Independent director</td><td>Yang Ching-Hsi</td></tr>
</table>

Independent director	Wang Hsiu-Chih (Note 6)																					
Independent director	Chen Yi (Notes 6, 7)																					
∗Other than what disclosed through the Table above, in the recent year, the remuneration received by the director(s) for the services rendered as mentioned in the Company's financial statements (e.g., serving as a consultant to employees): NT$0.																						

Note 1: The Company's board of directors resolved on February 25, 2019 to allocate to directors the remunerations totaling NT$14,400,000 (as the finally resolved amount) for 2018. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 25, 2019, before the distribution of the remunerations.

Note 2: The Company's board of directors resolved on February 25, 2019 to allocate to employees the remunerations totaling NT$90,000,000 (as the finally resolved amount) for 2018. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 25, 2019, before the distribution of the remunerations.

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

Note 4: Resigned on March 20, 2018.

Note 5: Duly discharged in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 6: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 7: Resigned on January 1, 2019.

∗ The contents of remunerations in the Table differ from the concept of the 5 Tax Act. To put it in more understandable terms, this Table is intended to disclose information instead of the purposes of taxation.

Remuneration Listed by Range

Range of the Remuneration Paid to this Company's Directors	Names of Directors			
	Aggregate Amount of A, B, C and D		Aggregate Amount of A, B, C, D, E, F and G	
	This Company	All Companies Specified in the Financial Statements (I)	This Company	All Companies Specified in the Financial Statements (J)
Below $2,000,000	Lee Chien-Jan Hsu Chun-An (Note 1) Yang Ching-Hsi Wang Hsiu-Chih (Note 3) Chen Yi (Note 3, 4)	Lee Chien-Jan Hsu Chun-An (Note 1) Yang Ching-Hsi Wang Hsiu-Chih (Note 3) Chen Yi (Note 3, 4)	Lee Chien-Jan Hsu Chun-An (Note 1) Yang Ching-Hsi Wang Hsiu-Chih (Note 3) Chen Yi (Note 3, 4)	Lee Chien-Jan Hsu Chun-An (Note 1) Yang Ching-Hsi Wang Hsiu-Chih (Note 3) Chen Yi (Note 3, 4)
$2,000,000 (inclusive)～$5,000,000 (exclusive)	Hsieh Juor-Ming Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci (Note 2) FSP Group Representative: Cheng Ya-Jen Passuello Fabio (Note 3)	Hsieh Juor-Ming Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci (Note 2) FSP Group Representative: Cheng Ya-Jen Passuello Fabio (Note 3)	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci (Note 2) FSP Group Representative: Cheng Ya-Jen Passuello Fabio (Note 3)	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang Representative of RPS S.P.A: Roberto Facci (Note 2) FSP Group Representative: Cheng Ya-Jen Passuello Fabio (Note 3)
$5,000,000 (inclusive)～$10,000,000 (exclusive)	—	—	—	—
$10,000,000 (inclusive)~ $15,000,000 (exclusive)	—	—	—	—
$15,000,000 (inclusive)~ $30,000,000 (exclusive)	—	—	Hsieh Juor-Ming	Hsieh Juor-Ming
$30,000,000 (inclusive)~ $50,000,000 (exclusive)	—	—	—	—
$50,000,000 (inclusive)~ $100,000,000 (exclusive)	—	—	—	—
Above $100,000,000	—	—	—	—
Total	10	10	10	10

Note 1: Resigned on January 1, 2019.

Note 2: Duly discharged in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 3: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 4: Resigned on January 1, 2019.

(2) Remuneration to the general manager and vice general managers in the most recent year (2018):

Expressed in Thousands of NTD; Thousands of Shares; %

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Amounts of remuneration to employees (D) (Note 1)				Ratio(%) of the Aggregate Amount of A, B, C and D to the Net Income After Tax		Whether Receiving Remuneration from any Companies Invested by this Company Other Than the Subsidiaries of this Company or Not
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
General Manager	Hsieh Juor-Ming	8,440	8,440	—	—	14,600	14,600	24,200	—	24,200	—	2.60%	2.60%	—
Vice General Manager	Chin Chih-Hsin													
Vice General Manager	Wang Chia-Yi													

Note 1: The Company's board of directors resolved on February 25, 2019 to allocate to employees the remunerations totaling NT$90,000,000 (as the finally resolved amount) for 2018. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 25, 2019, before the distribution of the remunerations.

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

Remuneration Listed by Range

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

Total	3	3

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

December 31, 2018

	Title	Name	Total Share Bonus (Thousand $)	Total Cash Bonus (Thousand $)	Total	Ratio of the Aggregate Amount to the Net Income After Tax (%)
Managers	General Manager	Hsieh Juor-Ming	—	29,772	29,772	1.64%
	Vice General Manager	Chin Chih-Hsin				
	Vice General Manager	Wang Chia-Yi				
	R&D Senior Manager	Lu Yu-Cheng				
	R&D Manager	Feng Wen-Lin				
	Financial Manager	Wang Kuo-Chin				

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

Note 2: The amounts of remuneration to employees for managers as resolved by the board of directors in the most recent year (including both stocks and cash). In the event that forecast was impossible, the amounts estimated for the present year should be calculated based on the actual allocations in the prior period. The net profit after tax refers to the net profit after tax in the most recent year. If the Company has adopted the International Financial Reporting Standards (IFRS), the net profit after tax refers to the net profit after tax of the parent company only or the individual financial statements of the most recent year.

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

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

Title	2017 Percentage of the aggregate total remuneration to the net earnings after tax (%)		2018 Percentage of the aggregate total remuneration to the net earnings after tax (%)	
	This Company	All Companies Specified in the Consolidated Financial Statements	This Company	All Companies Specified in the Consolidated Financial Statements
Director	1.14%	1.14%	0.86%	0.86%
General Manager and Vice General Managers	3.52%	3.52%	2.60%	2.60%

Note 1: The Company's board of directors resolved on February 25, 2019 to allocate to directors the remunerations totaling NT$14,400,000 (as the finally resolved amount) for 2018. This will be reported to and resolved by the shareholders' meeting after the shareholders' regular meeting to be convened on June 25, 2019, before the distribution of the remunerations.

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

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

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

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

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

4. Performance in corporate governance

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

1) In the most recent year (2018), the board of directors convened a total of seven board of directors meetings (A). Fact of participation by the directors is as below:

Title	Name	Number of required participations by directors	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A)	Remarks
Chairman	Hsieh Juor-Ming	7	7	0	100%	—
Director	Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	7	7	0	100%	—
Director	FSP Group Representative: Cheng Ya-Jen	7	5	2	71%	—
Director	Representative of RPS S.P.A: (Note 3) Roberto Facci	3	0	1	0%	—
Director	Passuello Fabio (Note 4)	4	1	3	25%	
Independent director	Lee Chien-Jan	7	7	0	100%	—
Independent director	Hsu Chun-An (Note 2)	1	1	0	100%	—
Independent director	Yang Ching-Hsi	7	7	0	100%	—
Independent director	Wang Hsiu-Chih (Note 4)	4	4	0	100%	—
Independent director	Chen Yi (Notes 4, 5)	4	4	0	100%	—

Note 1: In Year 2018, the average participation ratio of directors in the board of directors meetings was 84.31%

Note 2: Resigned on March 20, 2018.

Note 3: Duly discharged in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 4: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.
Note 5: Resigned on January 1, 2019.

2) In Year 2018, the participation by independent directors in the board of directors meetings v: Participation in person ◎: Participate in through a proxy x: Absent

Year 2018	The 1st meeting	The 2nd meeting	The 3rd meeting	The 4th meeting	The 5th meeting	The 6th meeting	The 7th meeting
Lee Chien-Jan	v	v	v	v	v	v	
Hsu Chun-An (Note 1)	v	—	—	—	—	—	—
Yang Ching-Hsi	v	v	v	v	v	v	v
Wang Hsiu-Chih (Note 2)	—	—	—	v	v	v	v
Chen Yi (Notes 2, 3)	—	—	—	v	v	v	v

Note 1: Resigned on March 20, 2018.
Note 2: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.
Note 3: Resigned on January 1, 2019.

Other entries as required:

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

Date	Term	Proposal	Opinions from all the independent directors and the company's response to such opinions
02/26/2018	The 17th meeting of Session Four	1. Approval of the proposals posed by the Remuneration Committee in the 8th Meeting of Session Two. 2. Approval of Declaration of Internal Control System Year 2017. 3. Approval of partial amendment to the "Internal Control System". 4. Approval of change in the Certified Public Accountants in response to the internal adjustment in the Deloitte Touche Tohmatsu International Taiwan 5. Approval of fees payable to the Certified Public Accountants in Year 2018	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
04/13/2018	The 18th meeting of Session Four	Approval of partial amendment to the "Internal Control System".	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present

05/07/2018	The 19th meeting of Session Four	Approval of the credit lines of funds to be loaned to subsidiaries.	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
08/07/2018	The 3rd meeting of Session Five	Approval of the credit lines of funds to be loaned by subsidiaries to affiliated enterprises.	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
11/09/2018	The 4th meeting of Session Five	1. Approval of the credit lines of funds to be loaned by subsidiaries to affiliated enterprises. 2. Approval of partial amendment to the "Internal Control System" 3. Approval of partial amendment to the "Operational Procedures for the Acquisition or Disposal of Assets" 4. Approval of audit plan for Year 2019	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present
02/25/2019	The 5th meeting of Session Five	1. Approval of Conversion of earnings of Year 2018 into capital increase to issue new shares 2. Approval of issuance of new shares with restricted rights for employees 3. Approval of fees payable to Certified Public Accountants for Year 2019 4. Approval of "Declaration of Internal Control System" for Year 2018 5. Approval of partial amendment to the "Operational Procedures for the Acquisition or Disposal of Assets"	Opinion from independent directors: none The company's response to such opinions: none Resolution: unanimous consent from all the directors present

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

2) Facts by directors in avoidance from conflict of interests: State the names of directors, contents of agenda, causes of avoidance, participation and resolutions:

i. February 26, 2018: The board of directors discussed the decision resolved by the Remuneration Committee in the 8th meeting of Session Two. In the event, Director Hsieh Jour-Ming did not participate in the voting process because of avoidance from conflict of interests.

ii. June 26, 2018: The board of directors discussed the proposal of the decision for committee members' appointment of the Remuneration Committee for Session Three. In the event, Independent Director Lee Chien-Jan, Yang Ching-Hsi, Wang Hsiu-Chih and Chen Yi did not participate in the voting process because of avoidance from conflict of interests.

iii. June 26, 2018: In the Board of Directors Meeting convened on June 26, 2018 amidst the discussions for the proposal of the decision for committee members' appointment of the Nomination Committee for Session Two. In the event, Independent Director Lee Chien-Jan and Chen Yi did not participate in the voting process because of avoidance from conflict of interests.

iv. November 7, 2018: The board of directors discussed the decision resolved by the Remuneration Committee in the 1st meeting of Session Three. In the event, Director Hsieh Jour-Ming and the Representative from Open Great International Investment Limited Company, Chen Tsui-Fang did not participate in the voting process because of avoidance from conflict of interests.

v. February 25, 2019: The board of directors discussed the decision resolved by the Remuneration Committee in the 2nd meeting of Session Three. In the event, Director Hsieh Jour-Ming and the Representative from Open Great International Investment Limited Company, Chen Tsui-Fang did not participate in the voting process because of avoidance from conflict of interests.

vi. February 25, 2019: In the Board of Directors Meeting convened on February 25, 2018 amidst the discussions of the proposal of the decision for committee members' appointment of the Nomination Committee for Session Two. In the event, Independent Director Wang Hsiu-Chih did not participate in the voting process because of avoidance from conflict of interests.

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

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

(i) After the approval by the shareholders' annual meeting on May 24, 2016 on the amendment to the Articles of Incorporation, the Company sets up 5 ~ 8 directors and all those directors (including Independent directors) should be elected through candidates nomination system, and we established the Audit Committee in replace of supervisors.

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

(iii) In the Session Five "corporate governance evaluation" campaign for Exchange-listed and/or OTC-listed companies of Year 2018, the Company ranked amidst the top 5% of all Exchange-listed firms and amidst the top 10% of all listed companies in the electronic category with market values over NT$10 billion.

ii. Evaluation of the implementation:

Exactly in accordance with Article 37 of the "Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies", the Company has duly enacted "Regulations Governing Evaluation of Board of Directors Performance". Under such Regulations, the Company's Board of Directors is evaluated once in every three-year period minimum by outsourced independent professional institutions or outsourced teams organized by scholars and experts. Besides, the performance evaluation is conducted upon closure of every fiscal year. In Year 2018, through evaluation by the outsourced independent professional institutions, the Company was evaluated for such items including composition and structure of Board of Directors, election process of directors and independent directors, extent of their participation in the Company's business operation, corporate governance and corporate social responsibility (CSR), internal control system, performance in business operation, enhancement in the policymaking process by the Board of Directors and such items and was rated with the result of "Excellent" which was reported to the Board of Directors on February 25, 2019. The Regulations Governing Evaluation of Performance of Board of Directors and the evaluation results on the board’s performance are disclosed at the section of Corporate Governance on our official website at http: http://www.voltronicpower.com.tw.

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

In the shareholders' regular meeting convened in Year 2018, all Board of Directors members were reelected in full, with eight directors newly elected among the candidates with such expertise and hands-on experiences including finance, banking, commerce, management and laws. Those new Board of Directors members include two executive directors, two non-executive directors and four independent directors, with one female executive director and one female independent director, with female directors accounting for 25% of the entire Board of Directors seats, with male directors accounting for 75% of the entire Board of Directors seats. Among the entire Board of Directors members, the ages are averaged at 60.

Facts of diversified, comprehensive and multifaceted compositions of the Board of Directors members:

Diversity / Director’s name	Fundamental compositions						Business experiences				Professional expertise				
	Nationality	Gender	Employees of the Company in concurrent services	Age			Manufacture management	Sales & marketing	Creative research & development	Asset management	Accounting	Finance	Laws	Risk management	International market visions
				40~50	51~60	61~70									
Hsieh Juor-Ming	R.O.C.	Male	V		V		V	V	V	V	V	V		V	V
Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	R.O.C.	Female	V	V						V	V	V		V	
Passuello Fabio	Italy	Male				V	V	V		V		V		V	V
Representative: Cheng Ya-Jen	R.O.C.	Male			V		V	V	V	V	V	V		V	V
Lee Chien-Jan	R.O.C.	Male			V					V	V	V		V	V
Yang Ching-Hsi	R.O.C.	Male				V				V	V	V		V	V
Wang Hsiu-Chih	R.O.C.	Female				V				V	V	V		V	V
Chen Yi (Note)	R.O.C.	Male			V						V	V	V	V	V

Note: Resigned on January 1, 2019.

Diversity / Director's name	Compliance							
	Business judgement	Accounting and financial analysis	Business management	Crisis management	Industry knowledge	International outlook	Leadership	Decision- making capability
Hsieh Juor-Ming	V	V	V	V	V	V	V	V
Representative of Open Great International Investment Limited Company: Chen Tsui-Fang	V	V	V	V	V	V	V	V
Passuello Fabio	V	V	V	V	V	V	V	V
Representative: Cheng Ya-Jen	V	V	V	V	V	V	V	V
Lee Chien-Jan	V	V	V	V	*	V	V	V
Yang Ching-Hsi	V	V	V	V	*	V	V	V
Wang Hsiu-Chih	V	V	V	V	*	V	V	V
Chen Yi	V	V	V	V	V	V	V	V

Note 1: * refers to partially equipped

iv. The Company has gradually planned the succession programs since Year 2018 and planned the training of future talents for key positions. In addition to the ability to work, the Company holds the values exactly the same as the Company's business philosophy. In addition to the inheritance and experience sharing of high-level supervisors, through professional competence training, we virtually develop operational execution, risk management, financial risk, and strengthen multi-development mechanism.

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

1) Activities of the Audit Committee as follows:

The Audit Committee convened six meetings in 2018 (A). The attendance of independent directors was shown below:

Title	Name	Number of required participations	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual attendance ratio (%)(B/A)(Note)	Remark
Independent director/ Convener	Lee Chien-Jan	6	6	0	100%	—
Independent director	Hsu Chun-An (Note 1)	3	1	0	33%	—
Independent director	Yang Ching-Hsi	6	6	0	100%	—
Independent director	Wang Hsiu-Chih (Note 2)	3	3	0	100%	—
Independent director	Chen Yi (Notes 2, 3)	3	3	0	100%	—

Note 1: Resigned on March 20, 2018.
Note 2: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.
Note 3: Resigned on January 1, 2019.
Note: In Year 2018, the average participation rate was 90.48%.

Other entries as required:

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

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

Date	Term	Proposal	Resolutions from the Audit Committee and the Company's response to such opinions of the Audit Committee
02/26/2018	The 9th meeting of Session One	1. Approval of the Certified Public Accountants' independence and review over evaluation of their performance in Year 2017 2. Approval of the Year 2017 "Declaration of Internal Control System" 3. Approval of the partial amendment to the Company's "Internal Control System" 4. Approval of change in the Certified Public Accountants in response to the internal adjustment in the Deloitte Touche Tohmatsu International Taiwan 5. Approval of the fees payable to the Certified Public Accountants in Year 2018 6. Approval of Financial Statements, Business Report and Allocation of Earnings of Year 2017.	Resolutions from the Audit Committee: unanimous consent from all the committee members present on February 26, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 17th board of directors meeting of Session Four.
04/13/2018	The 10th meeting of Session One	Approval of the partial amendment to the Company's "Internal Control System".	Resolutions from the Audit Committee: unanimous consent from all the committee members present on April 13, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 18th board of directors meeting of Session Four.
05/07/2018	The 11th meeting of Session One	1. Approval of credit lines of funds to be loaned to subsidiaries 2. Approval of the Financial Statements of the first quarter, 2019	Resolutions from the Audit Committee: unanimous consent from all the committee members present on May 7, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 19th board of directors meeting of Session Four.
08/07/2018	The 2nd meeting of Session Two	1. Approval of credit lines of funds to be loaned by subsidiaries to related parties. 2. Approval of the Financial Statements of the second quarter, 2019.	Resolutions from the Audit Committee: unanimous consent from all the committee members present on August 7, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to

			and unanimously resolved by all present directors in the 3rd board of directors meeting of Session Five.
11/09/2018	The 3rd meeting of Session Two	1. Approval of the Financial Statements of the third quarter, 2019. 2. Approval of credit lines of funds to be loaned by subsidiaries to related parties. 3. Approval of partial amendment to the Company's "internal control system" 4. Approval of partial amendment to the "Operational Procedures for the Acquisition or Disposal of Assets" 5. Approval of audit plan of Year 2019	Resolutions from the Audit Committee: unanimous consent from all the committee members present on November 9, 2018. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 4th board of directors meeting of Session Five.
02/25/2018	The 4th meeting of Session Two	1. Approval of independence and evaluation of performance of Certified Public Accountants in Year 2018 2. Approval of evaluation of Certified Public Accountants in Year 2019 3. Approval of financial statements, business report and allocation of earnings of Year 2018 4. Conversion of earnings of 2018 into capital increase to issue new shares 5. Approval of issuance of new shares with restricted rights for employees 6. Approval of "Declaration of Internal Control System of Year 2018" 7. Approval of partial amendment to the "Operational Procedures for the Acquisition or Disposal of Assets"	Resolutions from the Audit Committee: unanimous consent from all the committee members present on February 25, 2019. The Company's response to the opinion from the Audit Committee: Duly posed to and unanimously resolved by all present directors in the 5th board of directors meeting of Session Five.

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

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

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

(1) The Company Audit Committee and internal auditors maintain good communication. If any special circumstances arise, internal auditors report to the Audit Committee immediately. No special circumstances occurred in 2018.

(2) The CPAs communicate with the Audit Committee in the quarterly meetings regarding the auditing or reviewing of the quarterly financial reports, and the issues in relation to laws and regulations. If any special circumstances arise, CPAs report to the Audit Committee promptly. No special circumstances occurred in 2018.

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

Date	Key issues	Results
02/26/2018	Explanation by the auditors about the results of their self-evaluation of the internal evaluation. Explanation by the auditors about the amendment to the Company's Internal Control System.	All the attendees agreed unanimously.
02/26/2018	Report by the Certified Public Accountants about the review of the Company's Financial Statements as of Year 2017. Explanation and proposal by the Certified Public Accountant about the IFRS9 & IFRS15 evaluation applicable to Year 2018. Explanation and proposal by the Certified Public Accountant about the IFRS16 applicable starting from Year 2019. Explanation by the Certified Public Accountants about the impact of the latest update of taxation related laws	CPAs discussed and explains the issues raised by meeting attendees. All the attendees agreed unanimously.
04/13/2018	Explanation by the auditors about the amendment to the Internal Control System.	All the attendees agreed unanimously.
05/07/2018	Reports by the Certified Public Accountant on the review result of the Financial Statements of the First Quarter, Year 2018. Reports by the Certified Public Accountant on the credit loss anticipated under IFRS9 which had been duly evaluated based on the provisions concerned.	CPAs discussed and explains the issues raised by meeting attendees. All the attendees agreed unanimously.
08/07/2018	Reports by the Certified Public Accountant on the review result of the Financial Statements of the Second Quarter, Year 2018. Explanation by the Certified Public Accountant about the method of estimation of deduction of accounts receivable in Years 2018 and 2017 as applicable to IFRS 9	CPAs discussed and explains the issues raised by meeting attendees. All the attendees agreed unanimously.
11/09/2018	Reports by the Certified Public Accountant on the review result of the Financial Statements of the Third Quarter, Year 2018. Reports by the Certified Public Accountant on the significant risks, recognition of revenues, planning in audit under the provisions of Statement of Auditing Standards No. 48.	CPAs discussed and explains the issues raised by meeting attendees. All the attendees agreed unanimously.
11/09/2018	Explanation by the auditors about the amendment to the Internal Control System. Explanation by the auditors about the annual audit plan of Year 2019.	All the attendees agreed unanimously.
02/25/2019	Reports by the Certified Public Accountant on the result of review over the Financial Statements of Year 2018. Reports by the Certified Public Accountant on the auditing and certification of the financial statements and the audit performance based on the generally accepted accounting principles to rationally ascertain with or without any misrepresented presentation. Reports by the Certified Public Accountant on the audit over significant risks and key issues, authenticity of the operating revenues of key accounts under Statement of Auditing Standards No. 20. Reports by the Certified Public Accountant on the introduction to and the impact upon IFRS16.	CPAs discussed and explains the issues raised by meeting attendees. All the attendees agreed unanimously.
02/25/2019	Explanation by the auditors about the design of the internal control system and the execution thereof in the Company in Year 2018.	All the attendees agreed unanimously.

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

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

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
(1) Does the Board of Directors prepare diversified guidelines in response to the organization of members and actualize the execution?	V		(1) According to our Procedures for the Selection of Board Directors, the board members should be equipped with business judgment, accounting and financial analysis capability, business management capability, crisis management, industry knowledge, international outlook, leadership and decision-making capability in order to exercise their duties. Our board directors are specialists in different fields and they will all benefit the company's development and operations to a certain degree. On November 12, 2015, our board of directors approved the establishment of the "Nomination Committee", in order to enhance the implementation of diversity of the director nomination process. On January 17, 2018, the Company's Nomination Committee, exactly in accordance with the rules about the number of director seats as set forth under the Articles of Incorporation, resolved the list of directors in Session Five and reported the list to the board of directors. The nomination was duly conducted pursuant to such criteria including the required expertise, technology & know-how, hands-on experiences, genders, nationality, age and such diversified, comprehensive and multifaceted policies with consideration of the overall disposition. In the Company there are a total of eight incumbent directors (In Session Five), including four independent directors, with executive directors accounting for 25% of the entire directorship seats and with independent directors accounting for 50% of the entire directorship seats. With one female executive director, one female independent director, with female directors accounting for 25% of the entire directorship seats, with male directors accounting for 75% of the entire directorship seats. The average age of all directors is 60 years old.	No discrepancy
(2) Does the company, besides establishing Remuneration Committee and Audit Committee in accordance with laws, also voluntarily establish other committees with similar functions?	V		(2) We have set up the Remuneration Committee comprised of all of our independent directors, according to relevant laws and regulations. In addition, we voluntarily established the Nomination Committee in November 2015 and the Audit Committee following the approval from the	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			shareholders' meeting on May 24, 2017. The Nomination Committee consists of three members, including two being independent directors, so as to enhance the participation from shareholders in the nomination of board directors and other critical corporate governance issues. The Audit Committee is comprised of all the independent directors. A report on how different functional committees function has been uploaded to the Market Observation Post System (MOPS).	
(3) Does the company establish performance rules and evaluation methods of the Board of Directors, and periodically engages in performance evaluation every year?	V		(3) On February 25, 2016, we released the Guidelines for the Evaluation of Board Performances. According to these guidelines, we conduct performance reviews in the Quarter I for the performance during the prior year. At least in every three years, the Company retains outsourced experts, independent institution or the outsourced scholars and experts into a team to conduct one evaluation. Upon closure of every year, the Company conducts the annual performance evaluation. Our self-evaluations are based on: (1) board composition and structure; (2) the election of the board directors (including independent directors); (3) the composition and continued training & education of functional committees; (4) the participation in the company operations, corporate governance and corporate social responsibility; (5) internal control; (6) operating performances. The assessment reports are forwarded to the board. The Nomination Committee presents to the board the performance review and evaluation method for the effectiveness of the board during the previous year. In Year 2017, the board of directors evaluated its own performance into a score of 87.36 points. The board of directors has been in excellent overall performance. The results of such evaluation were submitted into the board of directors for discussion on February 26, 2018. In Year 2018, through evaluation by the outsourced independent professional institutions, the Company was evaluated for such items	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			including composition and structure of Board of Directors, election process of directors and independent directors, composition of the functional committee and advanced study, extent of their participation in the Company's business operation, corporate governance and corporate social responsibility (CSR), internal control system, performance in business operation, enhancement in the policymaking process by the Board of Directors and such items and was rated with the result of "Excellent" which was reported to the Board of Directors on February 25, 2019. The results of evaluation are disclosed at the section for corporate governance at our company website http://www.voltronicpower.com.tw.	
(4) Does the company periodically evaluate the independence of the certified public accountant?	V		(4) On February 25, 2016, the Company duly stipulated "Regulations Governing Independence and Performance Evaluation of Certified Public Accountants", where under the Company will evaluate the Certified Public Accountants on an annual basis. The method of evaluation (I) Evaluation over independence (II) Evaluation on their performance. The outcome of evaluation over Certified Public Accountants' independence and performance of Year 2018 was duly resolved in the Audit Committee and the Board of Directors on February 25, 2019. The outcome proves that both Certified Public Accountants Chen Chung-Cheng and Chen Chao-Mei of Deloitte Touche Tohmatsu International Taiwan are satisfactory to the Company's evaluation criteria in independence of the Company and the criteria of independence for Certified Public Accountants. The results of evaluation are disclosed at the section for corporate governance at our company website http://www.voltronicpower.com.tw.	No discrepancy
4. Does the listed company has set up a division (or designated personnel) dedicated or also responsible for corporate governance matters, including but not limited to the preparation for information decks required by directors and supervisors, organization of board meetings and shareholders' meetings, company	V		To assure throughout implementation of the corporate governance, the Company set up the Corporate Governance Committee in 2016 which is attached to the board of directors, directly supervised by the chairman of the board of directors (the chairman of the board of directors is responsible for promoting corporate governance) where the general manager's office is a concurrent execution unit staffed with the personnel with financial &	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
registrations or changes to registered details, production of minutes for board meetings and shareholders' meetings?			accounting expertise as well as share service affairs to jointly assume the responsibility for corporate governance related issues. In accordance with the "Standard Operating Procedures for Handling of Directors' Requirements" and related necessary provisions. The Committee shall report to the Board of Directors on a regular basis. The corporate governance unit set up by the Company shall carry out the key responsibilities and powers below: (1) Planning and formation of the company systems and organizational structure to facilitate board independence, corporate transparency and legal compliance; (2) Agenda planning for board meetings and functional committee meetings; (3) Informing of the board directors and preparation of sufficient materials for any meetings at least seven days in advance, according to relevant laws and regulations; reminders to the parties with conflict of interest to avoid discussions; (4) Registration of shareholders' meeting dates each year before deadlines, and issuance of meeting notices with public announcements as required by laws; preparation of Meeting Handbooks, agenda materials, meeting minutes; amendments to the Articles of Incorporation and registration for any changes to the board composition; commissioning a professional unit to proceed with the Company's alteration registration. (5) We internally evaluate the performance of the board each year. According to our Guidelines for the Evaluation of Board Performances, we commission external professional organizations or experts/scholars to evaluate the performance of the board at least once every three years. (6) Arrangement on a quarterly basis for sound communications by and between the Certified Public Accountants and the independent directors about the update of laws and ordinances concerned.	
5. Does the company establish communication channels for	V		(1) The Company places importance on interested parties including	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
stakeholders (including but not limited to shareholders, employees, customers and suppliers), and an exclusive section for stakeholders in the company's website, and properly respond to the issues of corporate social responsibility pertinent to stakeholders?			employees, clients, investors and suppliers: A. Employees: Convening labor-management conferences on a quarterly basis to provide a sound platform for communications in due time to balance and harmonize relationship by and between the employees and the management. B. Customers: Visiting customers, putting the customers' confidential information into confidentiality. Execution of non-disclosure obligation agreements among in-house employees. C. Investors-The efforts to promulgate the Company's operating revenue performance, financial information through the Company's website and Market Observation Post System (MOPS); to accept invitation from time to time on a nonscheduled basis from the investment institutions to participate in in the investment oriented symposiums to report the Company's business performance, the efforts to take the initiative to work out Corporate Social Responsibility (CSR) report for adequate disclosure of the relevant information. D. Suppliers: The efforts to maximize the entire enterprises toward sounder development, boost all suppliers to faithfully comply with the international human right related laws, labor related laws of the nations and to request all suppliers to put them into sound implementation as a means to render warm concern about employees. The Company keep channels for smooth communication and respect and maintain their legal rights by offering a complaint hotline +886-2-2791-0054. (2) All interested parties can instantly access to our information via Market Observation Post System (MOPS) and Corporate Social Responsibility Zone at our official website. On the issues of corporate social responsibility that are of concern to interested parties, please refer to the Corporate Social	

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			Responsibility Report Zone or Corporate Responsibility Report on the Company's website. http: //www.voltronicpower.com.tw. (3) The Company has appointed a spokesman and a deputy spokesman responsible for the external communication. We have also set up the Interested Party Mailbox and the Accusation reporters' mailbox (whistleblower@voltronic.com.tw) available to interested parties for smooth communication.	
6. Does the company appoint a professional stock affair handling agency to process the affairs of shareholders' meeting?	V		The Company has appointed a professional stock affairs agency – Stock Affairs Department of Yuanta Securities to deal with shareholder affairs and establish Measures Governing Stock Affairs Management to deal with related issues.	No discrepancy
7. Information Opening				
(1) Does the company set up a website to disclose the financial business and the corporate governance information?	V		(1) The Company announces the reports of financial business and corporate governance issues at the Market Observation Post System (MOPS) and the Company's website provides four special zones, i.e., "Investor Relations", "Company Profile" "Corporate Governance" "Financial Information" and "Corporate Social Responsibility" with relevant information in detail for investors to consult with. http: //www.voltronicpower.com.tw.	No discrepancy
(2) Does the company adopt other information disclosure methods (such as setting up an English website, designating exclusive personnel to be in charge of the corporate information collection and disclosure, actualizing the speaker system, institutional investor conference process placement in the company's website, etc.)?	V		(2) The Company has set up an English website and appointed a spokesman and a deputy spokesman to be responsible for information collection and disclosure, and related information will be published at Market Observation Post System (MOPS) or our official website. To efforts to promulgate the shareholders' meeting and juristic person explanation meeting related information toward the Company's website and Market Observation Post System (MOPS).	No discrepancy
8. Does the company have other available important information helpful to understand the corporate governance and performance status (including but not limited to employee interests, employee concern, investor relationship, supplier relationship, rights of	V		(1) Employees' interests and care about employees: The Company, as always, pays supreme attention to employees' rights and interests, and holds labor-management meetings on a regular basis. The employer's representatives and labor representatives fully communicate their opinions and the Company has set up Employee Welfare Committee to	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
stakeholders, advanced study status of directors and supervisors, execution status of risk management policy and risk measurement standard, execution status of client policy, the status of purchasing liability insurance of the company for its directors and supervisors, etc.)?			ensure the rights and interests of employees, the employees' physical and mental health. The Company has budgeted regular funds to carry out health examinations and in addition to the inspection items stipulated by the law, the Company takes the initiative to adjust the screening project inspection to build a dynamic and secure workplace environment. Regarding environmental safety management, the Company has satisfactorily passed ISO 14001: 2015 Certification and OHSAS-18001 (Occupational Safety and Health Management system). (2) Investor relations: The Company convenes the shareholder meeting annually to give shareholders opportunities to ask questions and make proposals. Since 2016, the shareholders' annual meeting has listed the use of electronic methods as one voting option. Meanwhile, we established a spokesperson system to deal with suggestions or inquiries from shareholders. Investors can visit Investor's Zone at our official website to access information related to the Company and are invited to our capital market day events organized by institutional investors on an ad-hoc basis. All these efforts aim to enhance information transparency. In accordance with the stipulations set forth by competent authorities, we have also made our disclosures and information available to investors. (3) Supplier relationships: Based on the internal control system of the Procurement and Payment Cycle and Measures for Procurement Management as the basis, we always uphold the principle of good faith, we set up a well-managed supply chain after comparing prices, quality, adherence of delivery and term of payment. We attach importance to suppliers' commitment to observing laws and regulations, labor rights, environmental protection and CSR, and we ardently hope to work with suppliers to create better life environment and relationships jointly. (4) Rights of interested parties: As the Company places importance on interested parties, including employees, customers, investors and suppliers who are our stakeholders, we have maintained smooth communication channels and respected and protected their legal rights. We have also set	

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			up the Interested Party Zone and the Channel to File Complaints About A Loss of Rights at our official website. (5) Directors and supervisors' advanced study: The Company's directors, supervisors and independent directors who are those with professional backgrounds or practical experience have completed their study of corporate governance and securities regulations in accordance with related rules. The advanced study of our directors and supervisor during their tenure is disclosed in the Market Observation Post System (MOPS) (website at http://newmops.tse.com.tw/) or 2018 Advanced Study. Additional remarks which are given as below. (6) Implementation of risk management policy and risk measurement criteria: Having adhered to its stable operations as the principle, the Company focuses on its core business, establishes its operation strategies based on the controllable and bearable risks which are checked by the internal audit unit regularly or irregularly to reduce possible risks facing corporate operations. (7) Implementation of customer policy: The Company upholds the principle of "Customer First," designing and producing high-quality products to meet customer needs, regularly reviewing customer relationships and communicating with customers effectively to maintain long-term cooperation relationships. In terms of qualitative and quantitative management, the Company faithfully follows "Total Quality Assurance, Service Satisfaction" and complies with ISO 9001: 2015 specifications to provide the best possible quality toward our customers. (8) Purchase of liability insurance for board directors: According to our Articles of Incorporation, we may purchase liability insurance for board directors, with the approval from the board. On May 9, 2019, the board agreed to extend the insurance policy with Cathay Century Insurance Co., Ltd. for coverage of $3 million from June 24, 2019 through June 24, 2020, in order to mitigate and diversify the potential losses incurred by the	

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			Company in the event of erroneous behavior of board directors. All the information regarding the liability insurance for board directors of our company has been disclosed in the Market Observation Post System (MOPS). (9) Risk & management measures toward information technology safety & security: The Company has set up sound managerial specifications over information safety & security to assure confidentiality, security and usability of the corporate information. Defense: To minimize the possibility of potential attack against the Company's network which, once coming true, might smash the system or even kidnap information and, in turn, affects the normal operation of the relevant departments with production inclusive, the Company installs firewalls, anti-virus software on all information devices (servers or personal computers) in each plant. All such defensive tools are updated for the anti-virus mechanism on a regular basis. The Company further updates the operating system security, and periodically changes the passwords to minimize the risk of new attacks on the network. In addition, the Company introduced a dual factor protection mechanism to increase the defense capability against potential foreign attacks. In an effort to minimize the human error caused by the Company's business information being improperly extorted or phished, or maliciously destroyed or possibly implanted with a Trojan horse program, the information units of all factories, either on a regular basis or from time to time on a nonscheduled basis, conduct information security promotion and reminding to internal colleagues to remove illegal software, and strengthen the filtering mechanism of spams. In an attempt to prevent the Company's business secrets from being improperly outflowed, the Company demands that the employees and those who may be aware of confidential information take responsibility for absolute	

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			confidentiality. Toward computers of specific professional functional units, the Company restricts access to data and restricts communication. The permission setting of the software is used not to regularly check the information flow of the computer operation. Through all these measures and efforts, the Company definitely prevents the commercial confidential information from being improperly flown out. Rescue To ensure the potential accidents in the defense measures, all important information equipment of each and every factory area is equipped with a regular and complete data double backup and off-site backup mechanism. Once the data is damaged by the network attack, all such data can be backed up in the shortest possible period of time to minimize the potential impact upon the business operation of the entire Company. To ensure the effectiveness of the backup data and recovery mechanism, the Company, on a regular basis, arranges information disaster prevention drills, data recovery drills, and develops the standard processing procedures for the security incidents to ensure that an accident, if any, can be managed in the most composed manner.	
9. Please provide explanations for the improvement made according to the results of the corporate governance evaluation by the Corporate Governance Center of Taiwan Stock Exchange during the most recent year, and details on the priority issues and measures for the areas yet to be improved (not applicable to the companies not evaluated).	V		In three sessions (years) in a row since 2016, the Company has been ranked among the top 5% of all companies in terms of “Corporate Governance Evaluation” and, in “Corporate Governance Evaluation” in Year 2018, the Company was rated among the top 10% of all listed companies in the electronic category with market value over NT$10 billion. For the uncompleted corrective actions, it shall submit concrete explanation and evaluation: 4.17 Indicators - "The supplier-related management specifications enacted by your Company do not specify positive and specific requirements for suppliers in terms of environmental protection, safety or hygiene (where the relevant certification is required)", the Company hereby formally and solemnly promises to officially disclose the specifications in environmental protection, key issues in	No discrepancy

Evaluation Items	Facts of performance(Note 1)			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description of Summary	
			sustainable development, safety & security specifications in the Year 2018 "Corporate Responsibility Report".	

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

1) Directors' Advanced Study in 2018:

Title	Name	Date of Advanced Study (mm/dd/yy)	Name of Program	No. of study hour
Director	Hsieh Juor-Ming	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Representative of juristic person director	Chen Tsui-Fang	11/9~10/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Director	Passuello Fabio	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	12
Representative of juristic person director	Cheng Ya-Jen	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Independent director	Lee Chien-Jan	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Independent director	Yang Ching-Hsi	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Independent director	Wang Hsiu-Chih	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Independent director	Chen Yi	11/9/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6

2) Continued education for finance supervisors and auditors in 2018:

Title	Name	Date of Advanced Study (mm/dd/yy)	Name of Program	No. of study hour
Financial Manager	Wang Kuo-Chin	09/26~29/2018	Continued advanced training seminars for accounting heads of issuers and the Taiwan Stock Exchange Corporation (TWSE).	12
		11/09/2018	Illustrations of the up-to-date complete analyses of amendment to the Company Act.	6
Division Chief of Audit	Yang Hui-Hua	10/19/2018	How shall auditors help the audited units enhance the business operation effects and efficiency.	6
		12/19/2018	The impact to be brought by the latest amendment to the "Company Act" in the internal control system and the countermeasures thereof.	6

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

Evaluation of independence	Assessment
Has any of the company's Chairman, General Manager, financial or accounting managers during the most recent year worked in the CPA firm currently serving as our external auditors or its affiliates?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates have direct or major indirect financial interest with any of the board directors?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates engage in any financing or guarantee for our company or board directors?	Compliance
Does the CPA firm currently serving as our external auditors or its affiliates have close business ties with the company?	Compliance

Does the CPA firm currently serving as our external auditors or its affiliates have potential employment relationships with the company?	Compliance
Is any of the CPAs or the members of the auditing service team currently or has served as the company's board directors, supervisors, managers or any positions with significant influence on auditing undertakings during the past two years?	Compliance
Is any of the CPAs or the members of the auditing service team a spouse or a relative in the first or second degree with any of the company's board directors, supervisors, managers or any positions with significant influence on auditing undertakings?	Compliance

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

1) Remuneration Committee

Information on Members of the Remuneration Committee

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

Note 1: Please tick with √ mark in the boxes below where the Remuneration Committee members prove to have met with the conditions enumerated below in two years before being appointed and during their tenure of office

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

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

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

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

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

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

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

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

Note 2: Resigned on March 20, 2018.

Note 3: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 4: Resigned on January 1, 2019.

Information on Facts of Performance of the Remuneration Committee

1. The Remuneration Committee of the Company is comprised of four members.
2. Committee members' tenure of their current term: From June 5, 2018 to June 4, 2021, and the Remuneration Committee held three meetings (A) in 2018, during the most recent year, and members' qualifications and their attendance are given as bellows:

Title	Name	Number of required participations	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A)	Remarks
Convener / Commission member	Lee Chien-Jan	3	3	0	100%	—
Commission member	Hsu Chun-An (Note 1)	2	2	0	100%	—
Commission member	Yang Ching-Hsi	3	3	0	100%	—
Independent Director	Wang Hsiu-Chih (Note 2)	1	1	0	100%	—
Independent Director	Chen Yi (Note 3)	1	1	0	100%	—

Note 1: Resigned on March 20, 2018.
Note 2: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.
Note 3: Resigned on January 1, 2019.
Note 4: In Year 2018, the average participation rate was 100%

Other entries as required:

1. Where the operations by the Remuneration Committee prove to meet any one among those circumstances enumerated below, the Company should expressly elaborate on the date, term, contents of motions, outcome of the decisions resolved in the Remuneration Committee and how the Company manages toward the opinions of the Remuneration Committee:

Dates (mm/dd/yy)	Terms	Contents of motions	Results of the decisions resolved in the Remuneration Committee and the actions taken by the Company in response to the opinions of the Remuneration Committee.
01/17/2018	The 8th meeting of Session Two	Discussion on allocation of the performance year-end bonus for Company's managerial officers in Year 2017	Results of the decisions resolved in the Remuneration Committee: Successfully resolved by all participating Remuneration Committee members on January 17, 2018. The actions taken by the Company in response to the opinions of the Remuneration Committee: Submitted to the 17th Board of Directors Meeting of Session Four, as successfully resolved in that meeting.
02/26/2018	The 9th meeting of Session Two	Review over the aggregate total amounts of the remuneration to directors and remuneration to employees of the Company in Year 2017	Results of the decisions resolved in the Remuneration Committee: Successfully resolved by all participating Remuneration Committee members on February 26, 2018. The actions taken by the Company in response to the opinions of the Remuneration Committee: Submitted to the 17th Board of Directors Meeting of Session Four, as successfully resolved in that meeting.
08/07/2018	The 1st	1. Election of the convener of	Results of the decisions resolved in the Remuneration

	meeting of Session Three	Remuneration Committee of Session Three 2. Review over the allocation of remuneration to directors and remuneration to employees for Year 2017	Committee: Successfully resolved by all participating Remuneration Committee members on August 7, 2018. The actions taken by the Company in response to the opinions of the Remuneration Committee: Submitted to the 4th Board of Directors Meeting of Session Five, as successfully resolved in that meeting.

2. An issue beyond the aforementioned ones, not successfully resolved in the Remuneration Committee but resolved by two-thirds majority of all directors: Nil.
3. Facts of avoidance from presence (recuse) by Committee members in issues with interest involvement: Should expressly state the names of Committee members, contents of motions, causes of avoidance from presence (recuse) and facts of participation in the voting process: Nil.

2) Nomination Committee

Information on members of the Nomination Committee

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

Note 1: Please tick with √ mark in the boxes below where the Nomination Committee members prove to have met with the conditions enumerated below in two years before being appointed and during their tenure of office

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

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

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

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

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

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

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

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

Note 2: Resigned on March 20, 2018.

Note 3: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 4: Resigned on January 1, 2019.

Responsibilities of the Nomination Committee:

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

Functioning of the Nomination Committee

The Nomination Committee is comprised of three members. The tenure of this current term starts from June 5, 2018 and ends on June 4, 2021. The qualification requirements of Committee members and facts of participation of the Nomination Committee since January 1, 2018 till publication date, in three meetings (A):

Title	Name	Number of required participations	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A)	Remarks
Convener / Independent Director	Lee Chien-Jan	3	3	0	100%	—
Independent Director	Hsu Chun-An (Note 2)	1	1	0	100%	—
Independent Director	Chen Yi (Notes 1, 3)	1	1	0	100%	—
Commission member	Liao Kuei-Fang	3	3	0	100%	—

Note 1: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.
Note 2: Resigned on March 20, 2018.
Note 3: Resigned on January 1, 2019.
Note 4: In Year 2018, the average participation rate was 100%

Other entries as required:

1. Where the operations by the Nomination Committee prove to meet any one among those circumstances enumerated below, the Company should expressly elaborate on the date, term, contents of motions, outcome of the decisions resolved in the Nomination Committee and how the Company manages toward the opinions of the Committee:

Dates (mm/dd/yy)	Terms	Contents of motions	Results of the decisions resolved in the Nomination Committee and the actions taken by the Company in response to the opinions of the Nomination Committee.
01/17/2018	The 2nd meeting of Session One	1. Review over the self-evaluation of performance by the Board of Directors in 2017 2. Drafting of the standards/criteria for review over the Board of Directors members. 3. The referential list of the proposed candidates for Board of Directors of Session Five	Results of the decisions resolved in the Nomination Committee: Successfully resolved by all participating Nomination Committee members on January 17, 2018. The actions taken by the Company in response to the opinions of the Nomination Committee: Submitted to the 17th Board of Directors Meeting of Session Four, as successfully resolved in that meeting.
11/09/2018	The 1st meeting of Session Two	Proposal of the convener of the Nomination Committee of Session Two	Results of the decisions resolved in the Nomination Committee: Successfully resolved by all participating Nomination Committee members on November 9, 2018. The actions taken by the Company in response to the opinions of the Nomination Committee: successfully resolved in that meeting.
02/25/2018	The 2nd meeting of Session Two	Nomination of candidates for the independent directors in the by-election for the Company	Results of the decisions resolved in the Nomination Committee: Successfully resolved by all participating Nomination Committee members on February 25, 2019. The actions taken by the Company in response to the opinions of the Nomination Committee: Submitted to the 5th Board of Directors Meeting of Session Five, as successfully resolved in that meeting.

2. An issue beyond the aforementioned ones, not successfully resolved in the Nomination Committee but resolved by two-thirds majority of all directors: Nil.
3. Facts of avoidance from presence (recuse) by Committee members in issues with interest involvement: Should expressly state the names of Committee members, contents of motions, causes of avoidance from presence (recuse) and facts of participation in the voting process: Nil.

(5) Performance of social responsibility:

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
1. Actualization of Corporate Governance				
(1) Does the company specify and disclose the corporate governance practice rules in accordance with the "Corporate Governance Practices Rules of TWSE/GTSM-listed companies"?	V		(1) The Company has duly enacted the "Corporate Social Responsibility Best Practice Principles" and further, in Year 2016, set up to Corporate Social Responsibility Committee under the Board of Directors, as directly instructed by the chairman. The Unit of Responsible for Corporate Social Responsibility (CSR) would report to the Board of Directors on a regular basis; the management indicators for the economic, environmental and social impacts of performance effectiveness of implementing our CSR policies. The details of our CSR policies are available in our Corporate Social Responsibility Report, available at the section dedicated for corporate social responsibility at our company website at http://www.voltronicpower.com.tw.	No discrepancy
(2) Does the company hold education & training in social responsibility on a periodical basis?	V		(2) From time to time, the Company promotes business philosophy and social responsibility obligations, occupational safety and health, labor standards, etc. through various management meetings or freshmen education and training programs. The "Employee Handbook" and "Work Rules" are stored on the company's internal website readily available to all employees all the time.	No discrepancy
(3) Does the company implement a full-time (part-time) sector to promote corporate social responsibility, and for the Board of Directors to authorize the high-level management level to take action and report the disposition status to the Board of Directors?	V		(3) In an effort to promote corporate social responsibility, the Company's Corporate Social Responsibility Committee is affiliated to the Board of Directors and is directly supervised by the Chairman (the Chairman of the Board of Directors is the executive director responsible for corporate social affairs). The General Manager's Office is a part-time or the concurrent unit and the Board of Directors authorizes the General Manager and the General Manager's Office will report and implement the relevant management policies and specific promotion plans and	No discrepancy

Evaluation Items	Facts of performance(Note 1) Yes	No	Description of Summary(Note 2)	The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
			shall directly report to the Board of Directors on a regular basis. The company's Corporate Responsibility Report is issued and announced through the Company's website before the second quarter of every fiscal year	
(4) Does the company establish reasonable wage compensation policies, and link the employee performance appraisal system with corporate social responsibility policies, and provide a clear and effective incentive and punishment system?	V		(4) The Company has set up the Remuneration Committee and the Nominating Committee. The Remuneration Committee is comprised of four independent directors evaluating of performance and reward of managers. The Nominating Committee audits the results of performance evaluation of the Board of Directors, each committee, and each director and executive manager. Additionally, the Employee Handbook and Measures for Employee Performance Incentive and Rewards explicitly govern issues of rewards and punishments that will make both our employees' salaries and remuneration and our business operations grow together to be in compliance with CSR.	No discrepancy
2. Sustainable Environment for Development (1) Does the company endeavor to upgrade the utilization efficiency of various resources, and use the regenerated material with a low impact on environmental load?	V		(1) Our business philosophy is the pursuit of environmental protection and harmonious symbiosis. We strive to create and maintain a safe and clean environment, by ensuring our products are in compliance with international environmental laws and regulations. We spare no efforts to the protection of the green planet, by relentlessly enhancing the efficiency of resource utilization. Energy Management Policy: The Company spares no effort to promote the environmental protection of the office to minimize energy. The Company's offices in Taiwan adopt green building materials that meet the regulatory standards to minimize the energy consumption of the entire buildings. The entire indoor office areas are fully equipped with energy-saving LED lamps.	No discrepancy

Evaluation Items	Facts of performance(Note 1) Yes	No	Description of Summary(Note 2)	The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
			All such equipment adopts time-based control to save relative power consumption. Water resource use efficiency and management policy: The Company calls for no water resources for all its office buildings and manufacturing process (that is, no need to use industrial water). The Company only calls for domestic water to meet the need of staff members through the source of municipal water supply according to the relevant industrial zone water supply rules. That means no waste water is generated at all. The Company heavily launches publicity & dissemination toward employees to encourage them to adopt energy-saving facilities to cherish water resources. Waste reuse efficiency and managerial policies: But the recycling act lies upon the customer terminal. In the phase of research & development design, the Company put forth maximum possible efforts to minimize waste and try to reuse relevant packaging materials (e.g., corrugated paper, paper boards, cartons, paper pallet boards, wooden materials, etc., the recyclable waste packaging materials and reusable materials and the like. The Company does not at all adopt any substance to damage ozone sphere). Overall, the Company puts forth maximum possible efforts to minimize the impact upon the overall environment and well satisfy laws and ordinances concerned. By means of overall participation and commitment by the entire staff members, the Company accomplishes environmental protection to assure sustainable development. For more details, please refer to the Company's website and the special zone of Corporate Social Responsibility (CSR): http: //www.voltronicpower.com.tw.	
(2) Does the company establish a proper environmental management system in response to its industry	V		(2) The Company is a committed a corporate citizen, striving to comply with environmental laws and regulations to ensure	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
characteristics?			environmental protection. We adhere to all the laws and regulations in environmental protection. Our factories in China have obtained the IS014001, ISO9001 and OHSAS18001 certification.	
(3) Does the company pay attention to the impact of climate change on operation activities, execute greenhouse gas examination, and establish corporate energy saving and carbon reduction as well as greenhouse gas volume reduction policies?	V		(3) Under the top managerial guiding policy of acting as a *bona fide* environmental protector, we focus on greenhouse gas management toward the targets of energy saving & carbon reduction with wholehearted efforts toward research & development energy conserving products, echoing the government call in energy saving & carbon reduction and development of high efficiency product solution. The Company's greenhouse gas emission sources in daily operations are only the carbon emissions (CO2) generated by purchased electricity (municipal power supply) required by the Company's business operation as a company with only the single greenhouse gas low-emission and the household living water (municipal water supply). In Year 2018, the total electricity consumption was 12,050,472 KWs with total carbon emissions at 10,524,272kg. In 2018, the total water consumption came to 60,878 KWs with carbon emissions at 9,852,19 kg. Also in Year 2018, the aggregate total office paper consumption came to 29,657 kg with carbon emissions at 34,709.4 kg. The Company is operating amidst the growing phase (with operating revenues at NT$9,862,230 thousand in 2017 and NT$11,407,894 thousand in 2018). Toward carbon dioxide and greenhouse gas discharge, the Company has firmly set up the policies toward "energy conservation, waste minimization and waste reduction". As Voltronic Power Technology Corp. has set up the target for energy saving & carbon reduction at 0.75% expense ratio	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
			measured by revenues, this target was met for the years 2017 and 2018. As Voltronic Power Technology Corp. has set up the target for energy saving & carbon reduction at 0.85% expense ratio measured by operating costs, this target was met for the years 2017 and 2018. As Voltronic Power Technology Corp. has set up the target for energy saving & carbon reduction at 3.85% expense ratio measured by net incomes, this target was met for the years 2017 and 2018. The Company's publicity & dissemination policies and the descriptions thereof: Publicity & dissemination on energy management promotion: The Company puts forth maximum possible efforts to advocate employees to turn off the lights as most often as possible. The indoor office area is fully equipped with energy-saving LED lamps, air-conditioned to maintain a constant temperature of 25 to 26 degrees to minimize the concentration of carbon dioxide in indoor air amidst the heavy potted greening plants, with 0.218 kg. in carbon emission generated on the first floor of the elevator. The Company encourages employees to walk more staircases to reduce elevator rides. Publicity & dissemination on water resources management promotion: The Company encourages employees to minimize water consumption and equips all offices in Taiwan with rainwater recycling equipment. Through rainwater recycling irrigation green for plants, the Company virtually minimizes water consumption. Publicity & dissemination on waste utilization efficiency and management promotion: In terms of office paper consumption, the Company advocates employees to reduce paper photocopying and use more recycled paper. The Company also encourages staff members to reduce the use of paper	

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
			towels to set up resource recycling bins and kitchen waste barrels in the tea room to implement a sound waste sorting system. The details of our measures to reduce carbon emissions and energy consumptions and our policy in greenhouse gas reductions are available in our Corporate Social Responsibility Report, available at the section dedicated to corporate social responsibility at our company website http://www.voltronicpower.com.tw.	
3. Maintenance of Community Public Welfare (1) Does the company establish related management policies and procedures in accordance with related laws and international covenants on human right?	V		(1) The Company has duly established employee guidebooks and related management methods in accordance with labor related laws and Gender Equality in Employment Act amidst compliance with international labor-related rules & regulations (including compliance with local laws and international standards, human rights assessments which have been complied with by subsidiaries). All such laws and ordinances concerned are readily available to all employees through the Company's website amidst the efforts to safeguard employees for their inherent interests. The Company is committed to complying with applicable labor and employment laws, as well as international standards. The Company insists on a policy to hire employees disregarding gender, age, religion, ethnic race, nationality, sexual orientation, other legal protections, absolutely free of any potential discrimination. The company puts into implementation thoroughly all varieties of employment and labor related laws and regulations. Under no circumstances shall the Company hire child labor or illegal labor. The Company strictly bans potential sexual harassment and prohibits forced labor services. By all available means, the Company provides safe, secure and healthful working	No discrepancy

Evaluation Items	Facts of performance(Note 1) Yes	No	Description of Summary(Note 2)	The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
			environment. Amidst multifaceted and equal opportunity corporate culture, here at the Company we strictly enforce the "equal pay for equal work" and "gender equality" principles. In all key strongholds amidst various categories of staff members, we assure above 100% (inclusive) of the statutory threshold in salary policy as required by the laws prevalent locally, disregarding the gender.	
(2) Does the company implement an employee appeal mechanism and channel, and take due actions?	V		(2) The Company has set up the employee complaint mailbox and regularly convened management-labor meetings to understand and meet their needs.	No discrepancy
(3) Does the company provide employees with a safe and healthy working environment, and implement safety and health education to employees on a periodical basis?	V		(3) The Company pays attention to the health and safety of our employees and work environment. We arrange health check-ups for employees at a standard better than required by the Labour Standards Act. We also offer on-the-job education programs regarding health and safety, such as health management and fire prevention. We also incorporate modules such as emergency responses and traffic safety, to enhance our employees' awareness in occupational health and safety. All operating areas are under the very strict access control and are guarded by the hired security guards to ensure employee safety. Our main facilities obtained the OHSAS 18001 certification.	No discrepancy
(4) Does the company establish a mechanism for periodical employee communication, and notify the employees of any operation change with potentially major impact on them in a reasonable manner?	V		(4) Meetings and regular management-labor meetings allow the Company to develop a deeper understanding of our colleagues' level of cognition of our business philosophy that they and the Company can grow together.	No discrepancy
(5) Does the company establish effective career competency development and training plans for employees?	V		(5) Closely oriented to employees' personal expertise development, the Company elaborately arranges sound educational & training programs in concert with industrial training and development to help employees maximize their talents potential and achieve	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
			sustainable development goals.	
(6) Does the company formulate related consumer welfare protection policies and appeal procedures concerning R&D, purchase, production, operation and service flows, etc.?	V		(6) As the Company's products are not sold to general consumers, we have not developed the policy to protect consumer rights nor made policy public. We have also established customer-oriented quality system and a customer complaint process to achieve the goal of sustainable development.	No discrepancy
(7) Does the company follow related laws and international standards concerning the marketing and identification of products and services?	V		(7) As the Company provides custom-made products, we observe laws and regulations of different regions and countries and international standards for our service marketing and indication.	No discrepancy
(8) Does the company evaluate if a supplier had any record with impacts on the environment and a community in the past before transactions with the company?	V		(8) Having placed importance on environmental and social protection, the Company adequately evaluates its suppliers' ability to comply with our requirements for environmental protection, good faith clauses and CSR. The Company tries by all available means to advocate the compliance by various suppliers with International Human Rights Law, National Labor Law SA8000, OHSAS18001 International Standard Content, requiring all suppliers to actively implement them all. The ratios of using environmental standards to screen new suppliers are 70.13% in 2017 and 81.93% in 2018.	No discrepancy
(9) Do the contracts between the company and its major suppliers include the policies concerning if a supplier is involved with any offense of its corporate social responsibility and in case a supplier incurs obvious impacts on the environment and community, such clauses of allowing terminating or cancelling a contract at any time?	V		(9) All of our suppliers shall adhere to our honest policy by not receiving cash gifts and kickbacks. We've established Guidelines of Ethical Conduct and Ethical Corporate Management Best Practice Principles in hopes that the Company and its suppliers can achieve the purpose of CSR jointly. Our procurement personnel are required to sign the Agreement for Ethical Standards for Procurement Staff.	No discrepancy
4. Strengthen Information Disclosure				
(1) Does the company disclose the related information to corporate social responsibility of key nature and	V		(1) The Company has set up CSR Zone in our official website and we disclose CSR related information in annual report. Besides, the	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary(Note 2)	
reliability in its website and Market Observation Post Site, etc.?			Company has, at its discretion, compiled Corporate Responsibility Reports since 2014 and posted them onto the Company's website as well as Market Observation Post System (MOPS) accessible to all interested parties. We have also set up an accusation reporters' mailbox for stakeholders to report any corruption or violation of the code of ethics. Corporate Responsibility Report on the Company's website: http: //www.voltronicpower.com.tw.	
5. In case a company establishes its own Corporate Social Responsibility Best Practice Principles in accordance with "Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies", please describe its operation and the deviation from the established Best Practice Principles: The Company has established CSR Best Practice Principles and carries out our operations according to dimensions of corporate governance, sustainable environment and CSR information disclosure. For corporate governance, please refer to Chapter III Corporate Governance Report specified in the annual report.				
6. Other important information facilitating to understand the operation status of corporate social responsibility: (1) In addition to focusing on our core business, we adhere to the concept of environmental protection and harmonious symbiosis. (2) Our commitment to CSR: The Company observes international regulations as well as national and region laws and regulations, creates our company values for sustainable development to protect the rights of interested parties, promotes good corporate governance and abides by the rules and regulations. (3) The Company's care and concern toward the society: Through non-scheduled participation in small-scale disaster relief activities of charitable organizations, the Company offers warm concern toward the underprivileged and vulnerable elements through mutual assistance. (4) We actively participate in the green energy exhibitions and lobbying for policy support for renewable in Taiwan and overseas. We are active in tradeshows such as CeBIT in Germany, Computex in Taipei, Renewable Energy India Expo and Solar Show in many countries throughout the world. (5) Employee benefits: The Employee Benefits Committee offer limited subsidies to educational initiatives or health management efforts by employees.				
7. In case the corporate social responsibility report of this company is approved through verification standards of related certification authorizes, it is required to be described: (1) The Company has not passed related standards set by verifying agencies. (2) The Company has voluntarily prepares CSR reports. In the Annual Report of Year 2018 & 2017, we faithfully complied with Global Reporting Initiative (GRI) 2016 standards promulgated by the Global Sustainability Standards Board（GSSB） focusing on the "Core option". In part of the contents, we referred to "BLOOMBERG ESG SURVEY Disclosure Score" for supplementary disclosure toward the core standards. For Annual Report of Year 2018, the Company further provided supplementation into the contents with reference to "SAM - Corporate Sustainability Assessment 2019".				

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

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
1. Establish Operation Policy and Scheme of Good Faith				
(1) Does the company expressly specify policy, practice of operation in good faith in its corporate statutes and bylaws and external documents, and do the Board of Directors and management level actively actualize the promise of operation policy?	V		(1) The Company has duly established a "Ethical Corporate Management Best Practice Principles" which functions as the very grounds of honesty and integrity. In Year 2016, the Company promoted to set up Integrity Management Committee. The committee is subordinate to the Board of Directors and is directly supervised by the chairman of the Board of Directors while the General Manager's Office functions as the concurrent unit responsible for integrity management policies and prevention programs. The formulation and supervision of execution, Annual Report or Corporate Social Responsibility Report provide details and standardize the Company's directors, managers, employees' policies on the Company's integrity management and the Board's active commitment for implementation.	No discrepancy
(2) Does the company specify a scheme of preventing behaviors not in good faith, and expressly describe in each scheme the operation procedures, behavior guidelines, punishment of offense, and complaint system, and actualize the execution of them?	V		(2) The Company has duly enacted "Ethical Corporate Management Best Practice Principles", "Rules Governing Code of Ethical Conduct" and "Accusation Report system" as well as the regulating procedures which have been put into faithful enforcement. We firmly demand our entire staff members, including all staff members of our subsidiaries, to strictly comply with the ethical conduct criteria, safeguard the Company’s goodwill, comply with laws and ordinances concerned to maximize performance of assigned duties. Whenever an unfaithful behavior is heard from an accusation report or noticed, the Company will immediately investigate into the fact forthwith. Where a behavior in contravention of laws and ordinances concerned or ethical conduct code, or against the good-faith principles, the Company’s management shall immediately demand that offender to discontinue the	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
(3) Does the company apply preventive measures of the operation activities with rather high risk of behaviors not in good faith set forth in various items of Section 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies" or within other scopes of operation?	V		wrongdoing and impose penalty as appropriate. Through necessary and appropriate statutory procedures, the Company would claim for damage indemnity. These efforts could well safeguard the Company in goodwill and interests. The Company has set up the special mailbox for such purposes: (whistleblower@voltronic.com.tw) (3) The Company has established "Rules Governing Code of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles" to normalize our key personnel's behaviors, and our internal auditing personnel also carry out regular audits to enhance the implementation of policy of Ethical Corporate Management Best Practice Principles. Toward varied law compliance realms, the Company has set up a variety of relevant regulations. These realms include anti-corruption, anti-harassment, environmental protection, preparation of financial statements/internal control system, anti-inside trading, protection over patents, protection of personal information and privacy, custody of documents, management over information security and the like. Here at the Company, we do not build self-brand name. We do not compete against customers. That means under no circumstances shall the Company get involved in an act against competition, against trust and monopolization.	No discrepancy
2. Actualize Ethical Corporate Management (1) Does the company evaluate the record of good faith of the transaction parties, and expressly specify clauses dealing with behaviors of good faith in the signed contracts of the transaction parties?	V		(1) The Company has established mechanisms for evaluating customers and suppliers. When entering into a contract, rights and obligations of both sides will be specified in the contract and be kept confidential. All suppliers commit themselves into Best-Practice Principles on Ethical Corporate Management as well. Through the great teamwork between the up- and	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
			down-streams, we never cease efforts to maximize core competitive edge. We try to focus on only such products in the pricing of the maximum possible competitive edge to simplify the transaction behaviors. Under no circumstances shall the Company try to win over a purchase order through not absolutely justifiable means to strive for unjust benefits in competition.	
(2) Does the company establish a sector of exclusive (concurrent) functions under the Board of Directors to promote corporate operation in good faith, and report to the Board of Directors its execution status on a periodical basis?	V		(2) The Company advocates the Best-Practice Principles on Good Faith Management Committee which is attached under the Board of Directors, directly supervised by the chairman. The General Manager's Office is a concurrent unit which reports to the board of directors on a regular basis. All departments concerned have stipulated respective Best-Practice Principles to assure faithful fulfillment of such Principles. To avoid conflict of interests and provide a whistleblowing channel, the company set up the Ethical Corporate Management Best Practice Principles. Relevant execution in Year 2018: In the entire year, the Company was free of any offense-reports, anti-corruption or anti-competition acts at all.	No discrepancy
(3) Does the company stipulate a policy of preventing interest conflict, provide due statement channels, and actualize the execution?	V		(3) Our whistleblowing system allows stakeholders to file reports and maintains the confidentiality of the identity of the parties who submit reports and the details of the accounts. Accusation reporters' mailbox: (whistleblower@voltronic.com.tw)	No discrepancy
(4) Does the company for actualizing operation in good faith already establishes effective accounting system, internal control system and for the internal audit sector to perform periodical audit, or consign the account to execute audits?	V		(4) The Company has set up effective accounting system and specifically responsible accounting unit. Here at the Company, the internal audit unit also works out the annual audit plan to carry out a variety of audit duties based on the outcome of risk assessment. It also works out the plans for subsequent corrective action to assure sound performance in audit. On a	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
			quarterly basis, the unit would report to the board of directors. In the self-evaluation inside the enterprise, all staff members shall conduct self-examination into the Internal Control System design and the effectiveness of the enforcement thereof.	
(5) Does the company hold internal, external educational training for operation in good faith on a periodical basis?	V		(5) At any time, the Company's publicity unit promotes our colleagues' resolute commitment to observe norms governing the corporate operations in good faith during meetings and on the bulletin board for substantial implementation. In Year 2018, all participants received per capita training programs for one hour.	No discrepancy
3. Operation Status of Corporate Reporting System of an Offense				
(1) Does the company establish substantial offense reporting and incentive systems, and establish convenient offense reporting channels, and assign proper exclusively responsible personnel to accept the reported subject of an offense?	V		(1) The Company has established a reporting system by setting up an accusation reporters' mailbox at our official site (whistleblower@voltronic.com.tw), human resources and audit unit that are available to whistleblowers who can also submit information to independent directors, managers, direct supervisors or other appropriate personnel; external whistleblowers can submit whistleblowing reports to the preceding accusation reporters' mailbox(mails will be automatically forwarded to the Company's independent directors and senior executives) or supervisors and related units in charge of our business group and organization, and whistleblowers' identity and the contents of whistleblowing shall be kept confidential to protect whistleblowers from improper dispositions. After receiving a whistleblowing report, we will appoint paid staff to receive reports and assist in handling cases and give a reply.	No discrepancy
(2) Does the company specify the investigation standard operation procedures of accepting offense reporting	V		(2) The Company has maintained a rigorous attitude to keep the whistleblowing and subsequent investigation confidential,	No discrepancy

Evaluation Items	Facts of performance(Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description of Summary	
matters and a related confidentiality mechanism?			specified in the internal rules. We guarantee to keep complaints or a whistleblower's personal information and information offered by the whistleblower absolutely confidential according to Personal Information Protection Act.	
(3) Does the company take measures to protect an offense reporting party from suffering improper disposition due to an offense report?	V		(3) We guarantee that whistleblowers will never be punished.	No discrepancy
4. Strengthen Information Disclosure (1) Does the company disclose the content of operation principles of good faith and promotion performance in its website and Market Observation Post Site?	V		The Company discloses related information at Market Observation Post System and our official website according to related regulations. Besides, corporate operations in good faith related information has been disclosed in the annual report and CSR report.	No discrepancy
5. If the Company has established its Ethical Corporate Management Best Practice Principles in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, discrepancies between the operations and the established principles shall be illustrated: To foster a corporate culture of ethical management and sound development to strengthen its business operations, the Company has established Ethical Corporate Management Best Practice Principles to observe the principles in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies that shows no discrepancy.				
6. Other important information which can facilitate the understanding of the Company's operations in good faith: (such as the Company's review and of amendment of its Ethical Corporate Management Best Practice Principles) The Company observes the Company Act, Securities and Exchange Act, Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other regulations related to commercial activities to fulfill the principle of operations in good faith to create a business environment of sustainable development.				

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

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

1) To solidify and strengthen the Company's corporate governance, the Board of Directors of the Company on Nov. 12, 2015 passed the

establishment of the Audit Committee Charter. The Audit Committee was established following the 2016 shareholders' annual meeting.

2) In the corporate governance evaluation by the government authorities in Session III (Year 2016), Session IV (Year 2017) and Session V (Year 2018) for the TWSE/GTSM Listed Companies, the Company ranks among the top 5%.
3) As expressly provided for the Company's Articles of Incorporation, the Company shall have directors in 5~8 seats. In an effort to strengthen performance in corporate governance, in the shareholders' regular meeting 2018, the directors shall be elected in the candidate nomination system. The number of the independent director seats increases from three to four, including one female independent director.

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

Voltronic Power Technology Corp.
Declaration of Internal Control System

Date: February 25, 2019

Over the Company's internal control system of Year 2018, based on the results of our self-evaluation, we'd hereby like to declare enumerated below:

1. Here at the Company, we confirm full awareness that implementation and maintenance of the internal control system are the inherent responsibility of the Company's board of directors and managers. The Company has duly set up such internal control system in an attempt to provide rational assurance of the effect and efficiency of the business operation (including profitability, performance and assurance of the safety of assets), reliability of reports, timeliness, transparency and accomplishment of the compliance targets on related requirements, laws and regulations.
2. Internal control system is subject to inherent restriction, disregarding how sound it has been designed. Effective internal control system could only provide rational assurance for accomplishment of the three aforementioned targets. Besides, in line with the changes in circumstances and environments, effectiveness of internal control system might change as well. For the Company's internal control system, nevertheless, we have set up sound self-superintendence mechanism. As soon as a defect is identified, the Company would take corrective action forthwith.
3. Exactly in accordance with the items of judgment for the effectiveness of the internal control system under "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Managerial Regulations"), we duly judge whether the internal control system is effective in design and implementation. The items adopted for aforementioned "Managerial Regulations" for judgment of internal control system are the process for management control. The internal control system is composed of five composition elements: 1. Circumstances of control, 2. Risk evaluation, 3. Control operation, 4. Information and communication, and 5. Superintendence. Each and every composing element includes a certain items. For more details regarding the aforementioned items, please refer to contents of the "Criteria".
4. Here at the Company, we have adopted the aforementioned items of judgment over internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
5. On the grounds of the results of evaluation in the preceding paragraph, we are confident that the Company's internal control system in design and implementation as of December 31, 2018 (including the superintendence and management over subsidiaries), including the understanding of the results and efficiency of business operation in accomplishment of the targets, reliability of reports, timeliness, transparency and compliance of the relevant laws and regulations are effective and would reasonably assure accomplishment of the aforementioned targets.
6. The Declaration will function as the key element of the Company's Annual Report and Prospectus and will be made public externally. In the event that the aforementioned made

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

7. This Declaration has been approved by the Company's board of directors on February 25, 2019. Six (6) directors were in attendance, none kept objecting opinions, and all directors in attendance hereby state their agreement to the contents of this declaration.

Voltronic Power Technology Corp.

Chairman cum General Manager: Hsieh Juor-Ming

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

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

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

Date of the meeting	Key issues in summary	Outcome of resolution	Facts of implementation
June 5, 2018 (Shareholders' regular meeting)	Acknowledgment: 1. 2017 Business report and Financial Statements	Issues to be acknowledged: The balloting outcome: 65,885,283 pro votes, accounting for 94.55% of the aggregate total votes; 6 con votes, 0 invalid vote, abstention/non-voting votes: 3,795,529 votes. The present issue is duly resolved exactly as proposed.	Acknowledgment: 1. Reports and statements distributed to shareholders according to relevant laws and regulations
	2. Appropriation of 2017 earnings	The balloting outcome: 65,906,283 pro votes, accounting for 94.58% of the aggregate total votes; 6 con votes, 0 invalid vote/abstention/non-voting votes: 3,774,529 votes. The present issue is duly resolved exactly as proposed.	2. Earnings appropriated accordingly, with the ex-dividend base date scheduled on July 18, 2018. Cash dividend payday on August 17, 2018.
	Issues posed for discussion: 1. It is proposed that the Company take capital surplus into cash dividend.	Issues posed for discussion: The balloting outcome: 65,906,281 pro votes, accounting for 94.58% of the aggregate total votes; 8 con votes, 0 invalid vote/abstention/non-voting votes: 3,774,529 votes. The present issue is duly resolved exactly as proposed.	Issues posed for discussion: 1. The issue has been duly completed in enforcement exactly as resolved in the shareholders' meeting; with the base date on July 18, 2018 and the payday on August 7, 2018.
	Motions for elections: Overall reelection of directors	Director: Hsieh Juor-Ming; number of ballots earned in election: 68,683,931 Director: Open Great International Investment Limited Company; Statutory Representative: Chen Tsui-Fang; number of ballots earned in election: 65,269,235 Director: FSP Group; Statutory Representative: Cheng Ya-Jen; number of ballots earned in election: 63,638,258 Independent Director Passuello Fabio number of ballots earned in election: 61,032,498 Independent director: Lee Chien-Jan; number of ballots earned in election: 60,661,285 Independent director: Yang Ching-Hsi; number of ballots earned in election: 59,966,885 Independent director: Wang	Eight directors (including four independent directors) were elected for Session Five; The Board of Directors Meeting was duly convened in accordance with Article 203 of the Company Act on June 5, 2018 while Mr. Hsieh Juor-Ming was unanimously elected to continually serve as the Company's chairman.

		Hsiu-Chih; number of ballots earned in election: 59,933,285 Independent director: Chen Yi; number of ballots earned in election: 59,933,337	
	Other motion(s): The proposal duly posed to lift directors from prohibition of business strife	Prohibition of business strife was duly passed upon Director: Hsieh Juor-Ming, Passuello Fabio; Open Great International Investment Limited Company; Statutory Representative: Chen Tsui-Fang; FSP Group; Statutory Representative: Cheng Ya-Jen, Independent directors: Lee Chien-Jan, Yang Ching-Hsi The outcome of voting in the present motion: Number of votes in pros 40,372,821 weight units, accounting for 57.93% of the aggregate total. The number of cons: 17,883,707 weight units, number of invalid weights: 0 weight unit, abstention/absence from voting: 11,424, 290 weight units. The present motion is duly resolved exactly as proposed.	The present motion is duly resolved exactly as proposed.

2) Major decisions resolved in the board of directors

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

	4. Resolution & approval of change in the Company's business address.
August 7, 2018	1. Resolution & approval of credit lines of funds to be loaned by subsidiaries to related parties. .
November 9, 2018	1. Resolution & approval of credit lines of funds to be loaned by subsidiaries to related parties. . 2. Resolution & approval of partial amendment to the Company's "internal control system". 3. Resolution & approval of partial amendment to the Company's "Operational Procedures for the Acquisition or Disposal of Assets". 4. Resolution & approval of the Company's audit plan for Year 2019. 5. Resolution & approval of the Company's issues reviewed in the first meeting convened by the Remuneration Committee of Session Three.
February 25, 2019	1. Resolution & approval of the Company's issues reviewed in the second meeting convened by the Remuneration Committee of Session Three.
	2. Resolution & approval of allocation of the Company's remuneration to directors and remuneration to employees for Year 2018. 3. Resolution & approval of the Company's Business Report and Financial Statements for Year 2018. 4. Resolution & approval of the Company's allocation of earnings in Year 2018. 5. Resolution & approval of the Company's plan to take capital reserve to allocate cash dividend. 6. Resolution & approval of the Company's conversion of earnings of Year 2018 into capital increase to issue new shares. 7. Resolution & approval of the Company's Business Operation Plan for Year 2019. 8. Resolution & approval of the Company's plans for issuance of new shares with restricted rights for employees. 9. Resolution & approval of the Company's evaluation of performance by the Board of Directors for Year 2018. 10. Resolution & approval of Fees payable to Certified Public Accountants for Year 2019. 11. Resolution & approval of the Company's execution of valid performance evaluation in design in internal control system and issuance of the "Declaration of Internal Control System" 12. Resolution & approval of the Company's partial amendment to the "Operational Procedures for the Acquisition or Disposal of Assets". 13. Resolution & approval of election of Committee members for Nomination Committee in Session Two. 14. Resolution & approval of by-election for one independent director. 15. Resolution & approval of acceptance by the shareholders' regular meeting for nomination of the candidates for independent directors. 16. Resolution & approval of lifting of the directors newly elected in the by-election from prohibition of business strife. 17. Resolution & approval of the time, venue and relevant motions about shareholders' regular meeting to be convened for Year 2019.

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

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

5. Information on Certified Public Accountant fees

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

Name of CPA house	Name of CPA		Duration covered in the audit	Remarks
Deloitte & Touche	Chen Chung-Chen	Chen Chao-Mei	01/01/2018~ 12/31/2018	-

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

Amount expressed in Thousands of New Taiwan Dollars

Amount range \ Fee Item		Audit fees	Non-audit fees	Total
1	Below $2,000 thousand			
2	$2,000 thousand (inclusive)～$4,000 thousand			
3	$4,000 thousand (inclusive)～$6,000 thousand	4,720	634	5,354
4	$6,000 thousand (inclusive)～$8,000 thousand			
5	$8,000 thousand (inclusive)～$10,000 thousand			
6	Above $10,000 thousand (inclusive)			

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

Amount expressed in Thousands of New Taiwan Dollar

Name of CPA house	Name of CPA	Audit fees	Non-audit fees					Duration covered in the audit by CPAs	Remarks
			System design	Commercial registry	Human resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Chen Chung-Chen Chen Chao-Mei	4,720		70		564	634	01.01.2018~ 12.31.2018	Transfer of pricing report 210, global files report 250, for advance payment 104.

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

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

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

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

reduction: Not applicable.

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

(1) Information of the former CPAs:

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

<table>
<tr><td>Date of change</td><td colspan="5">Resolved by the board of directors on February 26, 2017</td></tr>
<tr><td>Cause and explanation of change</td><td colspan="5">In Fiscal 2018, the retained Certified Public Accountant Office reassigned internal service system. As a result, the auditing Certified Public Accountant was replaced from Certified Public Accountants Yu Cheng-Chuan and Chen Chung-Chen into Certified Public Accountants Chen Chung-Chen and Chen Chao-Mei.</td></tr>
<tr><td rowspan="3">Explanation about whether change resulted from termination or rejection by the Principal or the CPAs</td><td colspan="3">Parties concerned
Facts</td><td>By CPAs</td><td>By Principal</td></tr>
<tr><td colspan="3">Termination at discretion</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td colspan="3">Rejection from acceptance (continued retaining)</td></tr>
<tr><td>Audit report with opinions other than unqualified (unreserved) opinion and the causes in the past two years</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Opinions different from the Issuer’s</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Scope or steps of audit</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>No</td><td colspan="4">N/A</td></tr>
<tr><td colspan="5">Explanation</td></tr>
<tr><td>Other facts of disclosure (Facts to be disclosed under Article 10, Paragraph 6, Subparagraph 1, Item 4 ~ 7 of the Regulations)</td><td colspan="5">None</td></tr>
</table>

2) In case the former Certified Public Accountant remarked Audit Report with unqualified (unreserved) opinions over the past two years, such unqualified (unreserved) opinions and the background causes: None

3) The discrepancy in opinions existent by the Company and the Certified Public Accountant regarding the accounting principles and practices, disclosure of financial statements, scope of audit or steps: None

4) In case the former Certified Public Accountant once notified that the Company lacked a sound Internal Control System, making the financial statements not trustworthy: None

5) In case the former Certified Public Accountant once notified the interrelationship between their distrust of the Company’s declaration and their unwillingness to take charge of the Company’s financial statements: None

6) In case the former Certified Public Accountant once notified the need to expand the scope of audit or that the information indicates the expanded scope of audit

might impair the trustworthiness of the audited financial statements, but that Certified Public Accountant did not expand the scope of audit due to replacement of Certified Public Accountant or other causes: None

7) In case the former Certified Public Accountant once notified that on the grounds of already collected information, the trustworthy of audited financial statements might have been impaired, but that Certified Public Accountant did not take charge of the issue due to replacement of Certified Public Accountant or other causes: None

(2) Facts about succeeding Certified Public Accountant: None

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

7. The Company’s chairman, general manager, managers in charge of finance or accounting who have served with a Certified Public Accountant firm or the affiliated enterprise thereof over the past one year, please disclose the name, position title and the period served at the Certified Public Accountant firm or the affiliated enterprise thereof: None

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

Changes in directors, managerial officers and key shareholders:

Expressed in shares

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">2018</th><th colspan="2">As of April 30, 2019</th></tr>
<tr><th>Increase (decrease) in shares held</th><th>Increase (decrease) in shares pledged</th><th>Increase (decrease) in shares held</th><th>Increase (decrease) in shares pledged</th></tr>
<tr><td>Director</td><td>Hsieh Juor-Ming (Note 1)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Director</td><td>Representative of Open Great International Investment Limited Company: Chen Tsui-Fang</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Director</td><td>Representative of FSP Group: Cheng Ya-Jen</td><td>(318,000)</td><td>—</td><td>(198,000)</td><td>—</td></tr>
<tr><td>Director</td><td>Representative of RPS S.P.A (Note 3): Roberto Facci</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Director</td><td>Passuello Fabio (Note 4)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Lee Chien-Jan</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Hsu Chun-An (Note 2)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Yang Ching-Hsi</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Wang Hsiu-Chih (Note 4)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Chen Yi (Notes 4, 5)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Vice General Manager</td><td>Chin Chih-Hsin (Note 6)</td><td rowspan="4">(50,200)</td><td rowspan="4">—</td><td rowspan="4">(48,000)</td><td rowspan="4">—</td></tr>
<tr><td>Vice General Manager</td><td>Wang Chia-Yi (Note 6)</td></tr>
<tr><td>Assistant Manager for R&D Department.</td><td>Lu Yu-Cheng (Note 6)</td></tr>
<tr><td>R&D Manager</td><td>Feng Wen-Lin (Note 6)</td></tr>
</table>

Title	Name	2018		As of April 30, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Financial Manager	Wang Kuo-Chin (Note 6)				

Note 1: The shares held include shareholding trust reserved for legal utilization 2,431,089 shares

Note 2: Resigned on March 20, 2018.

Note 3: Duly discharged in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 4: Duly elected in the overall reelection in the shareholders' regular meeting convened on June 5, 2018.

Note 5: Resigned on January 1, 2019.

Note 6: Including the part of the restricted shares to employees.

2) Where the transferee of equity transfer is a related party, the Company should disclose the name, his or her relationship with the Company, the Company's directors and supervisors, key shareholders holding over 10% shares and the number of shares held: None

3) Where a pledge of equity is a related party, the statistical data from the latest date of suspension from share transfer till April 27, 2019: The Company has no shares pledged.

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

April 26, 2019；Expressed in shares; %

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names or Titles and Relations of Top 10 Shareholders who are related parties, Spousal Relationship or are within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Title	Relation	
Hsieh Juor-Ming (Note)	10,024,769	12.74%	2,729,807	3.47 %	607,772 (Note)	0.77%	Open Great International Investment Limited Company	The representative is the spouse.	—
							Hsieh Yi-Ling	The second degree of kinship	—
							Chen Tsui-Fang	Spouse	—
FSP Group	4,995,916	5.71%	—	—	—	—	—	—	—
Representative of RPS S.P.A: Roberto Facci	3,382,680	4.30%	—	—	—	—	—	—	—
Open Great International Investment Limited Company	3,002,546	3.82%	—	—	—	—	—	—	—
Hsieh Yi-Ling	2,904,462	3.69%	—	—	—	—	Hsieh Juor-Ming	The second degree of kinship	—
							Chen Tsui-Fang	The second degree of kinship	—

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names or Titles and Relations of Top 10 Shareholders who are related parties, Spousal Relationship or are within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Number of Shares	Shareholding rate (%)	Title	Relation	
							Open great international investment limited company	The representative is the second degree of kinship.	—
The Sales Department of Standard Chartered Bank Limited delegated to take charge of custody of the investment specially designated (earmarked) account of CARTICA capital partner master.	2,217,938	2.82%	—	—	—	—	—	—	—
Citibank (Taiwan) delegated to take charge of custody of investment specially earmarked account of Singaporean government	1,938,075	2.46%	—	—	—	—	—	—	—
Bank of Taiwan Trusted Fidelity Investment Trust: Fidelity Series Emerging Markets	1,938,000	2.46%	—	—	—	—	—	—	—
Chen Tsui-Fang	1,743,607	2.22%	—	—	—	—	Hsieh Juor-Ming	Spouse	—
							Hsieh Yi-Ling	The second degree of kinship	
							Open Great International Investment Limited Company	The representative is the spouse.	
JPMorgan Chase Bank Taipei Branch entrusted with the MFS International New Exploration Fund Investment Account for the MFS Fifth Series Trust Company.	1,730,107	2.20%	—	—	—	—	—	—	—

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

10. The number of shares held by the Company

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

Expressed in Thousands of Shares, %

Reinvested companies (Note 1)	Investment by this Company		Investment by directors, supervisor, manager and directly or indirectly controlled company		Syndicated investment	
	Number of Shares	Shareholding rate	Number of Shares	Shareholding rate	Number of Shares	Shareholding rate
Voltronic International Corp.	28,000	100%	-	-	28,000	100%
Voltronic International H.K. Corp. Limited	217,240	100%	-	-	217,240	100%
Potentia Technology Inc. Limited	0	100%	-	-	0	100%
Voltronic Power Technology (Shen Zhen) Corp.	Note 2	100%			-	100%
Orchid Power (Shen Zhen) Manufacturing Company	Note 2	100%			-	100%
Zhongshan Voltronic Power Electronic Limited	Note 2	100%			-	100%
Zhongshan Voltronic Precision Inc.	Note 2	100%			-	100%

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

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

IV. Facts of Capital Raising

1. Capital and shares

(1) Source of Capital

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

April 30, 2019; Expressed in Thousands of Shares/Thousands of New Taiwan Dollars

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid by property other than cash	Other
May 2008	10	25,000	250,000	20,010	200,100	Initiative founding capital	—	Fu-Chan-Ye-Shang-Zi No. 09784125510
Feb. 2009	10	25,000	250,000	24,010	240,100	Increment in cash 40,000 thousand	—	Fu-Chan-Ye-Shang-Zi No.09881961610
Jun. 2010	10	30,000	300,000	29,325	293,250	Bonus to shareholders and to employees converted into capital increase 53,150 thousand	—	Fu-Chan-Ye-Shang-Zi No.09985123100
Nov. 2010	50	36,000	360,000	31,825	318,250	Increment in cash 25,000 thousand	—	Fu-Chan-Ye-Shang-Zi No.09989627010
Jun. 2011	10	60,000	600,000	44,022	440,223	Bonus to shareholders and to employees converted into capital increase 121,973	—	Fu-Chan-Ye-Shang-Zi No.10085773700
Dec. 2011	60	60,000	600,000	46,222	462,223	Increment in cash 22,000 thousand	—	Fu-Chan-Ye-Shang-Zi No.10091161500
Jun. 2012	10	60,000	600,000	54,348	543,476	Bonus to shareholders and to employees converted into capital increase 81,25	—	Jing-Shou-Shang-Zi No.10101139360
Mar. 2013	81.41	60,000	600,000	55,848	558,476	New restricted employee shares 15,000 thousand	—	Jing-Shou-Shang-Zi No.10201043680
Jul. 2013	83.81	70,000	700,000	61,640	616,400	Bonus to shareholders converted into capital increase 27,924 thousand Increment in cash 30,000 thousand	—	Jing-Shou-Shang-Zi No.10201143730
Mar. 2014	146	70,000	700,000	67,470	674,700	Increment in cash 58,300 thousand	—	Jing-Shou-Shang-Zi No.10301065990
Aug. 2014	10	80,000	800,000	70,843	708,435	Bonus to shareholders converted into capital increase 33,735 thousand	—	Jing-Shou-Shang-Zi No.10301194700
Jul. 2015	10	80,000	800,000	70,813	708,135	New restricted employee shares recovered for cancellation 300 thousand	—	Jing-Shou-Shang-Zi No.10401136300
Sept. 2015	10	80,000	800,000	74,355	743,557	Bonus to shareholders converted into capital increase 35,422 thousand	—	Jing-Shou-Shang-Zi No.10401193990
Mar. 2016	10	80,000	800,000	74,337	743,377	New restricted employee shares recovered for cancellation 180 thousand	—	Jing-Shou-Shang-Zi No.10501044770
Aug. 2016	10	100,000	1,000,000	78,705	787,054	Bonus to shareholders converted into capital	—	Jing-Shou-Shang-Zi No.10501222580

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

2. Categories of outstanding shares

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

3. Information relevant to overall declaration system: None

(2) Structure of shareholders

April 26, 2019; Expressed in Persons; Shares

Type of Shareholder / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	2	2	39	710	287	1,040
Shares held	97,450	1,490,141	12,348,525	18,797,770	45,951,344	78,685,230
Shareholding rate	0.12%	1.89%	15.69%	23.90%	58.40%	100%

(3) Facts of disperse of shareholding

1. Common shares

April 26, 2019

Shareholding grading	Number of shareholders	Number of shares held	Shareholding percentage %
1 to 999	485	49,750	0.06
1,000 to 5,000	253	448,533	0.57
5,001 to 10,000	28	204,012	0.26
10,001 to 15,000	32	403,595	0.51
15,001 to 20,000	19	347,617	0.44
20,001 to 30,000	28	683,910	0.87
30,001 to 40,000	12	425,587	0.54
40,001 to 50,000	19	847,547	1.08
50,001 to 100,000	57	4,303,033	5.47
100,001 to 200,000	35	4,882,102	6.2
200,001 to 400,000	29	8,431,958	10.72
400,001 to 600,000	14	6,906,530	8.78
600,001 to 800,000	10	6,713,604	8.53
800,001 to 1,000,000	2	1,888,175	2.4
Above 1,000,001	17	42,149,277	53.57
Total	1,040	78,685,230	100

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

(4) List of key shareholders:

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

Shares / Names of Key shareholders	Number of shares held	Shareholding rate (%)
Hsieh Juor-Ming (Note)	10,024,769	12.74%
FSP Group	4,495,916	5.71%
RPS S.P.A	3,382,680	4.30%
Open Great International Investment Limited Company	3,002,546	3.82%
Hsieh Yi-Ling	2,904,462	3.69%
The Sales Department of Standard Chartered Bank Limited delegated to take charge of custody of the investment specially earmarked account of CARTICA investor.	2,217,938	2.82%
Citibank (Taiwan) delegated to take charge of custody of investment specially earmarked account of Singaporean government	1,938,075	2.46%
Bank of Taiwan Trusted Fidelity Investment Trust: Fidelity Series Emerging Markets	1,938,000	2.46%
Chen Tsui-Fang	1,743,607	2.22%
JPMorgan Chase Bank Taipei Branch entrusted with the MFS International New Exploration Fund Investment Account for the MFS Fifth Series Trust Company.	1,730,107	2.20%

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

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

<table>
<tr><th colspan="3">Year / Item</th><th>2017</th><th>2018</th><th>As of March 31, 2019</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">Highest</td><td>607</td><td>578</td><td>636</td></tr>
<tr><td colspan="2">Lowest</td><td>400</td><td>409</td><td>519</td></tr>
<tr><td colspan="2">Average</td><td>492.81</td><td>521.27</td><td>558.64</td></tr>
<tr><td rowspan="2">Net Value per share</td><td colspan="2">Before distribution</td><td>53.11</td><td>56.55</td><td>-</td></tr>
<tr><td colspan="2">After distribution</td><td>38.11</td><td>(Note 2)</td><td>-</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average shares</td><td>78,098 thousand shares</td><td>78,225 thousand shares</td><td>-</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Before retrospective adjustment</td><td>17.46</td><td>23.18</td><td>-</td></tr>
<tr><td>After retrospective adjustment</td><td>17.37</td><td>(Note 2)</td><td>-</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividends</td><td>20.00</td><td>21.00</td><td>-</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>From retained earnings</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>From capital surplus</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Retained dividends</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">ROI</td><td colspan="2">PER</td><td>28.23</td><td>22.49</td><td>-</td></tr>
<tr><td colspan="2">Price-dividend ratio</td><td>24.64</td><td>24.82</td><td>-</td></tr>
<tr><td colspan="2">Cash dividends yield</td><td>4.06</td><td>4.03</td><td>-</td></tr>
</table>

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

Note 2: The Company's appropriation of earnings in 2018 was officially resolved by the board of directors on February 25, 2019 and is not yet resolved by the shareholders' meeting.

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

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

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

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

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

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

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

The Company's board of directors already resolved on February 25, 2019 the appropriation of earnings of Year 2018:

Expressed in New Taiwan Dollars

Descriptions	Amount
Beginning unappropriated retained earnings	353,754,500
Net profit for this period	1,813,632,681
Provision of Legal reserve (10%)	(181,363,268)
Provision of special reserve, by law	(50,001,082)
Distributable net profit for this period	1,936,022,831
Distributable items- Bonus to shareholders:	
Cash dividend: $20 per share	(1,573,704,600)
Stock dividend: $0.5 per share	(39,342,620)
Unappropriated earnings	322,975,611

Pursuant to Article 241 of the Company Act, the board on February 25, 2019 decided to cash dividends with a total of NT$78,685,230 funded with the additional paid-in capital (i.e. the premium over the par value of ordinary shares issued). This translates to NT$ 1 per share according to the number of shares held by shareholders on the base date. This is pending the resolution from the shareholders' annual meeting.

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

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

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

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

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

   According to the relevant laws, the Company estimated the remuneration to employees and remuneration to directors for 2018 in amounts of NT$90,000,000 and NT$14,400,000, respectively. The aforementioned the remuneration to employees and remuneration to directors were calculated on the grounds of the previous experiences and allocable amounts. As resolved in the board of directors meeting convened on February 25, 2019, the aforementioned remunerations should be allocated in cash. This is pending the resolution by the shareholders by the board of June 25, 2019. In case of any material changes to amounts before the release of the annual consolidated financial reports, as resolved by the board, the change shall be accompanied with the adjustment to the originally recognized annual expenses. In case of any material changes to amounts after the release of the annual consolidated financials, such changes should be treated as changes of accounting estimates, and adjustments shall be made accordingly for the subsequent year.

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

   (1) The total amount of remuneration to employees: NT$104,400,000.

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

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

   In terms of remuneration to employees, directors and supervisors in the Year 2018, both the estimate and the actual allocation amounted to NT$84,400,000, without any discrepancy.

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

2. Facts about the corporate bonds

(1) Acts on corporate bonds: None

(2) Data of convertible corporate bonds: None

(3) Data of exchange corporate bonds: None

(4) Aggregate total declaration of corporate bonds: None

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

3. Acts on preferred shares

None

4. Acts on global depositary receipts (GDR)

None

5. Acts on employee stock option certificates

None

6. Acts on new restricted employee shares:

March 31, 2019

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

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

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

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

March 31, 2019

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of the new restricted employee shares acquired</th><th rowspan="2">The percentage of the new restricted employee shares acquired to the aggregate total outstanding shares (Note 3)</th><th colspan="4">Having been lifted from restriction</th><th colspan="4">Having not been lifted from restriction</th></tr>
<tr><th>Number of the new restricted employee shares acquired having been lifted from restriction</th><th>Price of issue</th><th>Amount of issue</th><th>The percentage of the new restricted employee shares having been lifted from restriction to the aggregate total outstanding shares</th><th>Number of the new restricted employee shares having not been lifted from restriction</th><th>Price of issue</th><th>Amount of issue</th><th>The percentage of the new restricted employee shares having not been lifted from restriction to the aggregate total outstanding shares</th></tr>
<tr><td rowspan="6">Managers</td><td>Vice General Manager</td><td>Chin Chih-Hsin</td><td rowspan="6">264,000 shares</td><td rowspan="6">0.34%</td><td rowspan="6">105,600 shares</td><td rowspan="6">Issuance without compensation</td><td rowspan="6">—</td><td rowspan="6">0.13%</td><td rowspan="6">158,400 shares</td><td rowspan="6">Issuance without compensation</td><td rowspan="6">—</td><td rowspan="6">0.20%</td></tr>
<tr><td>Vice General Manager</td><td>Wang Chia-Yi</td></tr>
<tr><td>Senior Manager of R&D Department</td><td>Lu Yu-Cheng</td></tr>
<tr><td>Senior Manager of R&D Department</td><td>Chen Ming-Hsien</td></tr>
<tr><td>Manager of R&D Department</td><td>Feng Wen-Lin</td></tr>
<tr><td>Financial Manager</td><td>Wang Kuo-Chin</td></tr>
<tr><td rowspan="10">Employees (Note 2)</td><td>Manager of R&D Department</td><td>Yen Kun-Lung</td><td rowspan="10">298,000 shares</td><td rowspan="10">0.38%</td><td rowspan="10">119,200 shares</td><td rowspan="10">Issuance without compensation</td><td rowspan="10">—</td><td rowspan="10">0.15%</td><td rowspan="10">178,800 shares</td><td rowspan="10">Issuance without compensation</td><td rowspan="10">—</td><td rowspan="10">0.23%</td></tr>
<tr><td>Manager of Product Department</td><td>Huang Nien-Yang</td></tr>
<tr><td>Manager of Quality Assurance Department</td><td>Lee Chin-Chieh</td></tr>
<tr><td>Section Chief of Management Department</td><td>Chen Tsui-Ling</td></tr>
<tr><td>Manager of Marketing Department</td><td>Ke Ai-Chen</td></tr>
<tr><td>Specialist of General Manager Office</td><td>Chen Wen-Pin</td></tr>
<tr><td>Manager of Sales Department</td><td>Lin Hsiu-Chen</td></tr>
<tr><td>Manager of Sales Department</td><td>Wang Wan</td></tr>
<tr><td>Manager of Product Department</td><td>Lin Chih-Chien</td></tr>
<tr><td>Section Chief of Sales Department</td><td>Chang Chia-Pang</td></tr>
</table>

Note:
(1) This refers to both managers and employees (including those who have left or deceased, to be noted). The names and job titles should be separately disclosed but the allocations or subscriptions may be summarized in disclosure.
(2) This refers to the employees, not managers, vested with the top 10 positions of the new shares with restricted employee interests.
(3) The number of shares issued refers to the number of shares issued as updated with the registration to the Ministry of Economic Affairs.
(4) Employees are entitled to 20% of the shares upon expiry of vesting conditions for two years. Date to lift the restriction: August 30, 2018.

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

8. Facts of implementation in utilization of working capital

As of the quarter preceding the Annual Report issuance date, the facts of negotiable securities in the previous issuances or privately placed securities had not been accomplished or had been accomplished within the past three years with the effectiveness not yet emerged: None

V. Operations Overview

1. Business content

(1) Scope of business

1) The Company shall engage in the following business lines:
   1. F113050 Wholesale of computing and business machinery equipment
   2. F118010 Wholesale of computer software
   3. F119010 Wholesale of electronic components
   4. F401010 International trade
   5. IG03010 Energy technology services
   6. E605010 Computing equipment installation
   7. E603050 Automation equipment engineering
   8. CC01010 Electric power generation, electrical transmission and power distribution machinery production
   9. I501010 Product designs
   10. I599990 Other designs
   11. ZZ99999 All business items that are not prohibited or restricted by law and regulations

2) Business Proportion

Expressed in Thousands of New Taiwan Dollars

Year / Product	2018		2017	
	Amount of operating income	Proportion (%)	Amount of operating income	Proportion (%)
Off-Line UPS	4,261,376	37.35	3,872,337	39.26
On-Line UPS	4,726,403	41.43	3,809,661	38.63
Inverter and Others	2,420,115	21.22	2,180,232	22.11
Total	11,407,894	100.00	9,862,230	100.00

3) Current products of The Company

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

A. UPS
   (A) Off-line UPS: 400VA – 2000VA
   (B) On-line UPS: 1KVA – 210KVA
B. Inverter/AVR: 600VA – 10KVA
C. ACCESSORY:
   (A) SNMP Card
   (B) MODBUS Card
   (C) PDU & MAINTENANCE Bypass Switch
D. SOLAR Inverter: 1KVA – 10KVA

E. Charger

(2) Business overview

1) Current situation and development in the industry

The Company is a DMS (Design & Manufacturing Service) supplier for UPS, inverter, and PV inverters. Its primary business is to perform the design and manufacturing services for clients of various international branding customers, our products are primarily for export sales. In the past three years, our export exceeded 90% of the total revenues. The Company's unrelenting pursuit in development of innovative and high quality products, at the same time avoid competition with clients, by not making its own brand, and provided customized products and services to meet clients' needs, thus maintaining excellent cooperative relationships with clients.

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

A. UPS Industry

(A) Overview of product development

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

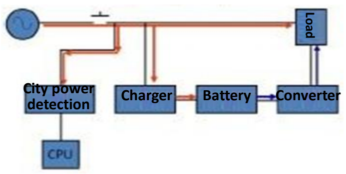
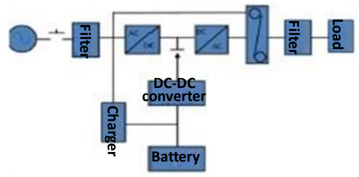
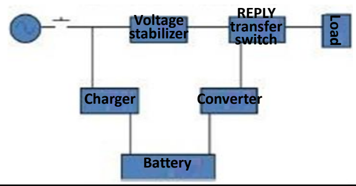
The origin of UPS can be traced back to the time before World War II, in the beginning, it was used in communication products via vacuum tube and multivibrator. Its primary function at that time was to maintain a stable voltage. It was later developed into flywheel UPS (also called a rotary UPS). It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

However, due to the higher costs, its current market share is still low.

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

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

The pros and cons of Off-line and On-line UPS and their applications are summarized in the following table:

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

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

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

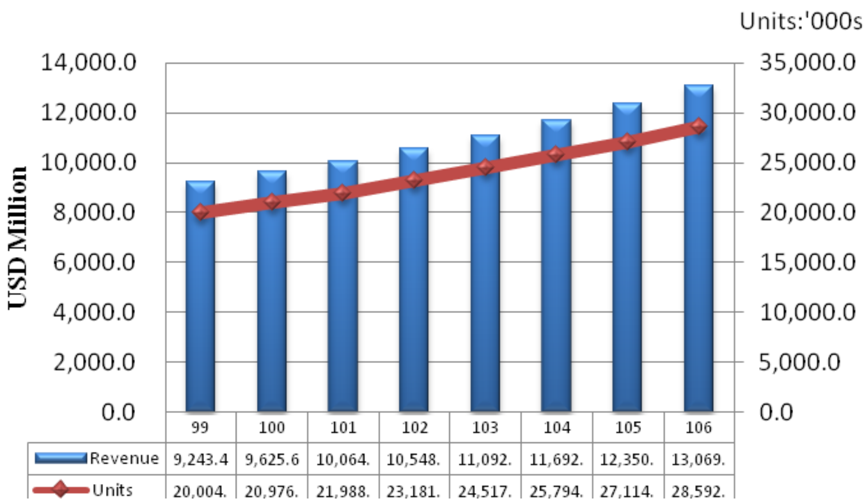
Therefore, the pursuit of stability of electrical energy quality, the reliability of equipment power, data security, became the most significant driving forces of UPS product advancement and technical innovation. In the meantime, as the industrialization of society and the degree of IT applications continue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

(B) Overview of UPS industry

a. Stable growth of the market

According to the 2012 research report by Frost & Sullivan, as shown in the following figure, production values and volumes of global UPS market continued to show a growth trend since 2010, the CAGR of both production values and volumes from 2010 through 2017 are 5.04% and 5.24%, respectively. In general, the UPS industry is a market with stable growth.

Fig: Global UPS market size, 2010-2017



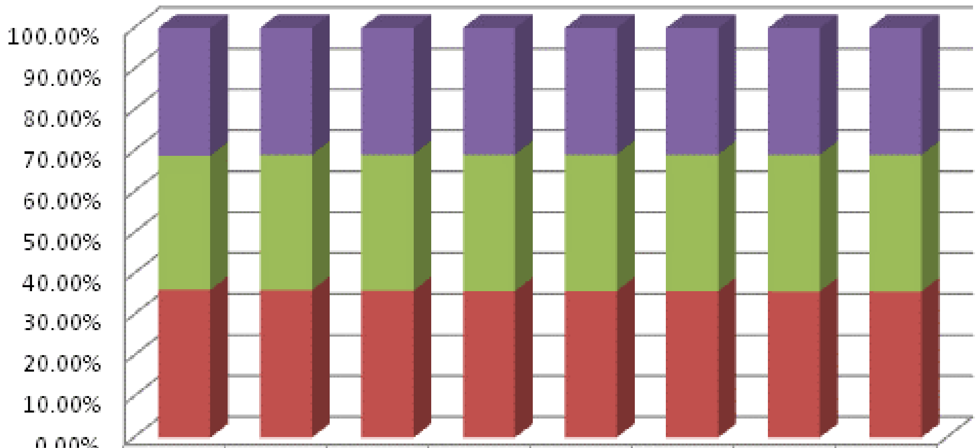
Source: Frost & Sullivan (2012)

b. Even distribution in sales regions

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

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

Fig: UPS products, distribution of major sales regions



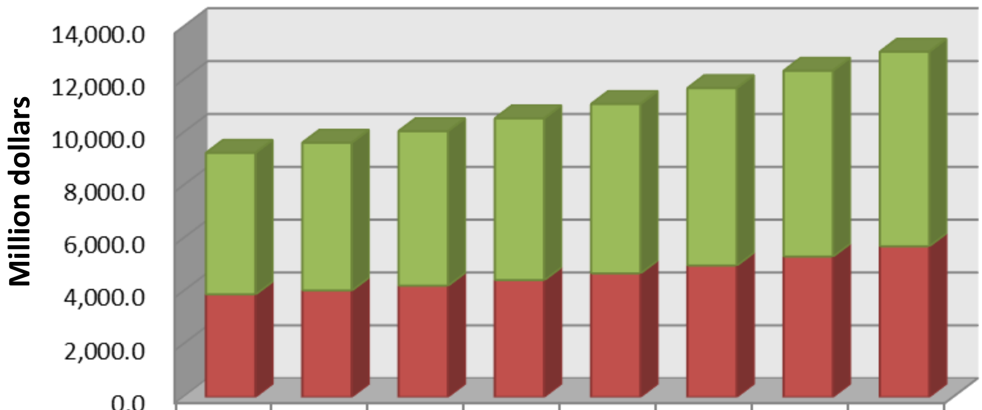
	99	100	101	102	103	104	105	106
Europe, Middle-East and Africa	31.10%	30.90%	30.80%	30.80%	30.80%	30.80%	30.90%	30.90%
Asia-Pacific Region	32.80%	33.10%	33.30%	33.40%	33.40%	33.40%	33.40%	33.40%
The Americas	36.10%	36.00%	35.90%	35.80%	35.80%	35.80%	35.70%	35.70%

Source: Frost & Sullivan (2012)

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

The UPS specifications vary according to their applications; it's primarily based on the products' unit of capacity KVA (Kilo-Volt-Ampere). Presently, there are UPS products for less than 1KVA to over 200KVA. Because the product specifications are very complex, The separation was placed at 20 KVA, for large capacity products if greater than 20 KVA, medium to small capacity products if less than 20 KVA. As indicated in the 2012 research report by Frost & Sullivan, medium to small capacity UPS is the principal global market contributor since 2010. In 2014, the medium to small UPS production values was $6.41 billion, it exceeded over half of the production values in global markets, and it will continue to grow to an estimated $7.36 billion by 2017.

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



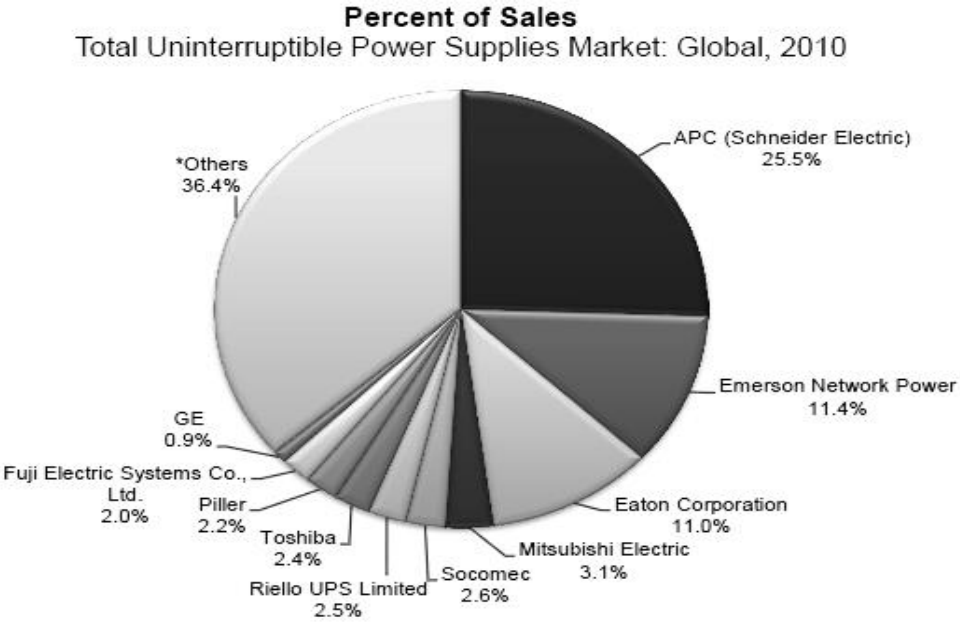
	2010	2011	2012	2013	2014	2015	2016	2017
< 20 KVA	5,355.5	5,588.9	5,847.4	6,117.9	6,406.2	6,710.6	7,026.4	7,358.9
≧20 KVA	3,887.9	4,036.7	4,217.1	4,430.2	4,686.2	4,982.3	5,324.0	5,710.8

Source: Frost & Sullivan (2012)

d. Intense market competition

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

Fig: Market share of global UPS industry



Source: Frost & Sullivan (2012)

(C) Market overview of end-user applications

The market size of end-user applications was the key to driving force for the global UPS production values. According to the 2012 research report by Frost & Sullivan, from the viewpoint of production values of UPS application products, the two primary application categories are from enterprise infrastructure (the majority was servers) and data center. The server and data center of the enterprise account for approximately 80% of the total output value, while the other 20% mainly as communication equipment and individual users.

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

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

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

In addition, the constant evolution of cloud computing also drove related applicable services, such as Facebook, is the most well known in related application services. Facebook has over two billion users, and because of its large number of users globally, the traditional server and data centers gradually become insufficient to meet their increasing demands. Facebook then started construction of its own data centers to meet the needs for processing the enormous amount of data. Other large enterprises also experienced the increased applications of cloud computing, they also followed Facebook's approach to expand their server room and data centers, and small to mid-size enterprises were limited by their economic scale and switched to adopt the solution offered by large data centers, driving the overall increase in market demand. The market overview of servers and data centers are described below:

a. Servers

As business developed and the business volume grew, the volume of servers and workstations that drive enterprises grew as well. As indicated by TrendForce Memory Storage Research (DRAMeXchange), in Year 2018, the server markets continued to grow in the entire global market. Shipment volume is anticipated to increase by approximately 5% annually to reach 12.42 million units.

In the wake of business transformation while intelligent end-user devices become increasingly popular, a vast majority of services in recent years have been integrated through servers. In particular of such services that call for the massive amount of data for calculation and training, even driven by Virtualization Platform and cloud storage. The demand for servers is growing with each passing day. Among them, application of servers in the Information Center shall become the very key toward the growth in server shipment.

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

b. Data centers

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

As forecast by Gartner, an international research and advisory firm, the global public cloud services market will reach US$206.2 billion in 2019, up by 17.3% from US$175.8 billion in 2018; compared with US$145.3 billion in 2017, the growth in 2018 came by 21%. TechNavio forecasts the global data center market to grow at a CAGR of 8.32% in 2017-2021.

c. PC sector

According to statistics revealed by Gartner, an international research institute, the outcome of Gartner's survey indicates that PC shipment volume exceeded 259.5 million units in 2018, down 1.3% from 2017. Although Gartner analysts said that there were signs of optimism in the market in 2018, the overall industry has still been suffering from CPU shortages and political and economic instability in some countries, as the two key trends which have suppressed the impact of the market on PC demand. The global demand for tablets will remain sluggish, likely to decrease 8.5% from 176 million units in 2016 to 161 million units in 2017. Thus, the UPS that was used with personal computers will be affected by the decline in global PC markets, it is estimated to decline gradually in the future. But, the mid-to-large UPS required by more and more enterprise users' private computer rooms, server rooms, data centers and bank ATMs will expand gradually.

B. Industry overview for PV inverters

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

(A) Product overview

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

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

Table: Product features and applications of PV inverter

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

Source: ITRI IEK (2012/12)

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

(B) Industry overview

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

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

According to the data from GTM Research, the global shipment of solar energy inverters in 2017 totaled 78 gigawatts. As the Chinese demand beats market expectations, the industry is amending its forecast for 2018, up 9.4%. The CAGR in 2018-2022 is expected to be at 5.2%. Even though the demand from developed markets such as the UK, Japan, and Germany has slowed down, the growth in emerging markets will help the industry to restore momentum.

2) Correlation in up, mid, and downstream segment in the industry

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

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

Up-stream (materials)		**Mid-stream**		**Downstream (end users)**
Batteries Transformer Semiconductor components Plastic materials Steel case Capacitors PCB Wires Packaging material Software design	→	R&D, manufacturing and product sales	→	Communications equipment industry Operators Office equipment industry Computer server industry Consumer electronics industry Home appliances industry Transportation equipment industry Power equipment industry Medical equipment industry Individual users

The Company operates in the electronics industry, with revenues in the Quarter 2 slightly lower than those in other quarters, this is typical of the electronics manufacturers. However, the seasonality for Voltronic Power has become less evident as the revenue continues to grow. The revenue breakdown for the first and second half was 47: 53 in both Year 2017 and Year 2018. The first half and the second half revenue breakdown during the most recent two years indicates that the company's revenue no longer exhibits pronounced seasonality.

Table: Revenue distributions, Voltronic Power in recent two years

Revenue distributions	Year 2018	Year 2017
First half of the year	47%	47%
Second half of the year	53%	53%

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

3) Various development trends and competitive situation of products

A. Future development trends of the industry

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

(A) Product functions are becoming more versatile

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

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

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

When many types of equipment required the power protection of UPS, one can choose from either centralized or distributed types. In a large UPS, moving power to the protected equipment, this type of installation is called centralized UPS system. The advantage of such a system is one only needs to maintain one unit. The disadvantage is bearing all risk on a single unit, if an operation error occurs, it could result in failures all protected equipment. Also with only one UPS, it is hard to make an adjustment to power services required by various equipments. The other option is to utilize multiple, smaller UPS to be installed by the equipment that needs the protection, this type of installation is called distributed UPS system. Its advantage is high degrees of flexibility; the load can be set separately, moreover, due to large-scale production, the prices of small UPS are becoming more competitive. Therefore, the architecture of distributed UPS is the future trend.

(C) Energy saving and efficiency

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

In addition, the harmonic current generated by various power consumption equipment and power devices polluted power grid severely. With the introduction of various policies and regulations, the call for pollution-free green power devices is gaining momentum. Other than adding wave filter on UPS, power factor correction at the input side of power grid should also be adopted. This will reduce the effect of UPS harmonic current in a power grid.

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

(D) Product safety and reliability continue to rise

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

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

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

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

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

(a) Increasing conversion efficiency

The conversion efficiency is still the most crucial focus in PV Inverter. Presently, the highest efficiency can be reached at 97-98%. But market average efficiency is around 92-94%; there is still lots of room for improvement. Because the conversion efficiency directly affects the power generation efficiency of a solar power generation system, the market has never stopped requesting for higher conversion efficiency, and it’s also the goal of future R&D for suppliers.

(b) Bidirectional applications of PV inverter products

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

B. The competitive situation of products

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

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

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

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

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

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

(3) Overview of technology and R&D

1) Technical levels and R&D of operating business

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

2) Educational background and experience of R&D staff

Year		2018 (Expressed in persons)	Current year up to March 2019 (Expressed in persons)
Beginning headcount		306	360
New staff		162	63
Staff who left		132	50
Laid off and retirement		0	0
Department changes		21	2
Total R&D staff at period end		360	375
Average length of service		2.70	2.93
Turnover rate		26.82%	11.23%
Distribution of degrees	PhD	1	1
	Master	32	32
	University and College	255	270
	High school	72	72

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

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

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

Expressed in Thousands of New Taiwan Dollars; %

Item \ Year	2018	2017
R&D expenses	417,712	359,575
Net operating income	11,407,894	9,862,230
R&D expenses/Net operating income	3.66%	3.65%

4) Successful technologies or products or development in recent years

Year	R & D achievements	Content description
2017	On-Line 1~5KVA： (1) On-line 1~3KVA standard model (pf=0.8) long-life discharge versions (2) On-line 1~3KVA high-power factor (pf=0.9) long-life models	Improvements in power density and capabilities.
	On-Line 6~120KVA： (1) On-line 6K/10K UPS models (2) On-line distributed, high-voltage direct-current UPS 6K/15K modules and monitoring system (3) On-line 3/3 60K/80K high-power / high-efficiency / low-current harmonics for standard models (4) On-line 3/3 160K/200KVA industrial UPS models (5) On-line 3/1 10/20/30/40/60/80/100/120KVA industrial UPS models (6) On-line three camera active current harmonic compensator development	(1) Improved cost structure (2) Completed debugging and development of high power module model (3) Power extension of 3/1 3/3 economy model
	Solar, Inverter: (1) 2.2K/7.5K/12KW inverters for solar pumping systems (2) AC/DC power modules for 15kW direct-current charging poles (3) On-grid inverters for storage DC/DC converters (4) 5kW EPS power modules (5) Enhanced hybrid PV Inverter 3kW models	(1) Carried out inline energy storage and customization project. (2) Strengthening of off-grid PV Inverter functions (3) Expanded module system of Charger/Inverter (4) Parallel connection; charging efficiency enhancement

(4) Long and short-term business development plans

1) Short-term business plan

A. Product strategy

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

B. Production strategy

Scale production and automation are the focus of the company's production strategy. And to satisfy clients' sales characteristics of "small amount with diversity," our company integrated and merged parts, centralized production bases, modularized common circuits, to optimize supply chain management. Operational management focuses on reduce production costs, shorten delivery, and inventory reduction.

C. Sales strategy

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

D. Financial cooperation

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

2) Long term business plan

A. Product strategy and goals

Continue to improve the profitability of each product line via sequentially enhancing product reliability with scale production, value analysis, value engineering cycles, continue raising the entry barriers from competitors, and to maintain the growth momentum. Gradually increasing the revenues generated by new products each year, and raise the revenues proportion of high-end products.

B. Production strategy

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

C. Sales strategy

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

D. Financial strategy

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

2. Overview of markets, production and sales

(1) Market analysis

1) Sales areas of key products

Expressed in Thousands of New Taiwan Dollars; %

Sales regions		Year 2018		Year 2017	
		Amount	Percentage	Amount	Percentage
Domestic sales		459,951	4.03%	424.436	4.30%
Exports	Asia	5,228,653	45.83%	4,821,576	48.89%
	Others	5,719,290	50.14%	4,616,218	46.81%
	Total exports	10,947,943	95.97%	9,437,794	95.70%
Total		11,407,894	100.00%	9,862,230	100.00%

2) Market shares

The Company's major shipment of UPS is under 20KVA. In 2018, the combined shipments were 5,760,000 units. According to market analysis report by Frost & Sullivan on global UPS, in terms of UPS shipments to global markets. The company's share is about 20%. Where, nevertheless, the Company mainly focuses on small and medium capacity UPS. If it is relative to the output value, the Company only accounts for 2.9%.

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

A. UPS industry

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

Although the UPS industry has shown a trend of stable growth, but looking from the product mix, UPS products above 20KVA, benefited from large data centers of enterprise users, and public infrastructure equipment room in recent years, the annual growth speed was higher than that of UPS products below 20KVA and the overall UPS production growth rate. At present, our company's revenues still primarily came from UPS products less than 20KVA. However, with R&D capability, The company already introduced UPS at 300KVA(highest), there should be sufficient technical capability to respond to sub-contracting from large international firms.

B. UPS application products

(A) Servers

According to MIC's (of Institute for Information Industry) research report, in the market area of global server, driven by the calculation needs of data centers, market size will continue to grow. With the development of the Internet, business opportunities in cloud computing continue to grow, some applications derived from business IT equipment, computer room equipment, market demand for related products continued to appear. In the future, the market demand for server products will also continue to grow.

(B) Data centers

According to the latest "Global IT spending statistics and forecast report" by Gartner, the global IT spending is expected to reach US$3.8 trillion in 2019, up 2.8% from 2018.

	2017 spending	2017 growth	2018 spending	2018 growth	2019 spending	2019 growth
Data Center Systems	181	6.3%	188	3.7%	190	1.1%
Business software	352	8.8%	391	11.1%	424	8.4%
Installations	663	5.1%	706	6.6%	715	1.3%
IT services	933	4.4%	1,003	7.4%	1,048	4.6%
Communication services	1,392	1.3%	1,452	4.3%	1,468	1.1%
IT TOTAL	**3,521**	**3.8%**	**3,740**	**6.2%**	**3,846**	**2.8%**

Global IT spending and forecast (expressed in billions of US dollars)

Among them all, data center systems and devices are expected to grow by 1.1% and 1.3%, while software and IT services are expected to maintain a good growth momentum, growing by 8.4%, 4.6%. With the maturity of Internet and cloud computing, in order to satisfy the rapidly growing cloud demand by enterprises, whether they are built for internal use or sales/leasing business by cloud serves firms, the construction of mid to large data centers, and data access to related hardware and software demand of network communications equipment market have been increasing gradually.

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

and Europe, markets in emerging countries, led by Asia, their rapid growth in enterprises, accelerated demand for construction of new data centers. It is expected that future global markets' demand for data centers will continue to grow aggressively.

(C) Personal computers

Amidst the gradual popularization of mobile or cell phone devices, the global market for personal desktops, notebooks and tablets will continually decline. According to the Institute of Industrial Intelligence (MIC), the traditional PC market will continue a trend to decline. MIC pointed out that Taiwan's desktop computer shipment volumes are growing in the next few years, due primarily to the majority of international brand commercial orders. In the year 2019 while the PC market lacks growth momentum, shipments shall be stagnant. The shipment volumes will be in increase rates in next year at 1.6% and -2.6% respectively. The notebooks will show a small decline in the next two years, and shipment volumes will decrease by 1.3% and 0.3% respectively in the current and the next. It is expected that the global demand for personal computers will continue its gradual decline, as a result of increasing popularity of smartphones.

C. PV inverter industry

Global PV inverter industry market demand and solar energy power generation system are closely related. In order to replace traditional fossil fuel energy, the long-term direction of development is to continue reducing the cost to generate solar power energy. The same also drove the prices of various components in a solar energy system lower. The market primarily depends on the government subsidies to stimulate the development of the solar energy industry. The efficiency of PV inverter goes up each year, but the continuous declining of average price will become the future development norm of PV inverter.

Due to the government policy to reduce subsidies in many countries, leading to a weaker demand for end-user applications, coupled with the mass production in mainland China, caused price per watt from PV inverter continued to drop. A large number of suppliers resulting in increasing price competitions, resulted in PV inverter market to grow at a slow pace. But, in the long run, because various countries adopted the goal to replace traditional fossil energy with renewable energy, PV inverter will face small fluctuation due to inventory adjustments in supply and demand. But a trend of stable growth each year will take shape.

4) Competitive niche

A. Business strategy focusing on DMS areas

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

B. Market orientation

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

C. The R&D capability of rapid innovation

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

D. Production advantages

(A) Economies of scale

In 2018, The Company holds 20% of global market shares, in terms of shipment volume, and become world's largest DMS UPS manufacturer. Thus relative to competition, the company enjoys apparent economic scale in procurement costs, therefore was able to maintain The Company's cost-competitiveness.

(B) Flexible production

Because UPS is a high-mixture, low volume industry. In response to clients' various product designs and production needs, The company already developed a system superior to others in the industry: capacity deployment and production system of customization products, mixing and matching production line planning of various long-line, short-line, U-shaped production grid, introduced automation equipment, supply chain management and key components manufacturing with vertical integration, allowing The Company to maintain cost-competitive production model with a high yield rate and efficiency.

E. Complete product offerings

The company and its subsidiaries have a professional R&D team of 200 highly-qualify engineers, focusing on different products. From the development of monitoring software or the development and maintenance of various UPS models or even for the development and design of PV inverter and other accessories and products. All have dedicated teams fully accountable for each project. At present, the company offers a complete series of UPS products starting from the small 400VA to the large, three-phase 210KVA systems. And clients can choose products of PV inverter from 1KW-10KW, the clients can make adjustments to the standard model developed with independent R&D team from the company, depending on the level of customization, The Company can complete the development in 2-12 weeks, making The Company the most experienced DMS firm.

5) Favorable, unfavorable factors of development prospects and countermeasures

A. Favorable factors

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

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

(B) Strong R&D team

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

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

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

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

(D) Working with clients closely

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

B. Unfavorable factors and countermeasures

(A) Dramatic changes in world economic climate

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

<u>Countermeasures:</u>

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

(B) Difficulties in developing talents

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

<u>Countermeasures:</u>

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

The Company also set up R&D units in Taiwan, by developing our own R&D staff, offer a solid training foundation from product appearance to electronic circuit configuration, etc. in an attempt to identify specialized R&D talents for Taiwan's UPS industry in order to satisfy the need for customization by clients in global markets.

(C) Merger uncertainties from international brand clients

In 2007, after large UPS international company Schneider purchased APC and merged with MGE, and became world's largest UPS branding manufacturer. Also in 2007, large international branding company Eaton acquired Taiwan's largest UPS manufacturer Phoenixtec Limited. Related mergers have a significant impact on global UPS industry. Their operating strategy and direction, and the possibility to purchase or merge with local brands in regional countries will impact their in-house or out-sourcing decisions. And because DMS is our company's current business model, there are uncertainties caused by these transactions.

<u>Countermeasures:</u>

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

(D) The rising of manufacturing costs

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

Countermeasures:

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

(E) Risks of foreign exchange rates

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

Countermeasures:

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

(2) Important applications and production processes of major products

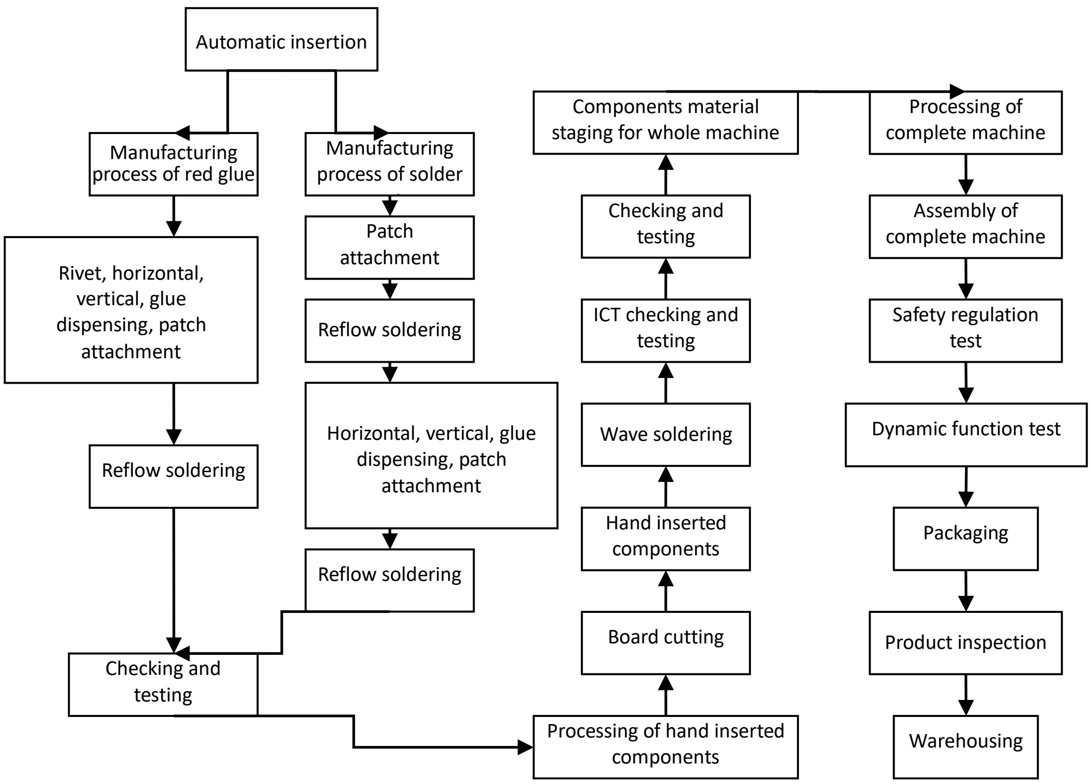
1) Important applications of major products

● Major products	● Important applications
UPS system	● Equipment that provides uninterrupted AC to electrical load and key equipment in situations of abnormal Grid power (e.g., power outage, under

	voltage, interference or inrush current), so electrical appliances can maintain normal operation. Usually, UPS is used to maintain uninterrupted operation of computer (especially servers) or switchboard etc. key business equipment or precision instrument, to prevent computer data loss, interruption in telephone communication network, or instrument losing control.
Stand Alone Inverter	● Stand Alone Inverter is a power converter, it is able to convert DC to AC Stand Alone Inverters often adopt renewable energy such as solar panels or small wind turbine, after the current has been converted into AC, it can be used by homes and small industries. This type of inverter is mainly used in remote areas not converted by power grid, or areas with frequent power outages.
On-grid PV Inverter	● PV inverter is a special power converter used in the solar PV On-grid power generation area. It converts the DC generated by solar batteries directly into On-grid AC, it's an indispensable core component in an On-grid PV system.

2) Production process of major products

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



(3) Supply condition of major materials

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

(4) Lists of major purchasing and sales clients

1) In recent two years, of any year, with purchasing volume exceeded 10%, the client's company name, purchasing amount and proportion, and with an explanation for their reasons to increase or decrease purchasing. But due to contractual agreement, a client's name cannot be released, or if the transaction was with an individual and not related party and is represented by a code:

   The Company, from 2018 through the Quarter I of 2019, there was not one client that had over 10% of our purchasing volume.

2) In recent two years, of any year, with sales volume exceeded 10%, the client company name, sales amount and proportion, and with an explanation for their reasons to increase or decrease sales. But due to contractual agreement, a client's name cannot be released, or if the transaction was with an individual and not related party and is represented by a code:

   The Company, from 2018 through the Quarter I of 2019, there was not one firm that had sales over 10% of our sales volume.

(5) Table of purchasing volume in recent two years

Expressed in Thousands of Units/Thousands of New Taiwan Dollars

Year / Output value / Major product	2018			2017		
	Production capacity	Output	Output values	Production capacity	Output	Output value
On-line UPS systems	750	705	4,865,600	600	552	3,809,661
Off-line UPS systems	5,550	5,164	4,061,376	5,550	5,240	3,872,338
Inverter and other products	—	—	2,420,115	—	—	2,181,232
Total			11,347,091			9,863,231

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

Expressed in Thousands of Units/Thousands of New Taiwan Dollars

Year / Sales values / Major products	2018				2017			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
On-line UOS systems	34	129,083	664	4,597,320	18	105,528	534	3,704,133
Off-line UPS systems	81	109,093	4,983	4,152,283	117	121,390	5,433	3,750,947
Inverter and other products		221,775		2,198,340		197,518		1,982,714
Total		459,951		10,947,943		424,436		9,437,794

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

Expressed in persons

Year		2017	2018	Current year up to March 31, 2019
Number of employees	Direct	1,136	1,023	1,846
	Indirect	1,101	1,353	1,434
	Total	2,237	2,376	3,280
Average age		27.42	29.82	29.04
Average years of service (year)		1.37	1.63	1.24
Ratios of degree distribution (%)	PhD	0%	0%	0%
	Master	1.70%	1.85%	1.37%
	College	17.08%	18.18%	14.42%
	High school and below	81.22%	79.97%	84.21%

4. Information on expenditure for environmental protection

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

The Company does not have this issue.

The politic goals of environmental protection:
Voltronic Power Technology Corp. primarily engages in such business for Uninterruptible Power System (UPS power converters (or converters, inverters, Inverters and the like), voltage regulator (AVR), solar inverter (PV Inverter), professional ODM design and manufacturing. The Company accepts as well customers' requests in designing or assembling the product exactly according to customers' requirements, and then transporting it to the customers' designated destinations. In the battery, transformer and plastic used in the production of the products, iron shell shall be the very raw materials (accounting for approximately 50% of the original raw material costs) and the related packaging materials which are recyclable in all cases but the recycling behavior lies on the client terminal.

Voltronic Power Technology Corp.'s business philosophy: "Environmental protection, harmonious symbiosis", as committed to creating and maintaining a safe and clean environment. All products manufactured by the Company are strictly in compliance with international environmental regulations to protect the green earth as its holy mission, to enhance the use of resources efficiency. The Company's main plant areas have been officially accredited for IS014001, ISO 9001 and OHSAS18001.

Energy management measures:
As commissioned by customers, the Company lying in the middle of the industry chain specializes in research & development, design and manufacturing services of UPS, Inverters and PV Inverters, creates and maintains a safe and clean environment, with its products strictly in compliance with international environmental regulations. To protect the green earth as its holy mission, the Company puts forth maximum possible efforts to improve the efficiency of the use of a variety of resources.

The Company puts forth maximum possible efforts toward the environmental protection of the offices to minimize energy consumption. The Company office buildings in Taiwan adopt green building materials that meet the regulatory standards to reduce the energy consumption of the entire buildings. The indoor office areas are equipped in full with energy-saving LED lamps, with an average service life up to 20,000 hours. All LED lamps meet the LM80 test requirements. For the air-conditioning equipment of the entire buildings, the Company adopts time-based control system to save relative power consumption. The entire indoor temperature is maintained at 25~26 degrees, and the colleagues are publicized heavily to turn off the lights at the very moment when they leave.

Managerial measures over water resources:
Voltronic Power Technology Corp. calls for no use of water resources (i.e., without industrial water demand) in both Taiwan and the Mainland China. It only needs to use domestic water for employees as the municipal water supply. The Company, after all, advocates all employees to save water resources whenever possible.

Managerial measures over greenhouse gases:
In terms of the energy used by Voltronic Power Technology Corp. for business operation in Taiwan and for production in Mainland China, the Company does not at all use renewable energy, coal, natural gas, crude oil, diesel, carbon emissions (CO_2) generated by the purchase of electricity only for operation, as a single greenhouse gas. The Company is known as a (CO_2) low-emission firm and in line with the implementation of local government energy policies and measures, the Company heavily strengthens the concept of promoting energy conservation, minimization of consumption in coordination with the execution of the government policies. The entire staff members of the Company have been intensively publicized into energy saving & carbon reduction and greenhouse gas reduction along with effort to minimize waste emission.

Waste managerial policies:
Where the recycling behavior lies on the terminal of customers, from the research & development design stage, the Company has emphasized minimization of waste output. The relevant packaging materials (including corrugated paper, cardboards, cardboard boxes, paper pallets, wood, and the like) should be recycled as much as possible with heavy efforts

for reuse without using ozone depleting substances), aiming to reduce the impact upon the overall environment, comply with relevant regulations, and achieve environmental protection and sustainable development through whole staff participation and commitment.

Risk management and opportunities in climate variation:
In terms of regulatory aspects: For all products, the Company faithfully complies with the environmental protection regulations prevalent in the territories of customers. The Company conducts actively research and development combined with UPS and green energy applications to assure maximum possible efficiency in power generation. Power protection and power backup are, as well, an important development trend of UPS.

In the aspect of climate disaster: With different application environments and with the efforts for efficient and flexible use of solar energy, commercial power and battery power, the Company can achieve the highest efficiency of UPS. In sales of products in 2016, 2017 and 2018 respectively, the Company has provided customers with reduction in carbon emissions up to 252,435 metric tons, 382,888 metric tons and 420,207 metric tons.

Impact by other acts: The climate change would not lead to any direct impact and risk at all upon Voltronic Power Technology Corp. in research & development of its products.

5. Labor relations

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

1) Employee welfare measures

In addition to labor and health insurance and pension contributions as required by laws, the Company provides allowance for the following: travel expenses, year-end banquets, year-end bonuses, Labor Day gift benefit, Mid-Autumn Festival gift benefit, subsidies for weddings, funerals, hospital stays, childbirths, group insurance, training and education, assistance in health management and emergency loans. Meanwhile, we have set up the Employee Benefits Committee to take care of employees. The Company, as always, attaches great importance to the work environment to assure employees' safety and well-being, implements the employee health examination with active adjustment of the contents of examinations which prove significantly better than those required under the Labor Standards Act. Besides, the Company implements employee safety and health related in-service education educational & training programs for employees throughout the Company, including health management and fire safety along with the technology & know-how of first-aid, emergency response, traffic safety and other educational propaganda to enhance employees' awareness of occupational safety and health. Moreover, the Company sets up healthy and energetic places to with fitness equipment/fitness programs.

Parental leave:

Year	Descriptions		Male	Female	Subtotal
2018	A	Number of employees qualified to	63	11	74

		apply for parental leave.			
	B	Number of employees under long-term leave without pay in the wake of application for parental leave	1	0	1
	C	Number of employees anticipated to resume normal services from long-term leave without pay amidst parental leave	1	0	1
Note: The number of employees qualified for parental leave is counted based on the number of applicants for maternal and paternal leaves.					

2) Employee education and training

The Company has established management procedures for employee education and training, to develop employees' knowledge and skills, so they can perform their functions, increase work efficiency, to ensure work quality, and achieve The Company's goal of sustainable operation and development. Other than education and training for new employees, to help new employees quickly merge into the organizational team. Managers and employees of each department, in responding to the operating condition of The Company, can request special program, sponsorship for companywide or department-wide, international or domestic training courses and seminars, to improve employees' expertise and core competencies, and strengthen the channel for employees to receive complete training and advanced studies.

In an efforts to cultivate talented resources for the society, power supply industry calls for continued efforts and investment in human resources cultivation. Those research & development talents have a hard time to be cultivated to accumulate their hands-on experiences. The Company is supposed to foster adequate and high-level research & development oriented candidate as the seed talents. So far the Company has participated in the research & development teams of the Ministry of the Interior with candidates amidst draftees-to-be for substitute services in the Year 2018 and Year 2019. Meanwhile, undergraduates of university-related electronic departments under training internship platforms and students outside school and participating in campus recruitment activities. Through inheritance of hands-on experiences, the Company virtually creates the sound ambiance to cultivate research & development talents from newcomer of the society.

3) Retirement system and implementation status

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

4) Agreements between labor and management

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

5) Implementation status of safeguarding various employee rights

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

6) Work environment and safeguarding of employee personal safety

The Company complies truthfully to the following relevant provisions: Labor Safety and Health Act and its detailed rules for implementation, Labor Safety and Sanitation Rules, Labor Inspection Act and its detailed rules for implementation, Review and inspection scheme of Hazardous workplace, strengthen operating key points of labor safety and health management, labor standards law and its detailed rules for implementation, safe sanitary facilities standards. Also, The Company strictly adheres to Employment Services Act, The Workplace Gender Equality Act, etc. and related regulations, and clearly indicated in work regulations that "the hiring of employees is based on the conditions of knowledge, integrity, ability, experience, and suitable for jobs and work as the principle." During employee's work in the Company, the Company adheres to, complies with various regulations and work rules. Treat every employee equally, set prevention measures for sexual harassment, to ensure gender equality, without discrimination. Enhance the peace of mind of the workplace with AED equipment and venue of peace; our main facilities in China have obtained the OHSAS 18001:2007 certification in occupational health and safety.

Voltronic Power Technology Corp. has taken charge of employees health, safety & security related issues exactly in accordance with the laws and ordinances concerned.

Work injury records in 2018 (regions, gender, absence records)

Regions	Mainland China		Taiwan	
Gender	Male	Female	Male	Female
Number of employees under injury in line of duty	5	3	0	0
Aggregate total of workforce	1501	827	0	0
Frequency of injury in line of duty	0.33%	0.36%	0	0
Categories of injury in line of duty	5 employees injured in line of duty	2 employees injured in line of duty 1 employee injured not in line of duty（traffic accident）	0	0
Aggregate total number of days at loss	48	132.5	0	0
Death accident in line of duty	0	0	0	0

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

6. Important contracts

Nature of contract	Concerned party	Contract start and end dates	Major content	Restrictions
Trust deed of marketable securities	CTBC Bank	March 14, 2013 - March 13, 2018	New shares of Voltronic Power employee restricted stock	According to published provisions

VI. Financial Standing

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

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

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

A. The consolidated financial statements

Expressed in Thousands of New Taiwan Dollars

Item \ Year		Financial information for the past five years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current Assets		4,521,822	5,382,054	5,747,296	5,679,633	6,046,610	6,936,301
Property, plant and equipment		893,157	930,952	1,062,153	1,295,195	1,964,461	2,211,503
Right-to-use assets		-	-	-	-	-	418,664
Intangible assets		7,160	6,103	8,198	6,691	5,235	7,696
Other assets		31,540	48,942	261,588	255,655	269,465	102,428
Total assets		5,453,679	6,368,051	7,079,235	7,237,174	8,285,771	9,676,592
Current liabilities	Before distribution	2,022,873	2,273,067	2,772,007	3,058,182	3,835,225	4,557,085
	After distribution	2,787,982	3,388,402	3,952,588	4,238,508	3,835,225	4,557,085
Non-current liabilities		25,705	26,629	18,969	231	541	201,861
Total liabilities	Before distribution	2,048,578	2,299,696	2,790,976	3,058,413	3,835,766	4,758,946
	After distribution	2,813,687	3,415,031	3,971,557	4,238,739	3,835,766	4,758,946
The equity contributed to the parent company		3,405,101	4,068,355	4,288,259	4,178,761	4,450,005	4,917,646
Capital stock		708,435	743,557	787,055	786,885	786,853	786,853
Capital surplus		1,387,138	1,385,450	1,697,404	1,295,700	900,718	900,718
Retained earnings	Before distribution	1,278,140	1,894,778	2,171,080	2,354,143	2,987,513	3,367,021
	After distribution	477,609	742,265	990,499	1,173,817	2,987,513	3,367,021
Other equity		31,388	44,570	367,280	(257,967)	(225,079)	(136,946)
Treasury stock		—	—	—	—	—	—
Non-controlled Equity		—	—	—	—	—	—
Total equity	Before distribution	3,405,101	4,068,355	4,288,259	4,178,761	4,450,005	4,917,646
	After distribution	2,639,992	2,953,020	3,107,678	2,998,435	4,450,005	4,917,646

Note 1: The 2014 ~2018 financial statements had been duly certified by Certified Public Accountant.

Note 2: The financial data for the Quarter I of 2019 was reviewed by Certified Public Accountants.

Note 3: The appropriation of earnings in Year 2018 had been resolved in the board of directors but not been resolved by the shareholders' meeting.

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

B. Parent company only financial statements

Expressed in Thousands of New Taiwan Dollars

Item \ Year		Financial information for the past five Years				
		2014	2015	2016	2017	2018
Current Assets		3,387,726	3,964,318	3,740,140	3,587,828	4,053,064
Investment of equity method adopted		1,236,878	1,986,219	2,550,549	3,469,418	4,048,270
Property, plant and equipment		743,087	771,999	860,456	933,168	1,105,997
Intangible assets		3,826	4,379	7,270	6,037	4,894
Other assets		2,961	3,583	28,569	53,030	58,064
Total assets		5,374,478	6,730,498	7,186,984	8,049,481	9,270,289
Current liabilities	Before distribution	1,943,926	2,635,767	2,880,022	3,870,720	4,819,970
	After distribution	2,709,035	3,751,102	4,060,603	5,051,046	4,819,970
Non-current liabilities		25,451	26,376	18,703	—	314
Total liabilities	Before distribution	1,969,377	2,662,143	2,898,725	3,870,720	4,820,284
	After distribution	2,734,486	3,777,478	4,079,306	5,051,046	4,820,284
The equity contributed to the parent company		3,405,101	4,068,355	4,288,259	4,178,761	4,450,005
Capital stock		708,435	743,557	787,055	786,885	786,853
Capital surplus		1,387,138	1,385,450	1,697,404	1,295,700	900,718
Retained earnings	Before distribution	1,278,140	1,894,778	2,171,080	2,354,143	2,987,513
	After distribution	477,609	742,265	990,499	1,173,817	2,987,513
Other equity		31,388	44,570	367,280	(257,967)	(225,079)
Treasury stock		—	—	—	—	—
Non-controlled Equity		—	—	—	—	—
Total equity	Before distribution	3,405,101	4,068,355	4,288,259	4,178,761	4,450,005
	After distribution	2,639,992	2,953,020	3,107,678	2,998,435	4,450,005

Note 1: The 2014 ~2018 financial statements had been duly certified by Certified Public Accountant.

Note 2: The appropriation of earnings in Year 2018 had been resolved in the board of directors but not been resolved by the shareholders' meeting.

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

A. The consolidated financial statements

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

Year / Item	Financial information for the past five Years					As of March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenue	6,723,027	8,039,323	8,120,220	9,862,230	11,407,894	2,854,537
Gross operating profit	1,760,712	2,437,032	2,485,612	2,694,648	3,105,166	784,421
Operating gain/loss	1,135,161	1,678,219	1,679,275	1,828,597	2,110,963	531,003
Non-Operating revenues and expenditures	96,533	82,452	42,946	(173,407)	145,413	(40,397)
Net profit before tax	1,231,694	1,760,671	1,722,221	1,655,190	2,256,376	490,606
Net profit for the year of continuing operations	995,396	1,416,710	1,428,336	1,363,644	1,813,632	379,508
Loss from discontinued operations	—	—	—	—	—	—
Net profit for the year (loss)	995,396	1,416,710	1,428,336	1,363,644	1,813,632	379,508
Other consolidated gain/loss for the year (net after tax)	38,760	(13,240)	(150,533)	(31,899)	(50,002)	72,883
Total amount of consolidated gain/loss for the year	1,034,156	1,403,470	1,277,803	1,331,745	1,763,630	452,391
Net profit contributed to the Parent Company	995,396	1,416,710	1,428,336	1,363,644	1,813,632	379,508
Net profit contributed to the Non-controlled equity	—	—	—	—	—	—
Total amount of consolidated gain/loss contributed to the Parent Company	1,034,156	1,403,470	1,277,803	1,331,745	1,763,630	452,391
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	—	—	—
Earnings per share	14.33	19.05	18.25	17.46	23.18	4.85

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

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

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

B. Parent company only financial statements

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

Item \ Year	Financial information for the past five Years				
	2014	2015	2016	2017	2018
Operating revenue	6,325,522	7,365,875	7,111,206	8,710,973	9,997,629
Gross operating profit	963,561	1,418,672	1,512,514	1,490,846	1,848,105
Operating gain/loss	606,290	1,013,105	1,105,793	1,024,748	1,351,323
Non-Operating revenues and expenditures	507,367	605,824	532,796	472,018	752,936
Net profit before tax	1,113,657	1,618,929	1,638,589	1,496,766	2,104,259
Net profit for the year of continuing operations	995,396	1,416,710	1,428,336	1,363,644	1,813,632
Loss from discontinued operations	—	—	—	—	—
Net profit for the year(loss)	995,396	1,416,710	1,428,336	1,363,644	1,813,632
Other consolidated gain/loss for the year (net after tax)	38,760	(13,240)	(150,533)	(31,899)	(50,002)
Total amount of consolidated gain/loss for the year	1,034,156	1,403,470	1,277,803	1,331,745	1,763,630
Net profit contributed to the Parent Company	995,396	1,416,710	1,428,336	1,363,644	1,813,632
Net profit contributed to the Non-controlled equity	—	—	—	—	—
Total amount of consolidated gain/loss contributed to the Parent Company	1,034,156	1,403,470	1,277,803	1,331,745	1,763,630
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	—	—
Earnings per share	14.33	19.05	18.25	17.46	23.18

Note: The 2014 ~2018 financial statements had been duly certified by Certified Public Accountant.

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

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

Year	CPA's house	Name of CPA	Audit Opinions
2013	Deloitte & Touche	Yu Cheng-Chuan, Chang Keng-Hsi	Unqualified opinions
2014	Deloitte & Touche	Chung Wei, Yu Cheng-Chuan	Unqualified opinions
2015	Deloitte & Touche	Yu Cheng-Chuan, Chung Wei	Unqualified opinions
2016	Deloitte & Touche	Yu Cheng-Chuan, Chen Chung-Chen	Unqualified opinions
2017	Deloitte & Touche	Yu Cheng-Chuan, Chen Chung-Chen	Unqualified opinions
2018	Deloitte & Touche	Chen Chung-Chen, Chen Chao-Mei	Unqualified opinions

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

2. Financial analysis for the past five years

(1) International Financial Reporting Standards (IFRS)

A. The consolidated financial statements

Item	Year	Financial information for the past five years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Capital Structure	Liabilities to assets ratio (%)	37.56	36.11	39.42	42.26	46.29	49.18
	Long-term funds to property, plant and equipment ratio (%)	384.12	439.87	405.52	322.65	226.55	231.49
Liquidity	Current ratio (%)	223.53	236.77	207.33	185.72	157.66	152.21
	Quick Ratio (%)	203.12	218.42	177.55	149.18	127.65	128.57
	Interest coverage ratio (times)	254.43	302.90	235.00	172.75	138.90	31.90
Operating ability	Accounts receivable turnover rate (times)	6.14	6.42	5.88	5.94	5.70	6.16
	Average days of accounts receivable (days)	59	57	62	61	64	59
	Inventory turnover rate (times)	16.54	15.61	10.29	8.70	8.74	9.26
	Accounts payable turnover rate (times)	3.57	3.60	3.12	3.27	3.51	3.68
	Average days of sales (days)	22	23	35	42	42	39
	Property, plant and equipment turnover rate (times)	12.97	8.81	8.15	8.37	7.00	6.51
	Total assets turnover rate (times)	1.48	1.36	1.21	1.38	1.47	1.35
Profitability	Return on assets (%)	22.07	24.05	21.33	19.16	23.54	18.55
	Return on equity (%)	36.98	37.91	34.18	32.21	42.04	33.38
	Net gains before tax to paid-in capital ratio (%)	173.86	236.79	218.82	210.35	286.76	249.40
	Net gains ratio (%)	14.81	17.62	17.59	13.83	15.90	13.29
	Earnings per share ($)	14.33	19.05	18.25	17.46	23.18	4.85
Cash flow	Cash flow ratio (%)	66.60	60.70	49.74	56.94	48.62	13.28
	Cash flow adequacy ratio (%)	141.97	141.15	117.68	98.28	91.94	97.00
	Cash reinvestment ratio (%)	23.53	14.19	5.80	3.78	6.14	12.09
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.48
	Financial leverage	1.00	1.00	1.00	1.01	1.01	1.03

Causes behind the increase/decrease ratio change up to 20% of various financial ratios over the past two years:
Decrease in long-term funds to property, plant and equipment ratio (%): Due primarily to the fact that in Year 2018, the Company successively increased the construction costs of the Operating Headquarters and plants.
Increase in return on assets (%): Due primarily to the increase in interest charges arising from the sale and borrowing of accounts receivable.
Increase in return on equity (%): Due primarily to steady growth in revenue and profit. In Year 2018, nevertheless, due primarily to capital reserve with cash dividends and recognition of shareholdings to reduce the shareholder's equity in the due payment.
Increase in net profit before tax as a percentage to the paid-up capital (%): Due primarily to the stable growth of revenue and profitability of Year 2018.
Increase in earnings per share (EPS): Due primarily to stable growth in sales revenues and profitability in 2018.
Increase on re-investment in cash rate (%): Due primarily to stable growth in sales revenues and profit in Year 2018.

Note 1: The 2014 ~2018 financial statements had been duly audited and certified by Certified Public Accountant.
Note 2: The financial data for the Quarter I of 2019 was reviewed by Certified Public Accountants.

B. Parent company only financial statements

Item	Year	Financial information for the past five Years				
		2014	2015	2016	2017	2018
Capital Structure	Liabilities to assets ratio (%)	36.64	39.55	40.33	48.09	52.00
	Long-term funds to property, plant and equipment ratio (%)	461.66	530.41	500.54	447.80	402.38
Liquidity	Current ratio (%)	174.27	150.40	129.86	92.69	84.09
	Quick Ratio (%)	173.56	149.90	129.40	92.36	83.78
	Interest coverage ratio (times)	230.15	278.59	223.63	156.31	129.60
Operating ability	Accounts receivable turnover rate (times)	5.93	5.93	5.53	6.06	5.65
	Average days of accounts receivable (days)	62	62	66	60	65
	Inventory turnover rate (times)	1,572.88	1,561.36	2,368.81	7,942.93	10,570.07
	Accounts payable turnover rate (times)	3.78	3.04	2.38	2.42	2.23
	Average days of sales (days)	0.23	0.23	0.15	0.05	0.03
	Property, plant and equipment turnover rate (times)	16.41	9.72	8.71	9.71	9.81
	Total assets turnover rate (times)	1.45	1.22	1.02	1.14	1.15
Profitability	Return on assets (%)	22.93	23.49	20.61	18.00	21.09
	Return on equity (%)	36.98	37.91	34.18	32.21	42.04
	Net gains before tax to paid-in capital ratio (%)	157.20	217.73	208.19	190.21	267.43
	Net gains ratio (%)	15.74	19.23	20.09	15.65	18.14
	Earnings per share ($)	14.33	19.05	18.25	17.46	23.18
Cash flow	Cash flow ratio (%)	63.89	61.25	42.99	40.27	28.81
	Cash flow adequacy ratio (%)	133.86	135.84	119.52	98.88	94.82
	Cash reinvestment ratio (%)	21.60	20.50	2.82	Note 1	Note 1
Leverage	Operating leverage	1.14	1.09	1.09	1.15	1.08
	Financial leverage	1.01	1.01	1.01	1.01	1.01

Causes behind the increase/decrease ratio change up to 20% of various financial ratios over the past two years:
Increase in inventory turnover (times) and decrease om average sales days (days): Due primarily to steady growth in revenues which would relatively lead to an increase in cost of goods sold.
Increase in return on equity (%): Due primarily to steady growth in revenue and profit. In Year 2018, nevertheless, due primarily to capital reserve with cash dividends and recognition of shareholdings to reduce the shareholder's equity in the due payment.
Increase in net profit before tax as a percentage to the paid-up capital (%): Due primarily to the stable growth of revenue and profitability of Year 2018.
Increase in earnings per share (EPS): Due primarily to stable growth in sales revenues and profitability in 2018.
Decrease in cash flow (%): Due primarily to the newly increased loan in the present term.

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

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

Note 2: The following calculation formulas should be enumerated at end of the Statement in the annual report.

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

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

(2) Average days of cash received = 365 / receivables turnover rate

(3) Inventory turnover rate = COGS/average inventory amount

(4) Account payables (including notes payable from operating activities and accounts payable) turnover= COGS/average payables of each term (including Notes payable from operating activities and accounts payable) balance

(5) Average days of sales = 365 / inventory turnover rate

(6) Property, plant and equipment turnover rate = net sales / average net property, factory and equipment

(7) Total assets turnover rate = net sales / average total assets

4. Profitability

(1) Return on assets = [gain/loss after tax + interest expense x (1-tax rate)] / average total asset

(2) Return on equity = gain/loss after tax / average total equity

(3) Net gains ratio = gain/loss after tax / net sales

(4) Earnings per share = (the gain/loss contributed to the parent company – preferred stock dividend) / weighted average shares outstanding

5. Cash flow

(1) Cash flow ratio= net cash flow of operating activities/current liabilities

(2) Cash flow adequacy ratio= net cash flow of operating activities in the past five years / five years sum of (capital expenditures + inventory addition +cash dividends)

(3) Cash reinvestment ratio= (net cash flow of operating activities- cash dividends) / (Property, plant and equipment gross + long term investment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating cost and expenses)/operating gains

(2) Financial leverage = operating gains / (operating gains - interest expense)

Note 3: The following key points for attention should be taken into account upon measuring of calculation of the aforementioned earnings per share (EPS):

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

Note 4: The following key points for attention should be taken into account upon measuring of analyses of cash flow:

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

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

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

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

Voltronic Power Technology Corp.

Audit Committee's Report

The Audit Committee has approved and the board has ratified the 2018 financial statements (including consolidated statements), operational reports and earning appropriation proposal. Meanwhile, the financial statements (including consolidated statements) have been audited by Deloitte Taiwan, who has issued unqualified opinions.
Hence, the 2018 financial statements (including consolidated statements), operational reports and earning appropriation proposal approved by the Audit Committee and ratified by the board are in compliance with relevant laws and regulations, and presented pursuant to Article 219 of the Company Act.

Please review.

Submitted to:
2019 shareholders' meeting of Voltronic Power Technology Corp.

Convener of Audit Committee: Lee Chien-Jan

March 5, 2019

4. Financial reports in the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Voltronic Power Technology Corp.

Opinion

We have audited the accompanying consolidated financial statements of Voltronic Power Technology Corp. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the audit of the Group's consolidated financial statements for the year ended December 31, 2018 are stated below:

<u>Occurrence and Validity of Revenue from Major Customers</u>

For the year ended December 31, 2018, the Group's revenue was $11,407,894 thousand, net profit before income tax was $2,256,376 thousand, and earnings per share was $23.18. The growth rate of revenue reached 15.67% in 2018. The revenue derived from major customers with individual growth rate that approximately equaled or exceeded overall growth rate reached $2,588,260 thousand, which represents 22.69% of revenue for the year ended December 31, 2018. Furthermore the Group's revenue has grown stably from the time of listing of its shares on the Taiwan Stock Exchange. To meet shareholders and external investors' expectations, the management may be under pressure to meet profit target. 2. Therefore, we identified the validity of sales transactions with major customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 to the consolidated financial statements.

In response, we performed the following audit procedures:

1. We understood the internal controls related to sales transactions with major customers and assessed the operating effectiveness of the design and implementation of these controls.

2. We performed substantive testing of the transactions with the major customers and verified the sales details for completeness and correctness. We further examined the shipping documents and the recovery of receivables to verify the occurrence of the transactions. We also verified the settlement of trade receivables according to the trade terms with major customers.

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

Other Matter

We have also audited the parent company only financial statements of Voltronic Power Technology Corp. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao Mei Chen and Chung Chen Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 2,629,229	32	$ 2,694,876	37
Notes receivable (Notes 3, 4, 7 and 19)	9,618	-	27,776	-
Trade receivables (Notes 3, 4, 5, 7 and 19)	2,009,468	24	1,618,011	22
Trade receivables from related parties (Notes 3, 4, 19 and 28)	179,200	2	145,221	2
Other receivables (Notes 3, 4 and 7)	68,038	1	76,384	1
Inventories (Notes 4 and 8)	973,356	12	904,007	13
Prepayments (Notes 12 and 13)	177,701	2	213,358	3
Total current assets	6,046,610	73	5,679,633	78
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4 and 10)	1,964,461	24	1,295,195	18
Other intangible assets (Notes 4 and 11)	5,235	-	6,691	-
Deferred income tax assets (Notes 4 and 21)	68,122	1	47,821	1
Long-term prepayments for leases (Note 12)	163,452	2	169,869	2
Other non-current assets (Notes 3, 4, 13 and 28)	37,891	-	37,965	1
Total non-current assets	2,239,161	27	1,557,541	22
TOTAL	$ 8,285,771	100	$ 7,237,174	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	$ 397,478	5	$ -	-
Contract liabilities - current (Notes 3, 4, 19 and 28)	101,442	1	-	-
Notes payable (Note 15)	21	-	23	-
Trade payables (Note 15)	2,368,923	28	2,360,051	33
Trade payables to related parties (Note 28)	995	-	521	-
Other payables (Note 16)	721,295	9	526,275	7
Current income tax liabilities (Notes 4 and 21)	243,498	3	94,626	1
Other current liabilities (Notes 3, 16 and 28)	1,573	-	76,686	1
Total current liabilities	3,835,225	46	3,058,182	42
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 21)	314	-	-	-
Other non-current liabilities (Note 16)	227	-	231	-
Total non-current liabilities	541	-	231	-
Total liabilities	3,835,766	46	3,058,413	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)				
Share capital				
Ordinary shares	786,853	10	786,885	11
Capital surplus	900,718	11	1,295,700	18
Retained earnings				
Legal reserve	685,821	8	549,457	8
Special reserve	134,241	2	102,342	1
Unappropriated earnings	2,167,451	26	1,702,344	24
Total retained earnings	2,987,513	36	2,354,143	33
Other equity (Notes 4 and 23)	(225,079)	(3)	(257,967)	(4)
Total equity	4,450,005	54	4,178,761	58
TOTAL	$ 8,285,771	100	$ 7,237,174	100

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4, 19 and 28)	$ 11,407,894	100	$ 9,862,230	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 20 and 28)	(8,302,728)	(73)	(7,167,582)	(72)
GROSS PROFIT	3,105,166	27	2,694,648	28
OPERATING EXPENSES (Notes 20 and 28)				
Selling and marketing expenses	(268,505)	(2)	(229,248)	(2)
General and administrative expenses	(300,960)	(2)	(277,228)	(3)
Research and development expenses	(417,712)	(4)	(359,575)	(4)
Expect credit loss (Notes 4, 5 and 7)	(7,026)	-	-	-
Total operating expenses	(994,203)	(8)	(866,051)	(9)
PROFIT FROM OPERATIONS	2,110,963	19	1,828,597	19
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 20)	111,852	1	65,146	-
Other gains and losses (Note 20)	49,924	-	(228,916)	(2)
Finance costs (Note 20)	(16,363)	-	(9,637)	-
Total non-operating income and expenses	145,413	1	(173,407)	(2)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,256,376	20	1,655,190	17
INCOME TAX EXPENSE (Notes 4 and 21)	(442,744)	(4)	(291,546)	(3)
NET PROFIT FOR THE YEAR	1,813,632	16	1,363,644	14
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Notes 4 and 18)	(68,567)	(1)	(38,433)	-
Income tax relating to items that may be reclassified subsequently to profit (Notes 18 and 21)	18,565	-	6,534	-
Other comprehensive loss for the year, net of income tax	(50,002)	(1)	(31,899)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,763,630	15	$ 1,331,745	14

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	$23.18		$17.46	
Diluted	$23.03		$17.37	

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Company							
			Retained Earnings			Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2017	$ 787,055	$ 1,697,404	$ 406,623	$ -	$ 1,764,457	$ (102,342)	$ (264,938)	$ 4,288,259
Appropriation of the 2016 earnings (Note 18)								
Legal reserve	-	-	142,834	-	(142,834)	-	-	-
Special reserve	-	-	-	102,342	(102,342)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,180,581)	-	-	(1,180,581)
Share-based payment transactions (Notes 18, 20 and 23)	(170)	(8,177)	-	-	-	-	141,212	132,865
Issuance of cash dividends from capital surplus (Note 18)	-	(393,527)	-	-	-	-	-	(393,527)
Net profit for the year ended December 31, 2017	-	-	-	-	1,363,644	-	-	1,363,644
Other comprehensive loss for the year ended December 31, 2017, net of income tax (Note 18)	-	-	-	-	-	(31,899)	-	(31,899)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,363,644	(31,899)	-	1,331,745
BALANCE AT DECEMBER 31, 2017	786,885	1,295,700	549,457	102,342	1,702,344	(134,241)	(123,726)	4,178,761
Appropriation of the 2017 earnings (Note 18)								
Legal reserve	-	-	136,364	-	(136,364)	-	-	-
Special reserve	-	-	-	31,899	(31,899)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,180,326)	-	-	(1,180,326)
Share-based payment transactions (Notes 18, 20 and 23)	(32)	(1,540)	-	-	64	-	82,890	81,382
Issuance of cash dividends from capital surplus (Note 18)	-	(393,442)	-	-	-	-	-	(393,442)
Net profit for the year ended December 31, 2018	-	-	-	-	1,813,632	-	-	1,813,632
Other comprehensive loss for the year ended December 31, 2018, net of income tax (Note 18)	-	-	-	-	-	(50,002)	-	(50,002)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,813,632	(50,002)	-	1,763,630
BALANCE AT DECEMBER 31, 2018	$ 786,853	$ 900,718	$ 685,821	$ 134,241	$ 2,167,451	$ (184,243)	$ (40,836)	$ 4,450,005

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,256,376	$ 1,655,190
Adjustments for:		
Expected credit loss	7,026	-
Impairment loss recognized on trade receivables	-	1,609
Depreciation expenses	75,318	60,503
Amortization expenses	3,332	3,640
Amortization of prepayments for lease	3,557	3,517
Finance costs	16,363	9,637
Interest income	(42,717)	(33,201)
Compensation costs of employee share options	81,382	132,865
Net loss on disposal of property, plant and equipment	1,072	715
Write-downs of inventories	6,411	1,185
Prepayments for equipment transferred to expenses	1,494	-
Net (gain) loss on foreign currency exchange	(11,190)	153,785
Changes in operating assets and liabilities		
Notes receivable	18,158	(6,104)
Trade receivables	(387,729)	(264,353)
Trade receivables from related parties	(32,727)	(39,857)
Other receivables	9,303	36,573
Inventories	(75,387)	(192,101)
Prepayments	35,596	(109,763)
Other financial assets	-	233,790
Contract liabilities	26,231	-
Notes payable	(2)	16
Trade payables	8,871	414,725
Trade payables to related parties	474	261
Other payables	133,340	(6,726)
Other current liabilities	98	(1,380)
Cash generated from operations	2,134,650	2,054,526
Interest received	41,760	33,556
Interest paid	(16,363)	(9,637)
Income tax paid	(295,294)	(337,090)
Net cash generated from operating activities	1,864,753	1,741,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for equipment	(8,424)	(8,733)
Payments for property, plant and equipment	(691,444)	(297,436)
Payments for intangible assets	(1,883)	(2,155)
Proceeds from the disposal of property, plant and equipment	5	619
Increase in refundable deposits	(720)	-
Decrease in refundable deposits	70	771
Net cash used in investing activities	(702,396)	(306,934)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 398,449	$ -
Refund of guarantee deposits received	-	(30)
Distributed cash dividends	(1,573,768)	(1,574,108)
Net cash used in financing activities	(1,175,319)	(1,574,138)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(52,685)	(205,008)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(65,647)	(344,725)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,694,876	3,039,601
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,629,229	$ 2,694,876

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 25, 2019.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Classification, measurement and impairment of financial assets</u>

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,694,876	$ 2,694,876	Note
Notes receivable, trade receivables, trade receivables from related parties and other receivables	Loans and receivables	Amortized cost	1,801,022	1,801,022	Note
Refundable deposits (included in other non-current assets)	Loans and receivables	Amortized cost	29,169	29,169	Note

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Amortized cost	$ -	$ -	$ -				
Add: Reclassification from loans and receivables (IAS 39)	-	4,525,067	-				Note
	$ -	$ 4,525,067	$ -	$ 4,525,067	$ -	$ -	

Note: Cash and equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and refundable deposits (included in other non-current assets) that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Other current liabilities - advance receipts	$ 75,211	$ (75,211)	$ -
Contract liabilities - current	-	75,211	75,211
Total effect on liabilities	$ 75,211	$ -	$ 75,211

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15:

Impact on assets, liabilities and equity for current year

	December 31, 2018
Decrease in contract liabilities - current	$ (101,442)
Increase in other current liabilities - receipts in advance	101,442
Increase (decrease) in liabilities	$ -

b. Amendments to the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

3) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

4) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

5) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayment for lease - current	$ 177,701	$ (3,503)	$ 174,198
Prepayments for lease - non-current	163,452	(163,452)	-
Right-of-use assets	-	443,425	443,425
Total effect on assets	$ 341,153	$ 276,470	$ 617,623
Lease liabilities - current	$ -	$ 62,832	$ 62,832
Lease liabilities - non-current	-	213,638	213,638
Total effect on liabilities	$ -	$ 276,470	$ 276,470

Except for the above impacts, as of the date the financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

b. Basis of preparation

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

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

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

e. Foreign currencies

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified as financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

1.
2. i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
3.
4. ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivables, trade receivables, trade receivables from related parties, other receivables and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

5. i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

6.
7. ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

2017

Financial assets are classified as loans and receivables.

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

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

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

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

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

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

For a financial asset at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and trade receivables from related parties, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

   a) Subsequent measurement

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

   b) Derecognition of financial liabilities

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

k. Revenue recognition

<u>2018</u>

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Revenue from the sale of goods</u>

Revenue from the sale of goods comes from sales of uninterrupted power system electronic equipment. Sales of leisure goods and electronic equipment are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The contract liability is the advance receipts which haven't been recognized as revenue.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

<u>2017</u>

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

<u>Revenue from the sale of goods</u>

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

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

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

3) The amount of revenue can be measured reliably;

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

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

l. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Share-based payment arrangements

<u>Restricted shares for employees granted to employee</u>

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 7. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 1,422	$ 979
Demand deposits	1,315,255	1,347,968
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	1,312,552	1,345,929
	$ 2,629,229	$ 2,694,876

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

	December 31	
	2018	**2017**
Bank deposits	0.01%-4.80%	0.05%-4.96%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	**2017**
Notes receivable		
Notes receivable - operating	$ 9,618	$ 27,776
Trade receivables		
At amortized cost		
Gross carrying amount	$ 2,019,226	$ 1,621,851
Less: Allowance for impairment loss	(9,758)	(3,840)
	$ 2,009,468	$ 1,618,011
Other receivables		
Tax refund receivables	$ 53,109	$ 66,370
Interest receivables	4,130	3,173
Others	10,799	6,841
	$ 68,038	$ 76,384

Notes receivable

In 2018

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes receivable. The expected credit losses on notes receivable are referred by past default experience of the debtor and general economic conditions of the industry. As of December 31, 2018, the Group has no need to recognize expected credit losses on notes receivable.

In 2017

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed. As of December 31, 2017, the Group did not hold any collateral for the balance of its notes receivable.

The following table details the aging analysis of notes receivable.

	December 31 2018	December 31 2017
1 to 60 days	$ 7,829	$ 25,810
61 to 90 days	1,789	1,452
91 to 120 days	-	76
121 to 365 days	-	438
	$ 9,618	$ 27,776

The above aging analysis of notes receivable is based on the journal date.

Trade receivables

In 2018

The average credit period of sales of goods was 0 to 180 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

Besides insurance classified by credit rating, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The provision for expected credit losses is based on the number of past due days from the end of the credit term.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Since the Group purchased insurance individually and the credit rating is evaluated by the insurance company, no impairment loss was needed for trade receivables. As of December 31, 2018, the carrying amount of trade receivables was $1,209,637 thousand.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.16%	2.41%	42.91%	100%	100%	100%	
Gross carrying amount	$ 733,876	$ 65,371	$ 5,845	$ 791	$ 2,945	$ 761	$ 809,589
Loss allowance (Lifetime ECL)	(1,179)	(1,574)	(2,508)	(791)	(2,945)	(761)	(9,758)
Amortized cost	$ 732,697	$ 63,797	$ 3,337	$ -	$ -	$ -	$ 799,831

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 3,840
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	3,840
Add: Net remeasurement of loss allowance	7,026
Less: Amounts written off	(1,084)
Foreign exchange gains and losses	(24)
Balance at December 31, 2018	$ 9,758

In 2017

The average credit period of sales of goods was 0 to 180 days.

The Group recognized an allowance for impairment loss of 100% against all trade receivables over 365 days because historical experience shows that receivables outstanding beyond 365 days are not recoverable. For receivables outstanding between 0 to 365 days, the Group estimated irrecoverable amount based on the past defaults of the counterparties and an analysis of their current financial positions.

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

The aging of receivables was as follows:

	December 31, 2017
Not overdue	$ 1,480,003
Overdue 60 days	123,667
Overdue 61-120 days	10,074
Overdue beyond 120 days	8,107
	$ 1,621,851

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

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

	December 31, 2017
Overdue 60 days	$ 89,563
Overdue 61-120 days	7,583
Overdue beyond 120 days	6,978
	$ 104,124

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

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

	Individually Assessed for Impairment	Collectability Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 2,211	$ 2,211
Add: Impairment losses recognized on receivables	-	1,609	1,609
Foreign exchange translation gains and losses	-	20	20
Balance at December 31, 2017	$ -	$ 3,840	$ 3,840

As of December 31, 2017, the amount of individually impaired trade receivables was $0 thousand. These amounts mainly related to customers that were in severe financial difficulties. The Group did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 587,484	$ 612,616
Supplies	1,248	1,297
Semi-finished goods	71,396	45,953
Work in progress	135,440	102,593
Finished goods	177,788	141,548
	$ 973,356	$ 904,007

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $8,302,728 thousand and $7,167,582 thousand, respectively. The cost of goods sold included inventory write-downs of $6,411 thousand and $1,185 thousand, respectively.

9. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

			Proportion of Ownership December 31		
Investor	Investee	Nature of Activities	2018	2017	Remark
Voltronic Power Technology Corp.	Voltronic International Corp.	Investment activities	100%	100%	a
Voltronic International Corp.	Voltronic International H.K. Corp. Limited	Investment activities	100%	100%	a
	Potentia Technology Inc. Limited	Sale of uninterruptible power systems (UPS)	100%	100%	a
Voltronic International H.K. Corp. Limited	Voltronic Power Technology (Shen Zhen) Corp.	Design, manufacture and sale of UPS	100%	100%	b
	Orchid Power (Shen Zhen) Manufacturing Company	Design, manufacture and sale of UPS	100%	100%	b
	Zhongshan Voltronic Power Electronics Limited	Design, manufacture and sale of UPS	100%	100%	b
Zhongshan Voltronic Power Electronics Limited	Zhongshan Voltronic Precision Inc.	Design, manufacture and sale of UPS	100%	-	b and c

a. The main operations risk is the foreign exchange rate risk.

b. The main operations risks are foreign exchange rate risks, statutes of limitation and political uncertainty between China and Taiwan.

c. Zhongshan Voltronic Power Electronics Limited was established in January 2018.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost									
Balance at January 1, 2017	$ 720,761	$ -	$ 253,071	$ 6,840	$ 36,082	$ 52,116	$ 84,666	$ 148,590	$ 1,302,126
Additions	-	-	59,097	2,115	2,169	6,755	15,466	206,419	292,021
Disposals	-	-	(35,661)	(1,534)	(4,770)	-	(7,686)	-	(49,651)
Reclassified (Note)	-	-	-	-	-	4,910	-	-	4,910
Effect of foreign currency exchange differences	-	-	(3,838)	(135)	(623)	(797)	(1,650)	1,302	(5,741)
Balance at December 31, 2017	$ 720,761	$ -	$ 272,669	$ 7,286	$ 32,858	$ 62,984	$ 90,796	$ 356,311	$ 1,543,665
Accumulated depreciation and impairment									
Balance at January 1, 2017	$ -	$ -	$ 131,801	$ 2,925	$ 21,711	$ 31,283	$ 52,253	$ -	$ 239,973
Depreciation expense	-	-	35,575	1,122	3,905	10,885	9,016	-	60,503
Disposals	-	-	(35,310)	(1,498)	(4,139)	-	(7,370)	-	(48,317)
Effect of foreign currency exchange differences	-	-	(1,831)	(66)	(335)	(401)	(1,056)	-	(3,689)
Balance at December 31, 2017	$ -	$ -	$ 130,235	$ 2,483	$ 21,142	$ 41,767	$ 52,843	$ -	$ 248,470
Carrying amounts at December 31, 2017	$ 720,761	$ -	$ 142,434	$ 4,803	$ 11,716	$ 21,217	$ 37,953	$ 356,311	$ 1,295,195
Cost									
Balance at January 1, 2018	$ 720,761	$ -	$ 272,669	$ 7,286	$ 32,858	$ 62,984	$ 90,796	$ 356,311	$ 1,543,665
Additions	-	154,241	77,109	428	8,272	1,777	47,404	463,102	752,333
Disposals	-	-	(1,183)	-	(834)	(26,684)	(935)	-	(29,636)
Reclassified (Note)	-	203,690	6,378	2	62	-	770	(203,690)	7,212
Effect of foreign currency exchange differences	-	-	(4,422)	(130)	(528)	(683)	(1,865)	(9,585)	(17,213)
Balance at December 31, 2018	$ 720,761	$ 357,931	$ 350,551	$ 7,586	$ 39,830	$ 37,394	$ 136,170	$ 606,138	$ 2,256,361
Accumulated depreciation and impairment									
Balance at January 1, 2018	$ -	$ -	$ 130,235	$ 2,483	$ 21,142	$ 41,767	$ 52,843	$ -	$ 248,470
Depreciation expense	-	9,731	38,285	1,216	3,742	9,016	13,328	-	75,318
Disposals	-	-	(982)	-	(814)	(25,917)	(846)	-	(28,559)
Reclassified	-	-	71	1	(12)	-	(60)	-	-
Effect of foreign currency exchange differences	-	-	(1,599)	(59)	(266)	(449)	(956)	-	(3,329)
Balance at December 31, 2018	$ -	$ 9,731	$ 166,010	$ 3,641	$ 23,792	$ 24,417	$ 64,309	$ -	$ 291,900
Carrying amounts at December 31, 2018	$ 720,761	$ 348,200	$ 184,541	$ 3,945	$ 16,038	$ 12,977	$ 71,861	$ 606,138	$ 1,964,461

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

For the years ended December 31, 2018 and 2017, no impairment assessment was performed as there was no indication of impairment.

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

Buildings	
Main buildings	50 years
Draining and air-conditioning units	8-10 years
Machinery and Equipment	3-10 years
Transportation	3-10 years
Office equipment	2-5 years
Leasehold improvements	3-5 years
Other equipment	3-10 years

The unrecognized commitments for acquisition of property, plant and equipment were set out in Note 29.

11. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 27,992
Additions	2,155
Effect of foreign currency exchange differences	(79)
Balance at December 31, 2017	$ 30,068
Accumulated amortization	
Balance at January 1, 2017	$ 19,794
Amortization expense	3,640
Effect of foreign currency exchange differences	(57)
Balance at December 31, 2017	$ 23,377
Carrying amounts at December 31, 2017	$ 6,691
Cost	
Balance at January 1, 2018	$ 30,068
Additions	1,883
Effect of foreign currency exchange differences	(77)
Balance at December 31, 2018	$ 31,874
Accumulated amortization	
Balance at January 1, 2018	$ 23,377
Amortization expense	3,332
Effect of foreign currency exchange differences	(70)
Balance at December 31, 2018	$ 26,639
Carrying amounts at December 31, 2018	$ 5,235

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 143	$ -
Selling and marketing expenses	382	337
General and administrative expenses	2,390	2,578
Research and development expenses	417	725
	$ 3,332	$ 3,640

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

12. PREPAYMENTS FOR LEASES

	December 31 2018	December 31 2017
Current assets (included in prepayments)	$ 3,503	$ 3,564
Non-current assets	163,452	169,869
	$ 166,955	$ 173,433

As of December 31, 2018 and 2017, prepaid lease payments include land use right with carrying amount of $166,955 thousand and $173,433 thousand, respectively, which are located in mainland China.

13. OTHER ASSETS

	December 31 2018	December 31 2017
Current		
Prepayments	$ 177,701	$ 213,358
Non-current		
Other assets		
Refundable deposits	$ 29,377	$ 29,169
Prepayments for equipment	8,514	8,796
	$ 37,891	$ 37,965

14. BORROWINGS

Short-term Borrowings

	December 31 2018	December 31 2017
Unsecured borrowings		
Line of credit borrowings	$ 397,478	$ -

The weighted average effective interest rates on bank loans was 2.638% as of December 31, 2018.

15. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
Operating	$ 21	$ 23
Trade payables		
Operating	$ 2,368,923	$ 2,360,051

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

16. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payables for salaries and bonuses	$ 263,024	$ 222,585
Payables for employee compensation	148,453	122,036
Payables for remuneration of directors and supervisors	14,400	14,400
Payables for commission	75,429	63,811
Payables for insurance	34,701	36,735
Payables for sales tax	28,347	19,841
Payables for purchases of equipment (include building)	71,123	10,234
Others	85,818	36,633
	$ 721,295	$ 526,275
Other liabilities		
Advance receipts	$ -	$ 75,211
Receipts under custody	1,573	1,475
	$ 1,573	$ 76,686
Non-current		
Other liabilities		
Guarantee deposits	$ 227	$ 231

17. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

18. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,685	78,688
Shares issued	$ 786,853	$ 786,885

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

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

Per resolution of the board of directors on February 26, 2018 and May 4, 2017, the Company retired $32 thousand and $170 thousand of restricted employee shares, respectively, at $10 par value, totaling 3 thousand and 17 thousand shares, respectively. The Company designated that the basis date of the capital reduction was March 31, 2018 and June 30, 2017, where the approval of the Ministry of Economic Affairs (MOEA) was obtained on April 18, 2018 and July 17, 2017, respectively.

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

	Number of Shares (In Thousands of Shares)	Share Capital
Balance at January 1, 2017	78,705	$ 787,055
Retirement of recognized employee restricted shares	(17)	(170)
Balance at December 31, 2017	78,688	$ 786,885
Balance at January 1, 2018	78,688	$ 786,885
Retirement of recognized employee restricted shares	(3)	(32)
Balance at December 31, 2018	78,685	$ 786,853

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuing ordinary shares	$ 493,054	$ 886,496
May be used for offset a deficit		
Premium from employee restricted shares	226,136	165,626
May not be used for any purpose		
Employee restricted shares	181,528	243,578
	$ 900,718	$ 1,295,700

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

A reconciliation of the capital surplus was as follows:

	Premium from Ordinary Shares	Premium from Employee Restricted Shares	Employee Restricted Shares	
Balance at January 1, 2017	$ 1,280,023	$ 104,731	$ 312,650	
Vested employee restricted shares	-	60,895	(60,895)	
Retirement employee restricted shares	-	-	(8,177)	(Note 1)
Distributed as cash dividends	(393,527)	-	-	
Balance at December 31, 2017	$ 886,496	$ 165,626	$ 243,578	
Balance at January 1, 2018	$ 886,496	$ 165,626	$ 243,578	
Vested employee restricted shares	-	60,510	(60,510)	
Retirement employee restricted shares	-	-	(1,540)	(Note 2)
Distributed as cash dividends	(393,442)	-	-	
Balance at December 31, 2018	$ 493,054	$ 226,136	$ 181,528	

Note 1: The reversed compensation cost of $8,347 thousand for restricted shares was net of retired share capital of $170 thousand.

Note 2: The reversed compensation cost of $1,572 thousand for restricted shares was net of retired share capital of $32 thousand.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years (including adjust undistributed retained earnings), setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 20,f.

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

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

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

The appropriations from the 2017 and 2016 earnings approved in the shareholders' meetings on June 5, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 136,364	$ 142,834	$ -	$ -
Special reserve	31,899	102,342	-	-
Cash dividends	1,180,326	1,180,581	15.00	15.00

The distribution of cash dividends from capital surplus of $393,442 thousand and $393,527 thousand were approved in the shareholders' meeting on June 5, 2018 and June 16, 2017, respectively.

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on February 25, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 181,363	$ -
Special reserve	50,002	-
Cash dividends	1,573,705	20.0
Share dividends	39,343	0.5

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 25, 2019.

The board of directors on February 25, 2019 propose to issue cash dividends of $78,685 thousand from capital surplus, a proposal that is subject to the resolution of the shareholders' meeting held on June 25, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 102,342	$ -
Appropriation in respect of:		
The debit to other equity items	31,899	102,342
Balance at December 31	$ 134,241	$ 102,342

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (134,241)	$ (102,342)
Effect of change in tax rate	4,852	-
Recognized for the year		
Exchange differences on translating foreign operations	(68,567)	(38,433)
Income tax related to exchange differences arising on translating to the presentation currency	13,713	6,534
Balance at December 31	$ (184,243)	$ (134,241)

Employee unearned benefit

In the meeting of shareholders on May 24, 2016, the shareholders approved the issuance of restricted shares to employees, respectively (refer to Note 23).

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (123,726)	$ (264,938)
Share-based payment expenses recognized	81,382	132,865
Adjustment for retired restricted employee cash dividends	(64)	-
Retired restricted employee shares (Note)	1,572	8,347
Balance at December 31	$ (40,836)	$ (123,726)

Note: Deducted from compensation cost of restricted shares amounting $1,572 thousand and $8,347 thousand for the years ended December 31, 2018 and 2017, respectively.

19. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 11,407,894	$ 9,862,230

	December 31, 2018
Contact balances	
Notes receivable and trade receivables (Notes 7 and 28)	$ 2,198,286
Contract liabilities - current	
Sale of goods	$ 101,442

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	$ 75,211

20. NET PROFIT (LOSS) FROM OPERATIONS

Net profit (loss) from continuing operations was attributable to:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 42,717	$ 33,201
Government grants	58,861	26,300
Others	10,274	5,645
	$ 111,852	$ 65,146

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (1,072)	$ (715)
Net foreign exchange gains (losses)	52,678	(228,180)
Others	(1,682)	(21)
	$ 49,924	$ (228,916)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 931	$ -
Other interest expense	15,432	9,637
	$ 16,363	$ 9,637

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 46,679	$ 46,425
Operating expenses	28,639	14,078
	$ 75,318	$ 60,503
An analysis of amortization by function		
Operating costs	$ 143	$ -
Operating expenses	3,189	3,640
	$ 3,332	$ 3,640

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Salary expenses	$ 1,291,756	$ 1,123,330
Other employee benefits	70,891	60,644
Equity-settled share-based payments	81,382	132,865
Post-employment benefits		
Defined contribution plans	56,609	50,799
Total employee benefits expense	$ 1,500,638	$ 1,367,638
An analysis of employee benefits expense by function		
Operating costs	$ 889,854	$ 814,427
Operating expenses	610,784	553,211
	$ 1,500,638	$ 1,367,638

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rates between 3.75% and 11.5% and no higher than 3.75%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on February 25, 2019 and February 26, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	4.07%	4.43%
Remuneration of directors	0.65%	0.91%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 90,000	$ -	$ 70,000	$ -
Remuneration of directors	14,400	-	14,400	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 656,653	$ 245,608
Foreign exchange losses	(603,975)	(473,788)
	$ 52,678	$ (228,180)

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax (expense) benefit recognized in profit are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current periods	$ (462,717)	$ (325,966)
Income tax on unappropriated earnings	(1,505)	(258)
Adjustments for prior periods	19,826	18,138
	(444,396)	(308,086)
Deferred tax		
In respect of the current periods	(651)	16,540
Adjustments to deferred tax attributable to changes in tax rates and laws	2,303	-
	1,652	16,540
Income tax expense recognized in profit or loss	$ (442,744)	$ (291,546)

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 2,256,376	$ 1,655,190
Income tax expense calculated at the statutory rate	$ (595,389)	$ (428,704)
Nondeductible expenses in determining taxable income	(341)	-
Deferred tax effect of earnings of subsidiaries	129,483	121,595
Tax-exempt income	3,184	-
Income tax on unappropriated earnings	(1,505)	(258)
Unrecognized deductible temporary differences	(305)	(2,317)
Effect of tax rate changes	2,303	-
Adjustments for prior years' tax	19,826	18,138
Income tax expense recognized in profit or loss	$ (442,744)	$ (291,546)

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in China was 25% except for Voltronic Power Technology (Shen Zhen) Corp. in 2018 and 2017 which used tax rate of 15% due to the high-tech enterprise certificate.

As the status of the 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 4,852	$ -
In respect of the current periods		
Translation of foreign operations	13,713	6,534
	$ 18,565	$ 6,534

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 243,498	$ 94,626

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Exchanges differences on foreign operations	$ 27,496	$ -	$ 18,565	$ -	$ 46,061
Unrealized loss on write-down of inventories	1,533	1,306	-	(44)	2,795
Unrealized employee compensation	12,126	6,982	-	(180)	18,928
Allowance for impaired receivables	387	(43)	-	(6)	338
Unrealized exchange loss	6,279	(6,279)	-	-	-
	$ 47,821	$ 1,966	$ 18,565	$ (230)	$ 68,122
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gain	$ -	$ (314)	$ -	$ -	$ (314)

For the year ended December 31, 2017

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

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

   As of December 31, 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $3,390,289 thousand and $2,742,870 thousand, respectively.

f. Income tax assessments

   The Company's tax returns through 2016 have been assessed by the tax authorities. As of December 31, 2018, the Group has no unsettled lawsuit in related with tax.

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share		
Net income	$ 1,813,632	$ 1,363,644
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,225	78,098
Basic earnings per share	$ 23.18	$ 17.46
Diluted earnings per share		
Net income	$ 1,813,632	$ 1,363,644
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,225	78,098
Effect of potentially dilutive ordinary shares:		
Bonus to employees	190	162
Employee restricted shares	329	266
Weighted average number of ordinary shares in computation of diluted earnings per share	78,744	78,526
Diluted earnings per share	$ 23.03	$ 17.37

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

23. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED SHARES PLAN FOR EMPLOYEES

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

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

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

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

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

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

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

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

The fair value of NT$491 per share of the newly issued restricted shares was priced using the market-price-based method. The unearned employee benefit of $319,150 thousand was recognized on the basis of vesting conditions and expensed on a straight-line base over the vest period. Compensation costs of $81,382 thousand and $132,865 thousand were recognized, respectively, within the vesting period for the years ended December 31, 2018 and 2017.

24. CASH FLOWS INFORMATION

a. Non-cash transactions

   For the years ended December 31, 2018 and 2017, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

   As of December 31, 2018 and 2017, the un-settled payments for purchase of property, plant and equipment was $71,123 thousand and $10,234 thousand, respectively, and recorded as other payables - payables for purchases of equipment in the consolidated financial statements.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes Exchange Rate Impact	Closing Balance
Short-term borrowings	$ -	$ 398,449	$ (971)	$ 397,478

25. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

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

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

	December 31	
	2018	2017
Not later than 1 year	$ 64,512	$ 77,154
Later than 1 year and not later than 5 years	25,614	47,222
	$ 90,126	$ 124,376

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

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 88,576	$ 90,135

26. CAPITAL MANAGEMENT

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

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

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

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements which are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2018	**2017**
<u>Financial assets</u>		
Loans and receivables (1)	$ -	$ 4,525,067
Financial asset at amortized cost (2)	4,871,821	-
<u>Financial liabilities</u>		
Amortized cost (3)	3,000,014	2,471,504

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, and refundable deposits (included in other non-current assets).

2) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, and refundable deposits (included in other non-current assets).

3) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, trade payables, trade payables to related parties, other payables, and guarantee deposit received (included in other non-current liabilities) that are measured at amortized cost.

c. Financial risk management objectives and policies

The Group’s major financial instruments included trade receivables and trade payables. The Group’s Corporate Treasury function provides services such as providing access to domestic and international financial markets, and monitoring and managing the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The Corporate Treasury function reports periodically to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group’s activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group’s exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the movement of foreign exchange rate in USD and RMB.

The following table shows the Group's sensitivity to a 1% increase and decrease in the functional currencies of the Group entities against the relevant foreign currencies (the USD and RMB). A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the functional currencies of the Group entities weakened by 1% against the relevant foreign currency. For a 1% strengthening of the functional currencies of the Group entities against the relevant foreign currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 22,151	$ 21,300

	RMB Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ (27,285)	$ (25,422)

Above effect of profit and loss was mainly attributable to the exposure on USD bank deposits, USD receivables, USD payables, USD bank short-term borrowings, RMB bank deposits and RMB payables at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly because of an increase in USD receivable. The Group's sensitivity to RMB increased during the current period mainly because of an increase in RMB payables.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest risks at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Interest rate risk on fair value		
Financial assets	$ 1,312,552	$ 1,345,929
Interest rate risk on cash flow		
Financial assets	1,315,255	1,347,968
Financial liabilities	397,478	-

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Group's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Group's pretax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $9,178 thousand and $13,480 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate risks on its floating-rate bank short-term borrowings.

The Group's sensitivity to interest rates decreased during the current period mainly because of the increase in floating-rate bank short-term borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

To minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Group's credit risk was significantly reduced.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities set out in (2) below.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

For interest flows pertaining to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2018

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 2,004,608	$ 597,701	$ 227	$ -
Variable interest rate liabilities	2,585	400,121	-	-
	$ 2,007,193	$ 997,822	$ 227	$ -

December 31, 2017

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 1,211,966	$ 1,259,307	$ 231	$ -

Financing facilities

	December 31	
	2018	2017
Unsecured bank loan facilities		
Amount used	$ 397,478	$ -
Amount unused	1,239,908	-
	$ 1,637,386	$ -

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Name	Related Party Category
RPS. SPA	Essential related parties (whose managing director is the key management personnel of the Group) (Note 1)
RIELLO UPS (ASIA) Co., Ltd.	Essential related parties (whose managing director is the key management personnel of the Group) (Note 2)
RIELLO UPS (SHANGHAI) Co., Ltd.	Essential related parties (whose managing director is the key management personnel of the Group) (Note 2)
FSP Technology Inc.	Key management personnel
WUXI Zhonghan Technology Co., Ltd.	Essential related parties (whose parent company is the key management personnel of the Group)
Juor-Ming Hsieh	Key management personnel
Mr. Hsieh	Essential related parties (the immediate family of the Company's management)
Ms. Hsieh	Essential related parties (the immediate family of the Company's management)
Ming Fang International Investment Co., Ltd.	Essential related parties

Note 1: RPS. SPA was the board of director member of the Company. Since the shareholders' meeting was reelected on June 5, 2018, the managing director of RPS. SPA has served as a director.

Note 2: The parent company, RPS. SPA, was the board of director member of the Company. Since the shareholders' meeting was reelected on June 5, 2018, the managing director of RPS. SPA has served as a director.

b. Sales of goods

		For the Year Ended December 31	
Line Item	Related Party Category	2018	2017
Sales	Essential related parties	$ 312,775	$ 4,095
	Key management personnel	394,175	660,343
		$ 706,950	$ 664,438

The selling prices are not comparable due to same product not sold to third party in 2018 and 2017. Payment terms of related parties are to 135-150 days after the end of the month, respectively, and of third parties are 0-180 days.

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category	2018	2017
Essential related parties	$ 4,803	$ -
Key management personnel	1,788	2,694
	$ 6,591	$ 2,694

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2018 and 2017. Payment terms of related parties are 150 days and 60-150 days after every month end close, respectively, and of third parties are 30-90 days.

d. Contract liabilities

	December 31	
Related Party Category	**2018**	**2017**
Essential related parties	$ 2,240	$ -
Key management personnel	101	-
	$ 2,341	$ -

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

		December 31	
Line Item	**Related Party Category**	**2018**	**2017**
Trade receivables from related parties	Essential related parties	$ 107,492	$ -
	Key management personnel	71,708	145,221
		$ 179,200	$ 145,221

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

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

		December 31	
Line Item	**Related Party Category**	**2018**	**2017**
Trade payables to related parties	Essential related parties	$ 995	$ 521

The outstanding trade payables from related parties are unsecured.

g. Other transactions with related parties

		December 31	
Line Item	**Related Party Category**	**2018**	**2017**
Receipts in advance	Essential related parties	$ -	$ 532
	Key management personnel	-	1,722
		$ -	$ 2,254
Refundable deposits	Essential related parties	$ 500	$ 1,067
	Key management personnel	-	207
		$ 500	$ 1,274

		For the Year Ended December 31	
		2018	2017
Rental expenses	Essential related parties	$ 3,205	$ 3,110
	Key management personnel	107	1,283
		$ 3,312	$ 4,393

In 2018 and 2017, the Group rented buildings from key management personnel and other related parties. The rental expenses, which were payable monthly, were based on current market prices.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 81,162	$ 83,777
Post-employee benefits	628	747
Share-based payments	34,113	54,984
	$ 115,903	$ 139,508

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	December 31	
	2018	2017
Acquisition of property, plant and equipment	$ 159,307	$ 656,419

30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In the meeting on February 25, 2019, the Board of directors approved a restricted shares plan of 682 thousand shares with a par value of NT$10, estimated recognition of compensation costs in the vesting period is $354,640 thousand. The Board authorizes the chairman to determine the issuance date for shares after shareholders' resolution on the meeting on June 25, 2019.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and New Taiwan dollars. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 98,314	30.7150 (USD:NTD)	$ 3,019,700
USD	440	6.8632 (USD:RMB)	13,524
RMB	209,840	4.4753 (RMB:NTD)	939,097
RMB	847,059	0.1457 (RMB:USD)	3,790,842
			$ 7,763,163
Financial liabilities			
Monetary items			
USD	15,592	30.7150 (USD:NTD)	$ 478,805
USD	11,047	6.8632 (USD:RMB)	339,308
RMB	847,059	4.4753 (RMB:NTD)	3,790,842
RMB	819,537	0.1457 (RMB:USD)	3,667,572
			$ 8,276,527

December 31, 2017

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

The Group is mainly exposed to exchange risk of USD and RMB, and the following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed.

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

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.00 (NTD:NTD)	$ 89,870	1.00 (NTD:NTD)	$ (259,876)
USD	30.1492 (USD:NTD)	(1,898)	30.2992 (USD:NTD)	3,284
RMB	4.548 (RMB:NTD)	(35,294)	4.4929 (RMB:NTD)	28,412
		$ 52,678		$ (228,180)

32. SEGMENT INFORMATION

a. Financial information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable single segment is uninterruptible power supply. The related segment financial information was not necessary.

b. Geographical information

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan	$ 9,997,629	$ 8,710,973	$ 1,114,887	$ 951,690
China	1,410,265	1,151,257	1,056,152	558,030
	$ 11,407,894	$ 9,862,230	$ 2,171,039	$ 1,509,720

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

c. Major customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

5. The parent company only financial statements duly audited by the Certified Public Accountants in the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Voltronic Power Technology Corp.

Opinion

We have audited the accompanying financial statements of Voltronic Power Technology Corp. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the audit of the Company's financial statements for the year ended December 31, 2018 are stated below:

Occurrence and Validity of Revenue from Major Customers

For the year ended December 31, 2018, the Company's revenue was $9,997,629 thousand, net profit before income tax was $2,104,259 thousand, and basic earnings per share was $23.18. The growth rate of revenue reached 14.77% in 2018. The revenue derived from major customers with individual growth rate that approximately equaled or exceeded overall growth rate reached $2,588,260 thousand, which represents 25.89% of revenue for the year ended December 31, 2018. Furthermore, the Company's revenue has grown stably from the time of the Company's listing of its shares on the Taiwan Stock Exchange. To meet shareholders' and external investors' expectations, the management may be under pressure to meet profit target. Therefore, we identified the validity of sales transactions with major customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 to the Company's financial statements.

In response, we performed the following audit procedures:

1. We understood the internal controls related to sales transactions with major customers and assessed the operating effectiveness of the design and implementation of these controls.

2. We performed substantive testing of the transactions with the major customers and verified the sales details for completeness and correctness. We further examined the shipping documents and the recovery of receivables to verify the occurrence of the transactions. We also verified the settlement of trade receivables according to the trade terms with major customers.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao Mei Chen and Chung Chen Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

VOLTRONIC POWER TECHNOLOGY CORP.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 2,075,704	23	$ 1,988,824	25
Notes receivable (Notes 3, 4, 7 and 18)	9,618	-	20,504	-
Trade receivables (Notes 3, 4, 7 and 18)	1,773,571	19	1,405,259	18
Trade receivables from related parties (Notes 3, 4, 18 and 27)	174,294	2	145,221	2
Other receivables (Notes 3, 4 and 7)	4,850	-	13,200	-
Inventories (Notes 4 and 8)	71	-	467	-
Prepayments (Note 12)	14,956	-	14,353	-
Total current assets	4,053,064	44	3,587,828	45
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 9)	4,048,270	44	3,469,418	43
Property, plant and equipment (Notes 4 and 10)	1,105,997	12	933,168	12
Other intangible assets (Notes 4 and 11)	4,894	-	6,037	-
Deferred income tax assets (Notes 4 and 20)	54,068	-	40,545	-
Other non-current assets (Notes 12 and 27)	3,996	-	12,485	-
Total non-current assets	5,217,225	56	4,461,653	55
TOTAL	$ 9,270,289	100	$ 8,049,481	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	$ 397,478	4	$ -	-
Contract liabilities - current (Notes 3, 18 and 27)	81,849	1	-	-
Notes payable (Note 14)	21	-	23	-
Trade payables (Note 14)	18,744	-	6,516	-
Trade payables to related parties (Note 27)	3,790,958	41	3,507,629	43
Other payables (Note 15)	327,230	4	238,390	3
Current income tax liabilities (Notes 4 and 20)	202,492	2	57,935	1
Other current liabilities (Notes 3, 15, 18 and 27)	1,198	-	60,227	1
Total current liabilities	4,819,970	52	3,870,720	48
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 20)	314	-	-	-
Total liabilities	4,820,284	52	3,870,720	48
EQUITY (Note 17)				
Share capital				
Ordinary shares	786,853	8	786,885	10
Capital surplus	900,718	10	1,295,700	16
Retained earnings				
Legal reserve	685,821	7	549,457	7
Special reserve	134,241	2	102,342	1
Unappropriated earnings	2,167,451	23	1,702,344	21
Total retained earnings	2,987,513	32	2,354,143	29
Other equity (Notes 4 and 22)	(225,079)	(2)	(257,967)	(3)
Total equity	4,450,005	48	4,178,761	52
TOTAL	$ 9,270,289	100	$ 8,049,481	100

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4, 18 and 27)	$ 9,997,629	100	$ 8,710,973	100
OPERATING COSTS				
Cost of goods sold (Notes 8 and 27)	(8,149,524)	(82)	(7,220,127)	(83)
GROSS PROFIT	1,848,105	18	1,490,846	17
OPERATING EXPENSES (Notes 19 and 27)				
Selling and marketing expenses	(193,665)	(2)	(168,141)	(2)
General and administrative expenses	(193,461)	(2)	(188,153)	(2)
Research and development expenses	(102,472)	(1)	(109,804)	(1)
Expected credit loss (Note 7)	(7,184)	-	-	-
Total operating expenses	(496,782)	(5)	(466,098)	(5)
PROFIT FROM OPERATIONS	1,351,323	13	1,024,748	12
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 19)	32,778	-	26,318	-
Other gains and losses (Note 19)	89,102	1	(259,929)	(3)
Finance costs (Note 19)	(16,363)	-	(9,637)	-
Share of profit of subsidiaries, associates and joint ventures (Note 4)	647,419	7	715,266	8
Total non-operating income and expense	752,936	8	472,018	5
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,104,259	21	1,496,766	17
INCOME TAX EXPENSE (Notes 4 and 20)	(290,627)	(3)	(133,122)	(1)
NET PROFIT FOR THE YEAR	1,813,632	18	1,363,644	16

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Notes 4 and 17)	$ (68,567)	-	$ (38,433)	(1)
Income tax relating to items that may be reclassified subsequently to profit (Notes 17 and 20)	18,565	-	6,534	-
Other comprehensive loss for the year, net of income tax	(50,002)	-	(31,899)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,763,630	18	$ 1,331,745	15
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21)				
Basic	$ 23.18		$ 17.46	
Diluted	$ 23.03		$ 17.37	

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2017	$ 787,055	$ 1,697,404	$ 406,623	$ -	$ 1,764,457	$ (102,342)	$ (264,938)	$ 4,288,259
Appropriation of the 2016 earnings (Note 17)								
Legal reserve	-	-	142,834	-	(142,834)	-	-	-
Special reserve	-	-	-	102,342	(102,342)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,180,581)	-	-	(1,180,581)
Share-based payment transactions (Notes 17, 19 and 22)	(170)	(8,177)	-	-	-	-	141,212	132,865
Issuance of cash dividends from capital surplus (Note 17)	-	(393,527)	-	-	-	-	-	(393,527)
Net profit for the year ended December 31, 2017	-	-	-	-	1,363,644	-	-	1,363,644
Other comprehensive loss for the year ended December 31, 2017, net of income tax (Note 17)	-	-	-	-	-	(31,899)	-	(31,899)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,363,644	(31,899)	-	1,331,745
BALANCE AT DECEMBER 31, 2017	786,885	1,295,700	549,457	102,342	1,702,344	(134,241)	(123,726)	4,178,761
Appropriation of the 2017 earnings (Note 17)								
Legal reserve	-	-	136,364	-	(136,364)	-	-	-
Special reserve	-	-	-	31,899	(31,899)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,180,326)	-	-	(1,180,326)
Share-based payment transactions (Notes 17, 19 and 22)	(32)	(1,540)	-	-	64	-	82,890	81,382
Issuance of cash dividends from capital surplus (Note 17)	-	(393,442)	-	-	-	-	-	(393,442)
Net profit for the year ended December 31, 2018	-	-	-	-	1,813,632	-	-	1,813,632
Other comprehensive loss for the year ended December 31, 2018, net of income tax (Note 17)	-	-	-	-	-	(50,002)	-	(50,002)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,813,632	(50,002)	-	1,763,630
BALANCE AT DECEMBER 31, 2018	$ 786,853	$ 900,718	$ 685,821	$ 134,241	$ 2,167,451	$ (184,243)	$ (40,836)	$ 4,450,005

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,104,259	$ 1,496,766
Adjustments for:		
Expected credit loss	7,184	-
Impairment loss recognized on trade receivables	-	68
Depreciation expenses	18,294	6,742
Amortization expenses	3,026	2,979
Finance costs	16,363	9,637
Interest income	(32,220)	(26,120)
Compensation costs of employee share options	81,382	132,865
Share of profit of subsidiaries, associates and joint ventures	(647,419)	(715,266)
Net loss on disposal of property, plant and equipment	768	53
Write-downs of inventories	598	-
Prepayment for equipment transferred to expenses	1,494	-
Net (gain) loss on foreign currency exchange	(31,562)	146,960
Changes in operating assets and liabilities		
Notes receivable	10,886	(2,279)
Trade receivables	(364,766)	(263,435)
Trade receivables from related parties	(27,791)	(39,857)
Other receivables	9,307	(3,672)
Inventories	(202)	169
Prepayments	(603)	(1,542)
Contract liabilities	22,652	-
Notes payable	(2)	16
Trade payables	12,228	(10,452)
Trade payables to related parties	285,279	1,032,072
Other payables	45,085	(9,246)
Other current liabilities	168	1,593
Cash generated from operations	1,514,408	1,758,051
Interest received	31,263	26,632
Interest paid	(16,363)	(9,637)
Income tax paid	(140,714)	(216,431)
Net cash generated from operating activities	1,388,594	1,558,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment accounted for using the equity method	-	(242,036)
Increase in prepayments for equipment	-	(8,707)
Payments for property, plant and equipment	(141,714)	(79,507)
Payments for intangible assets	(1,883)	(1,746)
Increase in refundable deposits	(218)	(562)
Net cash used in investing activities	(143,815)	(332,558)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowing	$ 398,449	$ -
Distributed cash dividends	(1,573,768)	(1,574,108)
Net cash used in from financing activities	(1,175,319)	(1,574,108)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	17,420	(78,240)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,880	(426,291)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,988,824	2,415,115
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,075,704	$ 1,988,824

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

VOLTRONIC POWER TECHNOLOGY CORP.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 25, 2019.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Classification, measurement and impairment of financial assets</u>

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,988,824	$ 1,988,824	Note
Notes receivable, trade receivables, trade receivables from related parties and other receivables	Loans and receivables	Amortized cost	1,574,157	1,574,157	Note
Refundable deposits (included in other non-current assets)	Loans and receivables	Amortized cost	3,715	3,715	Note

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Amortized cost	$ -	$ -	$ -				
Add: Reclassification from loans and receivables (IAS 39)	-	3,566,696	-				Note
	$	$ 3,566,696	$ -	$ 3,566,696	$	$	

Note: Cash and equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and refundable deposits (included in other non-current assets) that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

Impact on assets, liabilities and equity for current year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Other current liabilities - advance receipts	$ 59,197	$ (59,197)	$ -
Contract liabilities - current	-	59,197	59,197
Total effect on liabilities	$ 59,197	$ -	$ 59,197

Had the Company applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15

	December 31, 2018
Decrease in contract liability - current	$ (81,849)
Increase in other current liabilities - receipts in advance	81,849
Increase (decrease) in liabilities	$ -

b. Amendments to the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, and lease liabilities for all leases on the financial balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the financial statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the financial statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the financial statements of cash flows.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

3) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

4) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

5) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 5,978	$ 5,978
Total effect on assets	$ -	$ 5,978	$ 5,978
Lease liabilities - current	$ -	$ 3,748	$ 3,748
Lease liabilities - non-current	-	2,230	2,230
Total effect on liabilities	$ -	$ 5,978	$ 5,978

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

b. Basis of preparation

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

When preparing these parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading.

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

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

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

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

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

g. Property, plant and equipment

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

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified as financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

8. i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
9.
10. ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivables, trade receivables, trade receivables from related parties, other receivables and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

11. i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
12.
13. ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.
14.

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

2017

Financial assets are classified as loans and receivables.

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

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

b) Impairment of financial assets

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

<u>2017</u>

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

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

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset’s carrying amount and the present value of its estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For a financial asset at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and trade receivables from related parties, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of uninterrupted power system electronic equipment. Sales of leisure goods and electronic equipment are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The contract liability is the advance receipts which haven't been recognized as revenue.

2017

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

Revenue from the sale of goods

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

1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

3) The amount of revenue can be measured reliably;

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

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

l. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

n. Share-based payment arrangements

<u>Restricted shares for employees granted to employee</u>

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

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

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

o. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 7. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 363	$ 451
Demand deposits	1,077,170	1,101,369
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	998,171	887,004
	$ 2,075,704	$ 1,988,824

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

	December 31	
	2018	**2017**
Bank deposits	0.01%-4.80%	0.05%-4.43%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	**2017**
Notes receivable		
Notes receivable - operating	$ 9,618	$ 20,504
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,781,950	$ 1,407,538
Less: Allowance for impairment loss	(8,379)	(2,279)
	$ 1,773,571	$ 1,405,259
Other receivables		
Interest receivables	$ 4,130	$ 3,173
Tax refund receivables	720	10,027
	$ 4,850	$ 13,200

Notes receivable

In 2018

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes receivable. The expected credit losses on notes receivable are referred by past default experience of the debtor and general economic conditions of the industry. As of December 31, 2018, the Company has no need to recognize expected credit losses on notes receivable.

In 2017

The Company transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed. As of December 31, 2017, the Company did not hold any collateral for the balance of its notes receivable.

The following table details the aging analysis of notes receivable.

	December 31	
	2018	**2017**
1 to 60 days	$ 7,829	$ 19,280
61 to 90 days	1,789	1,224
91 to 120 days	-	-
121 to 365 days	-	-
	$ 9,618	$ 20,504

The above aging analysis of notes receivable is based on the journal date.

Trade receivables

In 2018

The average credit period of sales of goods was 0 to 180 days.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company’s credit risk was significantly reduced.

Besides insurance classified by credit rating, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The provision for expected credit losses is based on the number of past due days from the end of the credit term.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Since the Company purchased insurance individually and the credit rating is evaluated by the insurance company, no impairment loss was needed for trade receivables. As of December 31, 2018, the carrying amount of trade receivables was $1,038,764 thousand.

The following table details the loss allowance of trade receivables based on the Company's provision matrix:

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.08%	2.18%	42.28%	100%	100%	100%	
Gross carrying amount	$ 671,436	$ 62,538	$ 4,733	$ 791	$ 2,945	$ 743	$ 743,186
Loss allowance (Lifetime ECL)	(535)	(1,364)	(2,001)	(791)	(2,945)	(743)	(8,379)
Amortized cost	$ 670,901	$ 61,174	$ 2,732	$ -	$ -	$ -	$ 734,807

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 2,279
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	2,279
Add: Net remeasurement of loss allowance	7,184
Less: Amounts written off	(1,084)
Balance at December 31, 2018	$ 8,379

In 2017

The average credit period of sales of goods was 0 to 180 days.

The Company recognized an allowance for impairment loss of 100% against all trade receivables over 365 days because historical experience shows that receivables outstanding beyond 365 days are not recoverable. For receivables outstanding between 0 to 365 days, the Company estimated irrecoverable amount based on the past defaults of the counterparties and an analysis of their current financial positions.

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

The aging of receivables was as follows:

	December 31, 2017
Not overdue	$ 1,284,920
Overdue 60 days	107,244
Overdue 61-120 days	7,775
Overdue beyond 120 days	7,599
	$ 1,407,538

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

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

	December 31, 2017
Overdue 60 days	$ 84,421
Overdue 61-120 days	7,163
Overdue beyond 120 days	6,520
	$ 98,104

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

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

	Individually Assessed for Impairment	Collectability Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 2,211	$ 2,211
Add: Impairment losses recognized on receivables	-	68	68
Balance at December 31, 2017	$ -	$ 2,279	$ 2,279

The Company recognized no impairment loss on trade receivables which related to customers that in severe financial difficulties with balances as of December 31, 2018 and 2017. The Company did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 71	$ 467

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $8,149,524 thousand and $7,220,127 thousand, respectively. The cost of goods sold included inventory write-downs of $598 thousand and $0, respectively.

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries - Voltronic International Corp.	$ 4,048,270	$ 3,469,418

At the end of the reporting period, the percentage of ownership of and voting rights in the subsidiary held by the Company were as follows:

	December 31	
	2018	**2017**
Voltronic International Corp.	100%	100%

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 was based on the subsidiary financial statements audited by the auditors for the same years.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improve-ments	Other Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2017	$ 720,761	$ -	$ 57,322	$ 7,904	$ 6,533	$ 742	$ 126,813	$ 920,075
Additions	-	-	4,862	-	-	-	74,645	79,507
Disposals	-	-	(476)	(20)	-	-	-	(496)
Balance at December 31, 2017	$ 720,761	$ -	$ 61,708	$ 7,884	$ 6,533	$ 742	$ 201,458	$ 999,086
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ -	$ 47,115	$ 6,496	$ 5,360	$ 648	$ -	$ 59,619
Depreciation expense	-	-	5,275	1,093	346	28	-	6,742
Disposals	-	-	(423)	(20)	-	-	-	(443)
Balance at December 31, 2017	$ -	$ -	$ 51,967	$ 7,569	$ 5,706	$ 676	$ -	$ 65,918
Carrying amounts at December 31, 2017	$ 720,761	$ -	$ 9,741	$ 315	$ 827	$ 66	$ 201,458	$ 933,168
Cost								
Balance at January 1, 2018	$ 720,761	$ -	$ 61,708	$ 7,884	$ 6,533	$ 742	$ 201,458	$ 999,086
Additions	-	154,241	8,199	557	626	18,823	2,232	184,678
Disposals	-	-	-	(659)	(6,533)	-	-	(7,192)
Reclassified as held for sale (Note)	-	203,690	6,278	-	-	935	(203,690)	7,213
Balance at December 31, 2018	$ 720,761	$ 357,931	$ 76,185	$ 7,782	$ 626	$ 20,500	$ -	$ 1,183,785
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ -	$ 51,967	$ 7,569	$ 5,706	$ 676	$ -	$ 65,918
Depreciation expense	-	9,731	5,812	409	147	2,195	-	18,294
Disposals	-	-	-	(659)	(5,765)	-	-	(6,424)
Balance at December 31, 2018	$ -	$ 9,731	$ 57,779	$ 7,319	$ 88	$ 2,871	$ -	$ 77,788
Carrying amounts at December 31, 2018	$ 720,761	$ 348,200	$ 18,406	$ 463	$ 538	$ 17,629	$ -	$ 1,105,997

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

For the years ended December 31, 2018 and 2017, no impairment assessment was performed as there was no indication of impairment.

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

Buildings	
Main buildings	50 years
Draining and air-conditioning units	8-10 years
Machinery and Equipment	5 years
Office equipment	2-3 years
Leasehold improvements	5 years
Other equipment	3-5 years

The unrecognized commitments for acquisition of property, plant and equipment were set out in Note 28.

11. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 23,873
Additions	1,746
Balance at December 31, 2017	$ 25,619
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 16,603
Amortization expense	2,979
Balance at December 31, 2017	$ 19,582
Carrying amounts at December 31, 2017	$ 6,037
Cost	
Balance at January 1, 2018	$ 25,619
Additions	1,883
Balance at December 31, 2018	$ 27,502
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 19,582
Amortization expense	3,026
Balance at December 31, 2018	$ 22,608
Carrying amounts at December 31, 2018	$ 4,894

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

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Selling and marketing expenses	$ 382	$ 338
General and administrative expenses	2,390	2,178
Research and development expenses	254	463
	$ 3,026	$ 2,979

12. OTHER ASSETS

	December 31	
	2018	2017
Current		
Prepayments	$ 14,956	$ 14,353
Non-current		
Refundable deposits	$ 3,933	$ 3,715
Prepayments for equipment	63	8,770
	$ 3,996	$ 12,485

13. BORROWINGS

Short-term Borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Line of credit borrowings	$ 397,478	$ -

The weighted average effective interest rates on bank loans was 2.638% as of December 31, 2018.

14. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
Operating	$ 21	$ 23
Trade payables		
Operating	$ 18,744	$ 6,516

15. OTHER LIABILITIES

	December 31	
	2018	**2017**
Current		
Other payables		
Payables for salaries and bonuses	$ 36,007	$ 32,971
Payables for employee compensation	148,453	122,036
Payables for remuneration of directors and supervisors	14,400	14,400
Payables for commission	75,429	63,811
Payables for purchase of equipment (included building)	42,964	-
Others	9,977	5,172
	$ 327,230	$ 238,390
Other liabilities		
Advance receipts	$ -	$ 59,197
Receipts under custody	1,198	1,030
	$ 1,198	$ 60,227

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

17. EQUITY

a. Share capital

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,685	78,688
Shares issued	$ 786,853	$ 786,885

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

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

Per resolution of the board of directors on February 26, 2018 and May 4, 2017, the Company retired $32 thousand and $170 thousand of restricted employee shares, respectively at $10 par value, totaling 3 thousand shares and 17 thousand shares, respectively. The Company designated that the basis date of the capital reduction was March 31, 2018 and June 30, 2017, respectively, where the approval of the Ministry of Economic Affairs (MOEA) was obtained on April 18, 2018 and July 17, 2017, respectively.

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

	Number of Shares (In Thousands of Shares)	Share Capital
Balance at January 1, 2017	78,705	$ 787,055
Retirement of recovered employee restricted shares	(17)	(170)
Balance at December 31, 2017	78,688	$ 786,885
Balance at January 1, 2018	78,688	$ 786,885
Retirement of recovered employee restricted shares	(3)	(32)
Balance at December 31, 2018	78,685	$ 786,853

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuing ordinary shares	$ 493,054	$ 886,496
May be used for offset a deficit only		
Premium from employee restricted shares	226,136	165,626
May not be used for any purpose		
Employee restricted shares	181,528	243,578
	$ 900,718	$ 1,295,700

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

A reconciliation of the capital surplus was as follows:

	Premium from Ordinary Shares	Premium from Employee Restricted Shares	Employee Restricted Shares	
Balance at January 1, 2017	$ 1,280,023	$ 104,731	$ 312,650	
Vested employee restricted shares	-	60,895	(60,895)	
Retirement employee restricted shares	-	-	(8,177)	(Note 1)
Distributed as cash dividends	(393,527)	-	-	
Balance at December 31, 2017	$ 886,496	$ 165,626	$ 243,578	

(Continued)

	Premium from Ordinary Shares	Premium from Employee Restricted Shares	Employee Restricted Shares	
Balance at January 1, 2018	$ 886,496	$ 165,626	$ 243,578	
Vested employee restricted shares	-	60,510	(60,510)	
Retirement employee restricted shares	-	-	(1,540)	(Note 2)
Distributed as cash dividends	(393,442)	-	-	
Balance at December 31, 2018	$ 493,054	$ 226,136	$ 181,528	

(Concluded)

Note 1: The reversed compensation cost of $8,347 thousand for restricted shares was net of retired share capital of $170 thousand.

Note 2: The reversed compensation cost of $1,572 thousand for restricted shares was net of retired share capital of $32 thousand.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years (including adjust undistributed retained earnings), setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 19,f.

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

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

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

The appropriations from the 2017 and 2016 earnings approved in the shareholders' meetings on June 5, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 136,364	$ 142,834	$ -	$ -
Special reserve	31,899	102,342	-	-
Cash dividends	1,180,326	1,180,581	15.00	15.00

The distribution of cash dividends from capital surplus of $393,442 thousand and $393,527 thousand were approved in the shareholders' meeting on June 5, 2018 and June 16, 2017, respectively.

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on February 25, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 181,363	$ -
Special reserve	50,002	-
Cash dividends	1,573,705	20.0
Share dividends	39,343	0.5

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 25, 2019.

The board of directors on February 25, 2019 propose to issue cash dividends of $78,685 thousand from capital surplus, a proposal that is subject to the resolution of the shareholders' meeting held on June 25, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 102,342	$ -
Appropriation in respect of:		
The debit to other equity items	31,899	102,342
Balance at December 31	$ 134,241	$ 102,342

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (134,241)	$ (102,342)
Effect of change in tax rate	4,852	-
Recognized for the year		
Exchange differences on translating foreign operations	(68,567)	(38,433)
Income tax related to exchange differences arising on translating to the presentation currency	13,713	6,534
Balance at December 31	$ (184,243)	$ (134,241)

Employee unearned benefit

In the meeting of shareholders on May 24, 2016, the shareholders approved the issuance of restricted shares to employees, respectively (refer to Note 22).

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (123,726)	$ (264,938)
Share-based payment expenses recognized	81,382	132,865
Adjustment for retired restricted employee cash dividends	(64)	-
Retired restricted employee shares (Note)	1,572	8,347
Balance at December 31	$ (40,836)	$ (123,726)

Note: Deducted from compensation cost of restricted shares amounting $1,572 thousand and $8,347 thousand for the years ended December 31, 2018 and 2017, respectively.

18. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 9,997,629	$ 8,710,973

	December 31, 2018
Contact balances	
Notes receivable and trade receivables (Notes 7 and 27)	$ 1,957,483
Contract liabilities - current	
Sale of goods	$ 81,849

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	$ 59,197

19. NET PROFIT (LOSS) FROM OPERATIONS

Net profit (loss) from continuing operations was attributable to:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 32,220	$ 26,120
Others	558	198
	$ 32,778	$ 26,318

b. Other gains and loss

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (768)	$ (53)
Net foreign exchange gains (losses)	89,870	(259,876)
	$ 89,102	$ (259,929)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 931	$ -
Other interest expense	15,432	9,637
	$ 16,363	$ 9,637

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating expenses	$ 18,294	$ 6,742
An analysis of amortization by function		
Operating expenses	$ 3,026	$ 2,979

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Salary expenses	$ 203,264	$ 177,760
Other employee benefits		
Labor and health insurance	8,225	7,487
Other employee benefits	7,450	6,604

(Continued)

For the Year Ended December 31

	2018	2017
Equity-settled share-based payments (Note 22)	$ 81,382	$ 132,865
Post-employment benefits		
Defined contribution plans	4,180	3,815
Total employee benefits expense	$ 304,501	$ 328,531
An analysis of employee benefits expense by function		
Operating expenses	$ 304,501	$ 328,531

(Concluded)

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rates between 3.75% and 11.5% and no higher than 3.75%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on February 25, 2019 and February 26, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	4.07%	4.43%
Remuneration of directors	0.65%	0.91%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 90,000	$ -	$ 70,000	$ -
Remuneration of directors	14,400	-	14,400	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 278,949	$ 51,673
Foreign exchange losses	(189,079)	(311,549)
	$ 89,870	$ (259,876)

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax (expense) benefit recognized in profit are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ (284,015)	$ (160,215)
Income tax on unappropriated earnings	(1,505)	(258)
Adjustments for prior periods	249	(10)
	(285,271)	(160,483)
Deferred tax		
In respect of the current period	(7,659)	27,361
Adjustments to deferred tax attributable to changes in tax rates and laws	2,303	-
	(5,356)	27,361
Income tax expense recognized in profit or loss	$ (290,627)	$ (133,122)

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 2,104,259	$ 1,496,766
Income tax expense calculated at the statutory rate	$ (420,852)	$ (254,449)
Deferred tax effect of earnings of subsidiaries	129,483	121,595
Income tax on unappropriated earnings	(1,505)	(258)
Unrecognized deductible temporary differences	(305)	-
Effect of tax rate change	2,303	-
Adjustments for prior years' tax	249	(10)
Income tax expense recognized in profit or loss	$ (290,627)	$ (133,122)

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate	$ 4,852	$ -
In respect of the current year		
Translation of foreign operations	13,713	6,534
	$ 18,565	$ 6,534

c. Current tax assets and liabilities

	December 31	
	2018	**2017**
Current tax liabilities		
Income tax payable	$ 202,492	$ 57,935

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

Deferred tax assets	**Opening Balance**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Temporary differences				
Unrealized loss on write-down of inventories	$ 35	$ 125	$ -	$ 160
Unrealized employee compensation	6,735	1,112	-	7,847
Unrealized exchanges loss	6,279	(6,279)	-	-
Exchanges difference on foreign operations	27,496	-	18,565	46,061
	$ 40,545	$ (5,042)	$ 18,565	$ 54,068
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gains	$ -	$ (314)	$ -	$ (314)

For the year ended December 31, 2017

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

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

As of December 31, 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $3,390,289 thousand and $2,742,870 thousand, respectively.

f. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities. As of December 31, 2018, the Company has no unsettled lawsuit in related with tax.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2018	2017
Basic earnings per share		
Net income	$ 1,813,632	$ 1,363,644
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,225	78,098
Basic earnings per share	$ 23.18	$ 17.46

(Continued)

	For the Year Ended December 31	
	2018	2017
Diluted earnings per share		
Net income	$ 1,813,632	$ 1,363,644
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,225	78,098
Effect of potentially dilutive ordinary shares:		
Bonus to employees	190	162
Employee restricted shares	329	266
Weighted average number of ordinary shares in computation of diluted earnings per share	78,744	78,526
Diluted earnings per share	$ 23.03	$ 17.37

(Concluded)

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED SHARES PLAN

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

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

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

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

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

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

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

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

The fair value of NT$491 per share of the newly issued restricted shares was priced using the market-price-based method. The unearned employee benefit of $319,150 thousand was recognized on the basis of vesting conditions and expensed on a straight-line base over the vest period. Compensation costs of $81,382 thousand and $132,865 thousand were recognized respectively within the vesting period for the years ended December 31, 2018 and 2017.

23. CASH FLOWS INFORMATION

a. Non-cash transactions

For the years ended December 31, 2018, the Company entered into the following non-cash investing activities which were not reflected in the statement of cash flows:

As of December 31, 2018, the un-settled payments for purchase of property, plant and equipment was $42,964 thousand and recorded as other payables - payables for purchases of equipment in the financial statements.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

			Non-cash Changes	
	Opening Balance	Cash Flows	Exchange Rate Impact	Closing Balance
Short-term borrowings	$ -	$ 398,449	$ (971)	$ 397,478

24. OPERATING LEASE ARRANGEMENTS

The Company as lessee

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

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

	December 31	
	2018	2017
Not later than 1 year	$ 3,433	$ 4,474
Later than 1 year and not later than 5 years	169	1,239
	$ 3,602	$ 5,713

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

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 4,902	$ 7,619

25. CAPITAL MANAGEMENT

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

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

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

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

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements which are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Loans and receivables (1)	$ -	$ 3,566,696
Financial assets at amortized cost (2)	4,041,250	-
Financial liabilities		
Amortized cost (3)	4,335,571	3,583,151

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and refundable deposits (included in other non-current assets).

2) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and refundable deposits (included in other non-current assets).

3) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, trade payables, trade payables to related parties and other payables that are measured at amortized cost.

c. Financial risk management objectives and policies

The Company’s major financial instruments included trade receivables and trade payables. The Company’s Corporate Treasury function provides services such as providing access to domestic and international financial markets, and monitoring and managing the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The Corporate Treasury function reports periodically to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated) are set out in Note 30.

Sensitivity analysis

The Company was mainly exposed to the movement of foreign exchange rate in USD and RMB.

The following table shows the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars against the relevant foreign currencies. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the New Taiwan dollars weakened by 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 25,408	$ 25,556

	RMB Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ (28,517)	$ (26,206)

This was mainly attributable to the exposure on USD bank deposits, USD receivables, USD payables, USD bank short-term borrowings, RMB bank deposits and RMB payables at the end of the reporting period.

The Company's sensitivity to the USD is not higher difference. The Company's sensitivity to RMB increased during the current period mainly because of an increase in RMB payable.

b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest risks at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Interest rate risk on fair value		
Financial assets	$ 998,171	$ 887,004
Interest rate risk on cash flow		
Financial assets	1,077,170	1,101,369
Financial liabilities	397,478	-

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Company's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Company's pretax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $6,797 thousand and $11,014 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate risks on its floating-rate bank deposit.

The Company's sensitivity to interest rates decreased during the current period mainly because of the increase in floating-rate bank short-term borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the financial balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

To minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Company's credit risk was significantly reduced.

The Company transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized short-term bank loan facilities set out in (2) below.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

For interest flows pertaining to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2018

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 2,185,310	$ 1,752,783	$ -	$ -
Variable interest rate liabilities	2,585	400,121	-	-
	$ 2,187,895	$ 2,152,904	$ -	$ -

December 31, 2017

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 3,582,414	$ 737	$ -	$ -

b) Financing facilities

	December 31	
	2018	2017
Unsecured bank loan facilities		
Amount used	$ 397,478	$ -
Amount unused	1,239,908	-
	$ 1,637,386	$ -

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Name	Related Party Category
RPS. SPA	Essential related parties (whose managing director is the key management personnel of the Company) (Note)
FSP Technology Inc.	Key management personnel
Juor-Ming Hsieh	Key management personnel
Mr. Hsieh	Essential related parties (the immediate family of the Company's management)
Ms. Hsieh	Essential related parties (the immediate family of the Company's management)
Ming Fang International Investment Co., Ltd.	Essential related parties
Voltronic International H.K. Corp. Limited	Subsidiaries
Voltronic Power Technology (Shen Zhen) Corp.	Subsidiaries
Zhongshan Voltronic Power Electronics Limited	Subsidiaries

Note: RPS. SPA was the board of director member of the Company. Since the shareholders' meeting was reelected on June 5, 2018, the managing director of RPS. SPA has served as a director.

b. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31 2018	2017
Sales	Key management personnel	$ 394,175	$ 660,343
	Essential related parties	292,781	-
		$ 686,956	$ 660,343

The selling prices are not comparable due to same product not sold to third party in 2018 and 2017. Payment terms of related parties are 135-150 days after the end of the month, respectively, and of third parties are 0-180 days.

c. Purchases of goods

Related Party Category	For the Year Ended December 31 2018	2017
Subsidiaries - Voltronic International H.K. Corp. Limited	$ 8,088,014	$ 7,170,445
Subsidiaries	1,051	145
	$ 8,089,065	$ 7,170,590

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2018 and 2017. Payment terms of related parties are 150 days after every month end close, respectively, and of third parties are 30-90 days.

d. Contract liabilities

Related Party Category	December 31 2018	2017
Key management personnel	$ 101	$ -
Essential related parties	1,501	-
	$ 1,602	$ -

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

Line Item	Related Party Category	December 31 2018	2017
Trade receivables from related parties	Essential related parties	$ 102,586	$ -
	Key management personnel	71,708	145,211
		$ 174,294	$ 145,211

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

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

Line Item	Related Party Category	December 31 2018	2017
Trade payables	Subsidiaries - Voltronic International H.K. Corp. Limited	$ 3,790,842	$ 3,507,629
	Subsidiaries	116	-
		$ 3,790,958	$ 3,507,629

The outstanding trade payables from related parties are unsecured.

g. Other transactions with related parties

Line Item	Related Party Category	December 31 2018	2017
Receipts in advance	Key management personnel	$ -	$ 1,722
Refundable deposits	Key management personnel	$ -	$ 207
	Essential related parties	-	419
	Essential related parties - Ming Fang International Investment Co., Ltd.	500	648
		$ 500	$ 1,274

		For the Year Ended December 31	
		2018	2017
Rental expenses	Key management personnel	$ 107	$ 1,283
	Essential related parties	3,205	3,110
		$ 3,312	$ 4,393

In 2018 and 2017, the Company rented buildings from key management personnel and essential related parties. The rental expenses, which were payable monthly, were based on current market prices.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 81,162	$ 83,777
Post-employee benefits	628	747
Share-based payments	34,113	54,984
	$ 115,903	$ 139,508

The remunerations of directors and other key executives were determined by the remuneration committee on the basis of individual performance and market trends.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	December 31	
	2018	2017
Acquisition of property, plant and equipment	$ -	$ 188,802

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In the meeting on February 25, 2019, the Board of directors approved a restricted shares plan of 682 thousand shares with a par value of NT$10, estimated recognition of compensation costs in the vesting period is $354,640 thousand. The Board authorizes the chairman to determine the issuance date for shares after shareholders’ resolution on the meeting on June 25, 2019.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and New Taiwan dollars. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 98,313	30.7150 (USD:NTD)	$ 3,019,700
RMB	209,840	4.4753 (RMB:NTD)	939,097
			$ 3,958,797
Non-monetary items			
Investments accounted for using the equity method			
USD	131,812	30.7150 (USD:NTD)	$ 4,048,270
Financial liabilities			
Monetary items			
USD	15,592	30.7150 (USD:NTD)	$ 478,900
RMB	847,059	4.4753 (RMB:NTD)	3,790,842
			$ 4,269,742

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 87,980	29.7600 (USD:NTD)	$ 2,618,656
RMB	194,766	4.5545 (RMB:NTD)	887,061
			$ 3,505,717
Non-monetary items			
Investments accounted for using the equity method			
USD	116,592	29.7600 (USD:NTD)	$ 3,469,418
Financial liabilities			
Monetary items			
USD	2,120	29.7600 (USD:NTD)	$ 63,091
RMB	770,146	4.5545 (RMB:NTD)	3,507,629
			$ 3,570,720

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

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	**Exchange Rate**	**Net Foreign Exchange Gains (Losses)**	**Exchange Rate**	**Net Foreign Exchange Gains (Losses)**
RMB	4.5480 (RMB:NTD)	$ 20,392	4.4929 (RMB:NTD)	$ (6,852)
USD	30.1492 (USD:NTD)	69,478	30.2992 (USD:NTD)	(253,024)
		$ 89,870		$ (259,876)

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

VII. Reassessment & analysis on financial conditions and outcome of business operation as well as risks

1. Financial conditions

Significant changes in assets, liabilities and equity taking place over the past two years, and causes behind and the impact, with explanation of future countermeasures in case of a significant impact:

Comparative analysis of financial conditions

Expressed in Thousands of New Taiwan Dollars; %

Item \ Year	2017	2018	Discrepancy	
			Amount	%
Current assets	5,679,633	6,046,610	366,977	6.46
Property, plant and equipment	1,295,195	1,964,461	669,266	51.67
Intangible assets	6,691	5,235	(1,456)	(21.76)
Other assets	255,655	269,465	13,810	5.40
Total assets	7,237,174	8,285,771	1,048,597	14.49
Current liabilities	3,058,182	3,835,225	777,043	25.41
Other liabilities	231	541	310	134.20
Total liabilities	3,058,413	3,835,766	777,353	25.42
Capital stock	786,885	786,853	(32)	(0.00)
Capital surplus	1,295,700	900,718	(394,982)	(30.48)
Retained earnings	2,354,143	2,987,513	633,370	26.90
Remuneration unearned by employees	(123,726)	(40,836)	82,890	(66.99)
Cumulative translation adjustment	(134,241)	(184,243)	(50,002)	37.25
Aggregate total of shareholders' equity	4,178,761	4,450,005	271,244	6.49

Change over the past two years over 20%, with the change above NT$10,000,000.
Increase in real property, plants and equipment: Due primarily to the continued increase in the construction costs of the Head Office and plants of subsidiaries in Year 2018
Increase in current liabilities and aggregate total liabilities: Due primarily to new increase in short-term loan in the present term.
Capital surplus: Due primarily to the facts that in Year 2018, the capital surplus was taken for distribution of cash dividend and for recognition of shares-based payment.
Retained earnings: Due primarily to stable growth in sales revenues and profit in Year 2018.
Remuneration unearned by employees: Due primarily to the facts that in Year 2018, the shares-based payment was recognized.
Cumulative translation adjustment: cumulative adjustments due to exchange rate fluctuation.

2. Financial performance

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

Comparative analyses on financial performance

Expressed in Thousands of New Taiwan Dollars; %

Item \ Year	2017	2018	Amount in increase / decrease	Ratio of change %
Net operating revenues	9,862,230	11,407,894	1,545,664	15.67
Operating costs	7,167,582	8,302,728	1,135,146	15.84
Gross operating profit	2,694,648	3,105,166	410,518	15.23
Operating expenses	866,051	994,203	128,152	14.80
Operating net profit	1,828,597	2,110,963	282,366	15.44
Non-operating revenues & profits	65,146	161,776	96,630	148.33
Non-operating expenses & losses	238,553	16,363	(222,190)	(93.14)
Net profit before tax	1,655,190	2,256,376	601,186	36.32
Fees of income tax	291,546	442,744	151,198	51.86
Net profit after tax	1,363,644	1,813,632	449,988	33.00
Operating revenue over the past two years: Significant changes in operating net profit and net profit before tax, with descriptions of the reason why. Increase in non-operating income and benefits an decrease in non-operating expenses and losses: Due primarily to exchange rate fluctuations incurred by exchange rate. Increase in net profit before tax and net profit after tax: Due primarily to steady growth in revenue and profit. Income tax expense: Due primarily to stable growth in sales revenues and profits which caused an increase in income tax expense.				

(2) Anticipated sales volume and grounds thereof, potential impact upon the Company in future financial conditions and the countermeasures:

1) Anticipated sales volume one year ahead and grounds thereof:

On the grounds of change in the macroeconomy, business operation orientation and future development, with reference to the recent performance by the Company, we duly work out operating targets and anticipate to continually grow over Year 2018. We anticipate to see an increase of operating revenues and profits.

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

3. Analyses on cash flow

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

Year / Item	2017	2018	Increase (decrease) of change ratio (%)
Cash flow ratio (%)	40.27%	28.81%	(28.45%)
Cash flow adequacy ratio (%)	98.88%	94.82%	(4.11%)
Cash reinvestment ratio (%)	—	—	—
A change beyond 20% between the preceding and subsequent terms, primary reasons and analysis of the impact: (1) Decrease in ratio of cash flow: Due primarily to the newly increased loans in the present term. (2) Decrease of cash flow adequacy ratio: None (3) Decrease of cash reinvestment ratio (%): None			

(2) Plan to improve inadequate current flow: None

(3) Analyses on the cash flow performance in one year ahead (Year 2019):

Expressed in Thousands of New Taiwan Dollars

Cash balance, beginning of year (1)	Net cash flow in operating activities anticipated for the entire year (2)	Anticipated cash outflow in the year-round investment and capital-raising activities (3)	Anticipated cash surplus (shortfall) (4)=(1)+(2)+(3)	Remedy for anticipated cash shortfall	
				Investment plans	Wealth management plan
2,629,229	2,144,466	2,002,539	2,771,156	-	-

(1) Analyses on changes in cash flow 2015:

A. The net cash inflow in operating activities is anticipated at NT$2,144,466 thousand, due primarily to growth in profit anticipated in the upcoming one year.

B. As anticipated for Year 2019, the cash outflow of investment activities came to approximately NT$350,149, due primarily to the payment required for the subsequent capital expenditure for Zhongshan Plant construction and the expenditures in response to growth.

C. The anticipated cash flow for capital-raising activities was to allocate cash dividend NT$1,573,705 thousand and the additional paid-in capital at NT$78,685 thousand for the issuance of ordinary shares at a premium.

(2) Analyses on remedy for cash shortfall and the liquidity: Not applicable, as no cash shortfall is anticipated.

4. The impact of the significant capital expenditure of the latest year upon the financial conditions:

The Company is currently funding with internal capital the total expenses of construction in progress totaling NT$170 million for the headquarters building and the R&D center in Taipei. As the internal capital is adequate, this major capital expenditure does not affect the financials of the Company. Meanwhile, the establishment of new facilities at Zhongshan Voltronic Power Electronic Limited is also funded with internal capital, without material impacts on our financials.

5. The outward investment policies in the most recent year, key reasons leading to profit or loss, countermeasures and the investment plan in one year ahead:

(1) The outward investment plans in the most recent year: To manage and dominate outward investment. The Company has so far duly enacted Procedures for the Acquisition or Disposal of Assets" to firmly dominate financial conditions and business operation facts. Amidst the Internal Control System, besides, the Company has enacted "Surveillance and Management Operations over Subsidiaries" to firmly dominate their financial conditions and relevant operating procedures. Meanwhile, we firmly surveil their implementation or handling. We have, as well, set up the operating risk management mechanism over subsidiaries to exert maximum possible business performance.

(2) Kay causes leading to profit or loss in outward investment in recent year, countermeasures and investment plans on one year ahead:

December 31, 2018; Expressed in Thousands of New Taiwan Dollars

Descriptions / Descriptions	Shareholding ratio %	Profit (loss) recognized Amount	Major causes leading to profit or loss	Countermeasures	Other investment plans in the future
Voltronic International Corp.	100.00	647,419	Due primarily to profit earned from investee Subsidiary Voltronic International H.K. Corp. Limited	—	—
Voltronic International H.K. Corp. Limited	100.00	642,075	Due primarily to profit earned from investees in Subsidiaries Voltronic Power Technology and Orchid Power (Shen Zhen) Manufacturing Company	—	—
Potentia Technology Inc. Limited	100.00	5,325	Due primarily to procurement of raw materials & materiel on behalf with discount.	—	—
Voltronic Power Technology (Shen Zhen) Corp.	100.00	246,945	Due primarily to stable growth in operating scale.	—	—
Orchid Power (Shen Zhen) Manufacturing Company	100.00	208,546	Due primarily to stable growth in operating scale.	—	—
Zhongshan Voltronic Power Electronic Limited	100.00	186,584	Due primarily to stable growth in operating scale.	—	—
Zhongshan Voltronic Precision Inc.	100.00	12,733	Not founded until Year 2018.	—	—

(3) Investment plans in one year ahead:

The investment for the next year will depend on market demand, as we seek to capture business opportunities, expand market shares and our revenue base.

6. Analyzed evaluation required for risks over the issues enumerated below of the most recent year as of Annual Report date

1) Change in interest rates:

A. Impact upon the Company's operating revenues and profitability:
In years 2017 and 2018, the net interest revenues and expenditures came to NT$23,564 thousand and NT$26,354 thousand, respectively, and accounting for 0.24% and 0.23% of the net operating revenues, respectively, and accounting for 1.42% and 1.17% of the net profit before tax, respectively. Accordingly, the change in the interest rate would pose limited impact upon the Company's operating revenue and net profit before tax.

B. Concrete countermeasures:
The Company's interest expenditures primarily incurred by transfer of accounts receivable, with direct relationship of customer credit rating and credit standing with bank transaction. The Company has maintained sound relationship with correspondent banks and has, as a result of, obtained preferential interest rate. Meanwhile, the Company closely watches the updates of banking markets and the potential impact upon the Company and would take countermeasures closely all the time. Accordingly, the change in interest rate is not supposed to create a significant impact upon the Company.

2) Change in exchange rate

Expressed in Thousands of New Taiwan Dollars

Descriptions\Year	2018	2017
Profit and/or loss in foreign exchange, net	52,678	(228,180)
Net operating income	11,407,894	9,862,230
% to the operating income	0.46%	(2.31%)
Net profit before tax	2,256,376	1,655,190
% to the operating profit (%)	2.33%	(13.79%)

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

Concrete countermeasures against change in exchange rate:

The Company sells primarily in U. S. Dollars and procures materials & supplies primarily in RMB and secondarily in U. S. Dollars. In the part of U. S. Dollars, given the fact of significant fluctuation in exchange rate in recent years, the Company tries to maintain the U. S. Dollars position obtained from sales revenues in an effort to minimize the impact from fluctuation in exchange rates upon sales revenues and profitability. Such efforts might further function for hedging purposes. Since Year 2018, the Company has gradually balanced US dollar assets and US dollar liabilities in accordance with the trend of exchange rate fluctuations.

The risk on RMB was primarily incurred by the need by the Company's subsidiaries to procure materials & supplies from manufactures in China payable in RMB. Since Year 2018, the Company has gradually increased the RMB deposit according to the trend of exchange rate fluctuations to adjust the balance of RMB assets and RMB liabilities.

3) Changes in inflation:

A. Analysis upon the impact upon the Company

The average consumer commodity price index promulgated by the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan in 2018 was 1.35%, suggesting no inflation or deflation. That is to mean no significant potential impact upon the Company's profit/loss in 2018.

B. Concrete countermeasures

(A) We are in a sound position to dominate the price variation in upstream raw materials sources all the time and maintain very intimate ties with suppliers and customers. Such efforts would help us minimize the impact by change in raw materials costs upon our Company's profit /loss.

(B) We continually take reference to the research reports and relevant economic data from leading economy research houses both at home and abroad and duly adjust the future inflation possibility in the future to prevent the significant impact of inflation upon our financial conditions.

(2) The major causes behind our engaging in high risk, high leverage investment, funds lent to others, endorsements/guarantees and derivative financial instruments and the future countermeasures:

1) Our engaging in high risk, high leverage investment:

Our Company focuses on principal business lines with heavy stress on development of principal technology & know-how, research & development and sales marketing. Besides, we insist on solid policy in business operation, aiming at sound financial development as the very premise. We, therefore, do not get involved in any investment beyond our principal lines, nor do we engage in high leverage investment.

2) Business in engaging in funds lent to others, endorsements/guarantees and derivative financial instruments:

The Company has duly enacted the "Procedures for Loaning of Funds to Others", "Procedures in Endorsement and Guarantee" and "Procedures for the Acquisition or Disposal of Assets" as the very grounds for relevant business operation. As of the Annual Report issuance date, the Company has not engaged in any loaning of funds, transactions in endorsements/guarantees and transaction in derivative financial instruments.

(3) The future research & development plans and the expenses anticipated to be invested:

1) The future research & development plans: High power and high efficiency products.

A. Development of UPS series.

B. Development of dispersing high voltage direct current UPS modularization and monitoring systems.

C. Development of high power factor/high efficiency/low current harmonics models.

D. Development of dispersing road side UPS module machines.

E. Development of three-phase current harmonics compensators.

F. Development of DC/DC converters of on-grid Inverter converted to energy storage application.

G. Charging pile development

2) The expenses anticipated to be invested:

The research & development expenses the Company intends to invest will be budgeted based on the step-by-step basis based on our development of new products and new technology & know-how, future growth in sales turnover, and will raise the research & development costs year-by-year in the future. In Year 2018, the aggregate total research & development costs actually invested came to NT$417,712 thousand. In 2019, we anticipate to invest NT$480,369 thousand as our research & development expenses to further boost our competitive edge.

(4) The impact from major domestic policies, change in laws upon the Company's financial conditions and the Company's countermeasures:

In all routines, the Company faithfully complies with laws and ordinances concerned prevalent at home and abroad. As of the present date, we have not confronted any substantial impact upon our business operation or financial conditions. In fact, we always closely watch the trends of development in at home and abroad policies and updates in laws. We closely collect relevant information as handy reference to the managerial level and, in turn, work out countermeasures in response.

(5) The impact from technical and industrial changes upon the Company's financial conditions and the Company's countermeasures:

We closely watch the latest update and trends of change and technical development from time to time on a nonscheduled basis. Meanwhile, thanks to the profound relationship we have built with customers, we are well aware of the potential impact upon our industrial and technical development. All our research & development teammates could aim at the substantial needs in the markets to create the right products to meet such needs. In the most recent year as of the Annual Report issuance date, we had not run into any significant impact upon our business operation and financial conditions.

(6) The impact from change in Corporate Identity System (CIS) upon risk control and our countermeasures:

Since Voltronic Power Technology first came into being, we have focused on business in our principal business lines and have faithfully complied with laws and ordinances concerned, maintained harmonious labor relationship, solicited top rank research & development talents to assure sound corporate image. In the most recent year as of the Annual Report issuance date, we had not run into any significant impact upon our Corporate Identity System (CIS). We will continually maintain sound corporate image and expand further business horizons.

(7) Benefits anticipated from merger/acquisition (M&A), potential risk and our countermeasures:

As of the Annual Report issuance date, we had not worked out any merger/acquisition (M&A) plans with other counterparts. In case of a merger/acquisition (M&A) plan in the future, we shall exactly follow the laws and ordinances concerned and the

Company’s managerial regulations. Through such efforts, we shall faithfully assure the Company’s interests and shareholders’ equity.

(8) Benefits anticipated from expanded factories, potential risks and our countermeasures:
At present, we anticipate to erect new plant buildings in Zhongshan District, Guangdong Province, to live up to the need of future growth. All funds so required will come from our own working capital. At the moment, we hold working capital on hand, free of any risk of a potential shortfall.

(9) Potential risks in concentrated purchases and sales and our countermeasures:

1) Risks in purchases:
At the moment, we do not engage in production or manufacture in Taiwan. We purchase some electronic parts & components and export them to customer terminals. In major UPS and relevant electronic parts & components, we accept Purchase Orders from terminal customers in Taiwan and transfer the purchase orders via our sub-subsidiary Potentia Technology Inc. Limited (hereinafter referred to as Potentia Technology Inc.) toward the production stronghold Voltronic Power Technology (Shen Zhen) Corp. (hereinafter referred to as Voltronic Power Technology) and Zhongshan Voltronic Power Electronic Limited (hereinafter referred to as Zhongshan Voltronic Power Electronic). The Company is in 100% domination over Potentia Technology Inc., Voltronic Power Technology and Zhongshan Voltronic Power Electronic. For procurement by our subsidiaries, the amount of purchase from any single supplier has been below 10%. For all raw materials & materiel, we have maintained a minimum of two regular supply sources. We are, therefore, free of any risk of being concentrated.

2) Risks in sales:
In 2017 and 2018, our sales to the top customer accounted for below 10% of the aggregate total. We are free of any risk of being concentrated in sales.

(10) The impacts and risks in massive changeover or replacement by directors, top shareholders holding over 10% shareholding and our countermeasures:
The Company has established the Audit Committees composed of four Independent Directors to strengthen corporate governance. The Chairman and the management teams thereunder have remained unchanged. Therefore, the Company's management rights have not been affected at all. In the most recent year as of the Prospectus date, the Company had not seen significant changeover in equity among directors and key shareholders holding over 10% shareholding. Accordingly, the Company is free of a potential significant impact.

(11) The impacts and risks from a change in managerial power and our countermeasures:
As of the Annual Report issuance date, the Company had not seen a change in managerial powers.

(12) The final and irrevocable court judgments, significant pending litigation, non-litigious events involving the Company, the Company’s directors, general manager, substantial responsible person, key shareholders holding over 10% shares, auxiliaries with outcome which might significantly affect shareholders’ equity, securities prices, the

subject facts, target amounts, starting date of litigation, major litigants and the updates as of the As of the Annual Report issuance date:

1) As of the Annual Report issuance date, final and irrevocable court judgments, significant pending litigation, non-litigious, administrative events with outcome which might significantly affect shareholders' equity, securities prices, the subject facts, target amounts, starting date of litigation, major litigants and the updates should be disclosed: None

2) The final and irrevocable court judgments, significant pending litigation, non-litigious, administrative events involving the Company's directors, general manager, substantial responsible person, key shareholders holding over 10% shares with outcome which might significantly affect shareholders' equity, securities prices:

   The civil action with claim on infringement upon patent by and among the Company's director FSP Group (hereinafter referred to as FSP Group), Shuo Chieh Technology Co., Ltd. (hereinafter referred to as Shuo Chieh Company) and O2 MICRO INTERNATIONAL LIMITED (hereinafter referred to as O2 Company) is currently pending in Federal Court of the United States, East Texas Marshall Branch. Upon awareness of the litigious dispute by and between both parties Chieh Shuo Company and O2 Company, FSP Group immediately converted into replacement materials free of infringement. According to the intellectual property rights guarantee executed by and between FSP Group and Shuo Chieh Company, For all responsibility, loss, impairment, expenses and other expenditures incurred by FSP Group for the products, Shuo Chieh Company should assume the responsibility for complete indemnity in full. That means the litigation does not mean any significant impact upon FSP Group's financial conditions. In turn, the Company is free of significant impact in shareholders' equity or securities prices.

   The Company's directors Chuan Han Enterprise Co., Ltd. (hereinafter referred to as Chuan Han Company) and Caiyuan Enterprise Co., Ltd. (hereinafter referred to as Caiyuan Enterprise), filed a dispute lawsuit over the defect in products. Caiyuan Enterprise requested the Chuan Han Company to pay a sum of US $370,000. In the first instance, Chuan Han Company won the lawsuit under the judgment. Caiyuan Enterprise continued to appeal to the court. That case is still being processed.

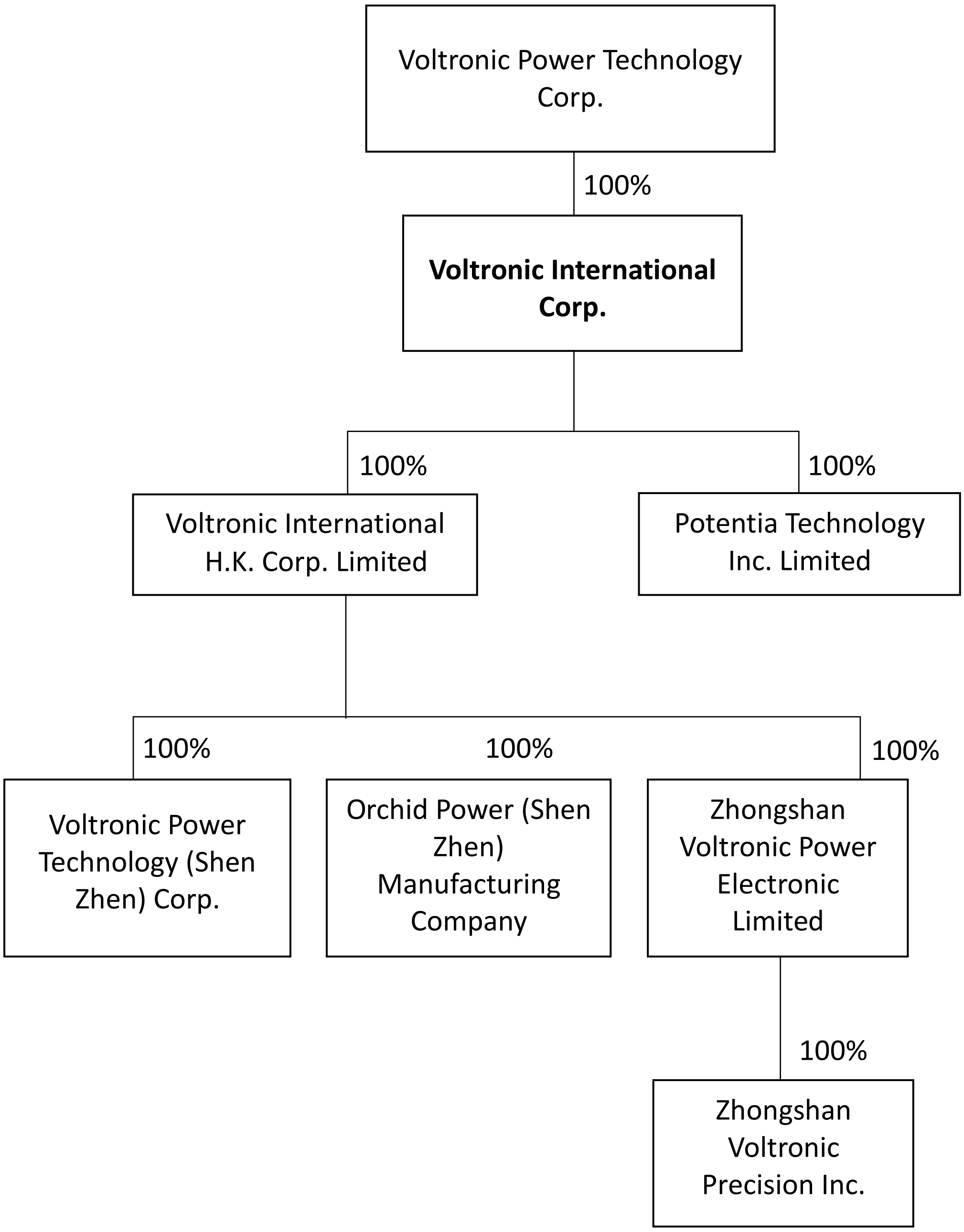
(13) Other significant risks and countermeasures: None

7. Other significant issues: None

VIII. Special Matters of Record

1. Relevant information of Affiliated Enterprise

(1) Organization chart of Affiliated Enterprise:



(2) Basic Information of the Various Affiliated Enterprise:

Expressed in Thousands of USD

Name of Affiliated Enterprise	Date of Establishment (Month/Year)	Address	Paid-in Capital	Main business or production item
Voltronic International Corp.	May 2008	Hansa Bank Building 1st Floor, Landsome Road, The Valley, Anguilla.	USD20,100	A variety of investment activities
Voltronic International H.K. Corp. Limited	May 2008	Suite 18B 148 Connaught Road Central, Hong Kong.	USD28,000	A variety of investment activities
Potentia Technology Inc. Limited	May 2008	Suite 18B 148 Connaught Road Central, Hong Kong.	-	Buys and sales of uninterruptible power supplies (UPS)
Voltronic Power Technology (Shen Zhen) Corp.	Aug. 2008	1F~4F, Building 5, Yusheng Industrial Area, No. 467 Xixiang Street, Baoan District, National Highway 107 West Part, Shenzhen City	USD2,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)
Orchid Power (Shen Zhen) Manufacturing Company	Nov. 2011	3F, Building 9, Yusheng Industrial Area, No. 467 Xixiang Street, Baoan District, National Highway 107 West Part, Shenzhen City	USD1,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)
Zhongshan Voltronic Power Electronic Limited	Sept. 2015	9F~G District, Torch Building, No. 1, Torch Road, Torch Development Zone, Zhongshan City	USD25,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)
Zhongshan Voltronic Precision Inc.	Jan. 2018	1F, Region A; 7F, Region A and 8F, Region A, No. 8 & 1 Shiyung Road, The Torch Development Zone of Zhongshan City.	RMB16,000	Design, manufacture, buys and sales of uninterruptible power supplies (UPS)

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

Expressed in Thousands of USD; shares; %

Name of Affiliated Enterprise	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding rate
Voltronic International Corp.	Director	Representative of Voltronic Power Technology Corp., Hsieh Juor-Ming	28,000	100%
Voltronic International H.K. Corp. Limited	Director	Voltronic International Corp.	217.240	100%
	Director	Hsieh Juor-Ming	-	-
Potentia Technology Inc. Limited	Director	Voltronic International Corp.	0.001	100%
	Director	Hsieh Juor-Ming	-	-
Voltronic Power Technology (Shen Zhen) Corp.	Director	Representative of Voltronic International H.K. Corp. Limited, Hsieh	Note	100%

Name of Affiliated Enterprise	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding rate
		Juor-Ming		
	General Manager	Hsieh Juor-Ming	-	-
Orchid Power (Shen Zhen) Manufacturing Company	Director	Representative of Voltronic International H.K. Corp. Limited, Hsieh Juor-Ming	Note	100%
	General Manager	Hsieh Juor-Ming	-	-
Zhongshan Voltronic Power Electronic Limited	Director	Representative of Voltronic International H.K. Corp. Limited, Hsieh Juor-Ming	Note	100%
	General Manager	Hsieh Juor-Ming	-	-

Note: In the attribute of a "limited company" thus free of face amount and shares

(1) 4. Business Operating Status of the Various Affiliated Enterprise:

Expressed in Thousands of NTD (USD, RMB)

Name of Affiliated Enterprise	Paid-in Capital	Total assets	Total liabilities	Net amount	Operating Revenues	Operating loss	Gain/loss of the current year (After tax)
Voltronic International Corp	USD28,000	USD131,812	-	USD131,812	-	-	USD21,473
Voltronic International H.K. Corp. Limited	USD28,000	USD131,291	-	USD131,291	-	-	USD21,297
Potentia Technology Inc. Limited	-	USD141,875	USD141,353	USD522	USD344,251	(USD5)	USD176
Voltronic Power Technology (Shen Zhen) Corp.	USD2,000	RMB717,736	RMB210,750	RMB506,986	RMB893,963	RMB53,700	RMB54,351
Orchid Power (Shen Zhen) Manufacturing Company	USD1,000	RMB244,948	RMB97,414	RMB147,534	RMB305,442	RMB59,390	RMB45,900
Zhongshan Voltronic Power Electronic Limited	USD25,000	RMB609,521	RMB362,939	RMB246,582	RMB968,677	RMB50,450	RMB41,066
Zhongshan Voltronic Precision Inc.	RMB16,000	RMB50,883	RMB32,080	RMB18,803	RMB82,706	RMB3,680	RMB2,802

(1) 5. Consolidated Business Report of Affiliated Enterprise: Not applicable.

(2) Consolidated Financial Statements of Affiliated Enterprise

Declaration of Consolidated Financial Statements of Affiliated Enterprise

In Fiscal Year 2018 (January 1 - December 31, 2018), in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", the company which should be covered in Consolidated Financial Statements of Affiliated Enterprise was same as the company for the Consolidated Financial Statements of Parent Company and Subsidiaries as covered in International Financial Reporting Standards (IFRS) #10 and all the information in the Consolidated Financial Statements of Affiliated Enterprise had been disclosed in the Financial Statements of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statements of Affiliated Enterprises is unnecessary and is not worked out once more.

This hereby formally declares.

Company Name: Voltronic Power Technology Corp.

Responsible person: Hsieh Juor-Ming

February 25, 2019

(3) Report of affiliated enterprise: None

2. **Acts in privately placed securities in categories and names of negotiable securities in the most recent year as of the Annual Report issuance date:** None

3. **The Company's share certificates being held or disposed of by subsidiaries in the most recent year as of the Annual Report issuance date:** None

4. **Other supplementary descriptions as necessary:** None

5. **Occurrence of significant impact upon shareholders' equity or securities prices under Subparagraph 2, Paragraph 2, Article 36 of the Act in the most recent year as of the Annual Report issuance date**

(1) A check dishonored because of insufficient deposits, rejected transaction or other forfeiture of creditability: **None**

(2) Significant impact upon the Company's financial conditions or business operation due to litigation, non-litigation, administrative actions, administrative litigation, security procedures or compulsory enforcement:

Please refer to "VII: Reassessment Analysis and Risks on financial conditions and financial per 6. Facts enumerated below in the most recent year as of the Annual Report issuance date in risk issues which should be analyzed:

(3) Critical cut from production line, or suspension from business operation either in whole or in part, lease out of the Company's plant or major equipment & facilities which would suggest an impact upon the Company's business operation: **None**

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

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

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

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

(8) Execution, change, termination or rescission of major memorandum, reporting statements alliance or other business cooperation plans, or major contract, change in the contents of business plans, completion of new product development, success in products in experiments to enter official volume production, acquisition of other's enterprise, acquirement or outward transfer of patent, trademark, copyright or transaction in intellectual property rights which suggest significant impact upon the Company's financial conditions or business operation: **None**

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

Voltronic Power Technology Corp.

Responsible Person: Hsieh Juor-Ming