

**Voltronic Power Technology Corp. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Voltronic Power Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Voltronic Power Technology Corp. and its subsidiaries (the Group) as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017, and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statement, including a summary of significant accounting policies (collectively referred to as 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 Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 1,737,633	23	\$ 2,694,876	37	\$ 2,299,193	35
Notes receivable (Notes 3, 4, 7 and 18)	11,215	-	27,776	-	16,665	-
Trade receivables (Notes 3, 4, 7 and 18)	2,154,100	29	1,618,011	22	1,516,618	23
Trade receivables from related parties (Notes 3, 4, 18 and 27)	182,829	3	145,221	2	160,192	3
Other receivables (Notes 3, 4 and 7)	123,021	2	76,384	1	63,105	1
Inventories (Note 8)	989,406	13	904,007	13	762,421	12
Prepayments (Notes 12 and 13)	162,660	2	213,358	3	213,090	3
Total current assets	<u>5,360,864</u>	<u>72</u>	<u>5,679,633</u>	<u>78</u>	<u>5,031,284</u>	<u>77</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Note 10)	1,790,705	24	1,295,195	18	1,240,305	19
Other intangible assets (Note 11)	5,996	-	6,691	-	7,206	-
Deferred tax assets	60,164	1	47,821	1	50,167	1
Long-term prepayments for leases (Note 12)	162,975	2	169,869	2	171,018	2
Other non-current assets (Notes 3, 4, 13 and 27)	50,457	1	37,965	1	50,387	1
Total non-current assets	<u>2,070,297</u>	<u>28</u>	<u>1,557,541</u>	<u>22</u>	<u>1,519,083</u>	<u>23</u>
TOTAL	<u>\$ 7,431,161</u>	<u>100</u>	<u>\$ 7,237,174</u>	<u>100</u>	<u>\$ 6,550,367</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable (Note 14)	\$ 5	-	\$ 23	-	\$ 2	-
Trade payables (Note 14)	2,642,131	36	2,360,051	33	2,145,496	33
Trade payables to related parties (Note 27)	976	-	521	-	1,304	-
Other payables (Note 15)	612,121	8	526,275	7	478,726	7
Current tax liabilities	142,757	2	94,626	1	60,522	1
Contract liabilities - current (Notes 3, 4, 18 and 27)	63,794	1	-	-	-	-
Other current liabilities (Notes 3, 15 and 27)	4,650	-	76,686	1	70,269	1
Total current liabilities	<u>3,466,434</u>	<u>47</u>	<u>3,058,182</u>	<u>42</u>	<u>2,756,319</u>	<u>42</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities	19,755	-	-	-	-	-
Other non-current liabilities (Note 15)	225	-	231	-	1,193	-
Total non-current liabilities	<u>19,980</u>	<u>-</u>	<u>231</u>	<u>-</u>	<u>1,193</u>	<u>-</u>
Total liabilities	<u>3,486,414</u>	<u>47</u>	<u>3,058,413</u>	<u>42</u>	<u>2,757,512</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)						
Share capital						
Ordinary shares	786,853	11	786,885	11	786,885	12
Capital surplus	900,718	12	1,295,700	18	1,295,700	20
Retained earnings						
Legal reserve	685,821	9	549,457	8	549,457	8
Special reserve	134,241	2	102,342	1	102,342	2
Unappropriated earnings	1,703,682	23	1,702,344	24	1,335,431	20
Total retained earnings	<u>2,523,744</u>	<u>34</u>	<u>2,354,143</u>	<u>33</u>	<u>1,987,230</u>	<u>30</u>
Other equity (Note 22)	(266,568)	(4)	(257,967)	(4)	(276,960)	(4)
Total equity	<u>3,944,747</u>	<u>53</u>	<u>4,178,761</u>	<u>58</u>	<u>3,792,855</u>	<u>58</u>
TOTAL	<u>\$ 7,431,161</u>	<u>100</u>	<u>\$ 7,237,174</u>	<u>100</u>	<u>\$ 6,550,367</u>	<u>100</u>

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 18 and 27)	\$ 3,056,844	100	\$ 2,560,176	100	\$ 8,435,306	100	\$ 7,237,423	100
OPERATING COSTS								
Cost of goods sold (Notes 8, 19 and 27)	(2,172,604)	(71)	(1,868,890)	(73)	(6,170,060)	(73)	(5,227,572)	(72)
GROSS PROFIT	884,240	29	691,286	27	2,265,246	27	2,009,851	28
OPERATING EXPENSES								
(Notes 19 and 27)								
Selling and marketing expenses	(72,110)	(2)	(62,887)	(2)	(202,156)	(3)	(173,665)	(2)
General and administrative expenses	(85,624)	(3)	(72,770)	(3)	(225,543)	(3)	(220,198)	(3)
Research and development expenses	(104,607)	(4)	(92,810)	(4)	(284,508)	(3)	(266,556)	(4)
Expected credit loss (Note 7)	(6,650)	-	-	-	(15,366)	-	-	-
Total operating expenses	(268,991)	(9)	(228,467)	(9)	(727,573)	(9)	(660,419)	(9)
PROFIT FROM OPERATIONS	615,249	20	462,819	18	1,537,673	18	1,349,432	19
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 19)	36,514	1	8,941	-	85,227	1	49,975	1
Other gains and losses (Note 19)	61,080	2	(66,948)	(2)	68,619	1	(194,255)	(3)
Finance costs (Note 19)	(3,691)	-	(2,551)	-	(11,186)	-	(6,974)	-
Total non-operating income and expenses	93,903	3	(60,558)	(2)	142,660	2	(151,254)	(2)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	709,152	23	402,261	16	1,680,333	20	1,198,178	17
INCOME TAX EXPENSE (Notes 4 and 20)	(142,263)	(4)	(77,611)	(3)	(330,470)	(4)	(201,447)	(3)
NET PROFIT FOR THE PERIOD	566,889	19	324,650	13	1,349,863	16	996,731	14

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS)/INCOME								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating the financial statements of foreign operations (Note 17)	\$ (137,030)	(5)	\$ 48,820	2	\$ (100,942)	(1)	\$ (33,002)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 17 and 20)	27,406	1	(8,299)	(1)	25,040	-	5,611	-
Other comprehensive (loss) income for the period, net of income tax	(109,624)	(4)	40,521	1	(75,902)	(1)	(27,391)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 457,265	15	\$ 365,171	14	\$ 1,273,961	15	\$ 969,340	13
EARNINGS PER SHARE (Note 21)								
Basic	\$ 7.25		\$ 4.16		\$ 17.26		\$ 12.77	
Diluted	\$ 7.19		\$ 4.13		\$ 17.13		\$ 12.70	

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

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						
	Ordinary Shares	Retained Earnings			Unappropriated Earnings	Other Equity	
		Capital Surplus	Legal Reserve	Special Reserve		Translating Foreign Operations	Others
BALANCE AT JANUARY 1, 2017	\$ 787,055	\$ 1,697,404	\$ 406,623	\$ -	\$ 1,764,457	\$ (102,342)	\$ (264,938)
Appropriation of 2016 earnings (Note 17)	-	-	-	-	(142,834)	-	-
Legal reserve	-	-	142,834	102,342	(102,342)	-	-
Special reserve	-	-	-	-	(1,180,581)	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-
Share-based payment transactions (Notes 17 and 22)	(170)	(8,177)	-	-	-	-	117,711
Issuance of cash dividends from capital surplus (Note 17)	-	(393,527)	-	-	-	-	-
Net profit for the nine months ended September 30, 2017	-	-	-	-	996,731	-	-
Other comprehensive loss for the nine months ended September 30, 2017, net of income tax (Note 17)	-	-	-	-	-	(27,391)	-
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	996,731	(27,391)	-
BALANCE AT SEPTEMBER 30, 2017	\$ 786,885	\$ 1,295,700	\$ 549,457	\$ 102,342	\$ 1,335,431	\$ (129,733)	\$ (147,227)
BALANCE AT JANUARY 1, 2018	\$ 786,885	\$ 1,295,700	\$ 549,457	\$ 102,342	\$ 1,702,344	\$ (134,241)	\$ (123,726)
Appropriation of 2017 earnings (Note 17)	-	-	-	-	(136,364)	-	-
Legal reserve	-	-	136,364	31,899	(31,899)	-	-
Special reserve	-	-	-	-	(1,180,326)	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-
Share-based payment transactions (Notes 17 and 22)	(32)	(1,540)	-	-	64	-	67,301
Issuance of cash dividends from capital surplus (Note 17)	-	(393,442)	-	-	-	-	-
Net profit for the nine months ended September 30, 2018	-	-	-	-	1,349,863	-	-
Other comprehensive loss for the nine months ended September 30, 2018, net of income tax (Note 17)	-	-	-	-	-	(75,902)	-
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	1,349,863	(75,902)	-
BALANCE AT SEPTEMBER 30, 2018	\$ 786,853	\$ 900,718	\$ 685,821	\$ 134,241	\$ 1,703,682	\$ (210,143)	\$ (56,425)
							\$ 3,944,747

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

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,680,333	\$ 1,198,178
Adjustments for:		
Expected credit loss recognized on trade receivables	15,366	-
Impairment loss recognized on trade receivables	-	1,386
Depreciation expenses	55,823	44,879
Amortization expenses	2,490	2,820
Amortization prepayments for lease	2,688	2,628
Finance costs	11,186	6,974
Interest income	(31,864)	(21,833)
Compensation costs of employee share options	65,793	109,364
Write-down of inventories	5,044	2,315
Loss on disposal of property, plant and equipment	918	519
Net (gain) loss on foreign currency exchange	(11,259)	150,373
Changes in operating assets and liabilities		
Notes receivable	16,702	4,932
Trade receivables	(533,775)	(143,567)
Trade receivables - related parties	(35,569)	(52,978)
Other receivables	(48,459)	49,525
Inventories	(81,041)	(52,312)
Prepayments	42,376	(113,865)
Other financial assets	-	233,087
Notes payable	(19)	(5)
Trade payables	246,300	175,409
Trade payables - related parties	455	1,044
Other payables	46,327	(61,466)
Contract liabilities	(11,661)	-
Other current liabilities	3,179	(7,761)
Cash generated from operations	1,441,333	1,529,646
Interest received	34,299	23,243
Interest paid	(11,186)	(6,974)
Income tax paid	(250,450)	(284,093)
Net cash generated from operating activities	1,213,996	1,261,822
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for equipment	(17,929)	(12,202)
Acquisition of property, plant and equipment	(519,438)	(225,675)
Proceeds from disposal of property, plant and equipment	7	607
Increase in refundable deposits	(1,673)	-

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
Decrease in refundable deposits	\$ 159	\$ 1,629
Acquisition of intangible assets	<u>(1,805)</u>	<u>(1,854)</u>
Net cash used in investing activities	<u>(540,679)</u>	<u>(237,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	954
Distributed cash dividends	<u>(1,573,768)</u>	<u>(1,574,108)</u>
Net cash used in financing activities	<u>(1,573,768)</u>	<u>(1,573,154)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(56,792)</u>	<u>(191,581)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(957,243)</u>	<u>(740,408)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,694,876</u>	<u>3,039,601</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,737,633</u>	<u>\$ 2,299,193</u>

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

(Concluded)

VOLTRONIC POWER TECHNOLOGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 Company’s board of directors on November 9, 2018.

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 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.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at 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 at January 1, 2018.

Financial Assets	Measurement Category			Carrying Amount		Remark	
	IAS 39		IFRS 9	IAS 39	IFRS 9		
Cash and cash equivalents	Loans and receivables		Amortized cost	\$ 2,694,876	\$ 2,694,876	*	
Notes receivable, trade receivables, trade receivables from related parties and other receivables	Loans and receivables		Amortized cost	1,801,022	1,801,022	*	
Refundable deposits (included in other non-current assets)	Loans and receivables		Amortized cost	29,169	29,169	*	
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remeasure- ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>Amortized cost</u>	\$ -	\$ -	\$ -				
Add: Reclassification from loans and receivables (IAS 39)	-	4,525,067	-				*
	<u>\$ -</u>	<u>\$ 4,525,067</u>	<u>\$ -</u>	<u>\$ 4,525,067</u>	<u>\$ -</u>	<u>\$ -</u>	

* Cash and cash 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 measured 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 the 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 as of January 1, 2018.

Impact on assets, liabilities and equity for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
<u>December 31, 2017</u>			
Other liabilities - advance receipts	\$ 75,211	\$ (75,211)	\$ -
Contract liabilities - current	<u>-</u>	<u>75,211</u>	<u>75,211</u>
Total effect on liabilities	<u>\$ 75,211</u>	<u>\$ -</u>	<u>\$ 75,211</u>

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 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. 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.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

c. 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).

d. Other significant accounting policies

Except for financial instruments, revenue recognition and the explanations below, other explanations of significant accounting policies are described in the significant accounting policies section of the consolidated financial statement for the year ended December 31, 2017.

1) 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 an 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.

a) Financial assets

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

i. 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:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets 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 receivable, trade receivables, trade receivables from related parties, other receivables and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined by 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 a financial asset, except for:

- 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
- ii) Financial assets that 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.

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

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.

ii. 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 the 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 a 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 the financial asset.

2017

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

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

For financial assets 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

iii. Derecognition of financial assets

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

On 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.

b) Equity instruments

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

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

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

c) Financial liabilities

i. Subsequent measurement

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

ii. Derecognition of financial liabilities

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

2) Revenue recognition

2018

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

Revenue from sale of goods

Revenue from the sale of goods comes from the sale of UPS. Sales of UPS 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 Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

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.

Sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The transaction costs incurred or to be incurred can be measured reliably.

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

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at 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, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between 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.

Except for the above policies, the same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	\$ 789	\$ 979	\$ 577
Demand deposits	945,038	1,347,968	539,379
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>791,806</u>	<u>1,345,929</u>	<u>1,759,237</u>
	<u>\$ 1,737,633</u>	<u>\$ 2,694,876</u>	<u>\$ 2,299,193</u>

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 11,215</u>	<u>\$ 27,776</u>	<u>\$ 16,665</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 2,172,884	\$ 1,621,851	\$ 1,520,232
Less: Allowance for impairment loss	<u>(18,784)</u>	<u>(3,840)</u>	<u>(3,614)</u>
	<u>\$ 2,154,100</u>	<u>\$ 1,618,011</u>	<u>\$ 1,516,618</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 114,610	\$ 66,370	\$ 51,652
Interest receivables	738	3,173	2,275
Others	<u>7,673</u>	<u>6,841</u>	<u>9,178</u>
	<u>\$ 123,021</u>	<u>\$ 76,384</u>	<u>\$ 63,105</u>

Trade Receivables

For the nine months ended September 30, 2018

The average credit period on 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 a lifetime expected losses 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 September 30, 2018, the carrying amount of trade receivables was \$1,560,713 thousand.

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

September 30, 2018

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	1.11%	4.20%	35.95%	100%	100%	100%	
Gross carrying amount	\$ 518,556	\$ 72,650	\$ 17,165	\$ 3,066	\$ 6	\$ 728	\$ 612,171
Loss allowance (Lifetime ECL)	(5,762)	(3,051)	(6,171)	(3,066)	(6)	(728)	(18,784)
Amortized cost	<u>\$ 512,794</u>	<u>\$ 69,599</u>	<u>\$ 10,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,387</u>

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	15,366
Less: Amounts written off	(254)
Foreign exchange gains and losses	(168)
Balance at September 30, 2018	<u>\$ 18,784</u>

For the nine months ended September 30, 2017

The Group applied the same credit policy in 2018 and 2017.

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	September 30, 2017
Not overdue	\$ 1,480,003	\$ 1,313,480
Overdue 60 days	123,667	168,436
Overdue 61-120 days	10,074	26,830
Overdue beyond 120 days	<u>8,107</u>	<u>11,486</u>
	<u>\$ 1,621,851</u>	<u>\$ 1,520,232</u>

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	September 30, 2017
Overdue 60 days	\$ 89,563	\$ 128,549
Overdue 61-120 days	7,583	22,612
Overdue beyond 120 days	<u>6,978</u>	<u>9,196</u>
	<u>\$ 104,124</u>	<u>\$ 160,357</u>

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	-	1,386	1,386
Foreign exchange translation gains and losses	<u>-</u>	<u>17</u>	<u>17</u>
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ 3,614</u>	<u>\$ 3,614</u>

8. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Raw materials	\$ 671,347	\$ 612,616	\$ 509,001
Supplies	1,396	1,297	1,299
Semi-finished goods	60,718	45,953	42,910
Work in progress	136,141	102,593	98,467
Finished goods	<u>119,804</u>	<u>141,548</u>	<u>110,744</u>
	<u>\$ 989,406</u>	<u>\$ 904,007</u>	<u>\$ 762,421</u>

For the three months ended September 30, 2018 and 2017, nine months ended September 30, 2018 and 2017, the cost of inventories recognized as cost of goods sold was \$2,172,604 thousand, \$1,868,890 thousand, \$6,170,060 thousand and \$5,227,572 thousand, respectively. The cost of goods sold included inventory write-downs of \$1,403 thousand, \$462 thousand, \$5,044 thousand and \$2,315 thousand, respectively.

9. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2018	December 31, 2017	September 30, 2017	
Voltronic Power Technology Corp.	Voltronic International Corp.	Investment activities	100%	100%	100%	a
Voltronic International Corp.	Voltronic International H.K. Corp. Limited	Investment activities	100%	100%	100%	a
	Potentia Technology Inc. Limited	Sale of uninterruptible power systems (UPS)	100%	100%	100%	a
Voltronic International H.K. Corp. Limited	Voltronic Power Technology (Shen Zhen) Corp.	Design, manufacture and sale of UPS	100%	100%	100%	b
	Orchid Power (Shen Zhen) Manufacturing Company	Design, manufacture and sale of UPS	100%	100%	100%	b
	Zhongshan Voltronic Power Electronics Limited	Design, manufacture and sale of UPS	100%	100%	100%	b
Zhongshan Voltronic Power Electronics Limited	Zhongshan Voltronic Precision Inc.	Design, manufacture and sale of UPS	100%	-	-	b and c

- The main operations risk is the foreign exchange rate risk.
- The main operations risks are foreign exchange rate risks, statutes of limitation and political uncertainty between China and Taiwan.
- 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	-	-	40,792	2,063	1,728	11,487	11,203	158,948	226,221
Disposals	-	-	(35,206)	(1,527)	(4,659)	-	(6,994)	-	(48,386)
Effect of foreign currency exchange differences	-	-	(3,655)	(125)	(606)	(534)	(1,544)	710	(5,754)
Balance at September 30, 2017	<u>\$ 720,761</u>	<u>\$ -</u>	<u>\$ 255,002</u>	<u>\$ 7,251</u>	<u>\$ 32,545</u>	<u>\$ 63,069</u>	<u>\$ 87,331</u>	<u>\$ 308,248</u>	<u>\$ 1,474,207</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	\$ -	\$ -	\$ 131,801	\$ 2,925	\$ 21,711	\$ 31,283	\$ 52,253	\$ -	\$ 239,973
Depreciation expense	-	-	26,050	813	2,916	8,460	6,640	-	44,879
Disposals	-	-	(34,899)	(1,491)	(4,055)	-	(6,815)	-	(47,260)
Effect of foreign currency exchange differences	-	-	(1,918)	(70)	(336)	(357)	(1,009)	-	(3,690)
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,034</u>	<u>\$ 2,177</u>	<u>\$ 20,236</u>	<u>\$ 39,386</u>	<u>\$ 51,069</u>	<u>\$ -</u>	<u>\$ 233,902</u>
Carrying amounts at September 30, 2017	<u>\$ 720,761</u>	<u>\$ -</u>	<u>\$ 133,968</u>	<u>\$ 5,074</u>	<u>\$ 12,309</u>	<u>\$ 23,683</u>	<u>\$ 36,262</u>	<u>\$ 308,248</u>	<u>\$ 1,240,305</u>
Cost									
Balance at January 1, 2018	\$ 720,761	\$ -	\$ 272,669	\$ 7,286	\$ 32,858	\$ 62,984	\$ 90,796	\$ 356,311	\$ 1,543,665
Additions	-	148,384	46,062	135	5,469	731	26,900	337,889	565,570
Disposals	-	-	(906)	-	(636)	(29,610)	(899)	-	(32,051)
Reclassified (Note)	-	201,952	5,286	-	63	929	-	(201,952)	6,278
Effect of foreign currency exchange differences	-	-	(5,789)	(186)	(746)	(492)	(2,495)	(13,853)	(23,561)
Balance at September 30, 2018	<u>\$ 720,761</u>	<u>\$ 350,336</u>	<u>\$ 317,322</u>	<u>\$ 7,235</u>	<u>\$ 37,008</u>	<u>\$ 33,613</u>	<u>\$ 115,231</u>	<u>\$ 478,395</u>	<u>\$ 2,059,901</u>
Accumulated depreciation and impairment									
Balance at January 1, 2018	\$ -	\$ -	\$ 130,235	\$ 2,483	\$ 21,142	\$ 41,767	\$ 52,843	\$ -	\$ 248,470
Depreciation expense	-	6,743	28,716	917	2,827	7,023	9,597	-	55,823
Disposals	-	-	(860)	-	(611)	(28,842)	(813)	-	(31,126)
Reclassified	-	-	65	-	(13)	-	(52)	-	-
Effect of foreign currency exchange differences	-	-	(2,064)	(84)	(376)	(186)	(1,261)	-	(3,971)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 6,743</u>	<u>\$ 156,092</u>	<u>\$ 3,316</u>	<u>\$ 22,969</u>	<u>\$ 19,762</u>	<u>\$ 60,314</u>	<u>\$ -</u>	<u>\$ 269,196</u>
Carrying amounts at December 31, 2017 and January 1, 2018	<u>\$ 720,761</u>	<u>\$ -</u>	<u>\$ 142,434</u>	<u>\$ 4,803</u>	<u>\$ 11,716</u>	<u>\$ 21,217</u>	<u>\$ 37,953</u>	<u>\$ 356,311</u>	<u>\$ 1,295,195</u>
Carrying amounts at September 30, 2018	<u>\$ 720,761</u>	<u>\$ 343,593</u>	<u>\$ 161,230</u>	<u>\$ 3,919</u>	<u>\$ 14,039</u>	<u>\$ 13,851</u>	<u>\$ 54,917</u>	<u>\$ 478,395</u>	<u>\$ 1,790,705</u>

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

For the nine months ended September 30, 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 acquisitions of property, plant and equipment are set out in Note 28.

11. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2017	\$ 27,992
Additions	1,854
Effect of foreign currency exchange differences	<u>(77)</u>
Balance at September 30, 2017	<u>\$ 29,769</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2017	\$ 19,794
Amortization expense	2,820
Effect of foreign currency exchange differences	<u>(51)</u>
Balance at September 30, 2017	<u>\$ 22,563</u>
Carrying amounts at September 30, 2017	<u>\$ 7,206</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 30,068
Additions	1,805
Disposals	(3,573)
Effect of foreign currency exchange differences	<u>21</u>
Balance at September 30, 2018	<u>\$ 28,321</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2018	\$ 23,377
Amortization expense	2,490
Disposals	(3,573)
Effect of foreign currency exchange differences	<u>31</u>
Balance at September 30, 2018	<u>\$ 22,325</u>
Carrying amounts at December 31, 2017 and January 1, 2018	<u>\$ 6,691</u>
Carrying amounts at September 30, 2018	<u>\$ 5,996</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
An analysis of amortization by function				
Operating costs	\$ 35	\$ -	\$ 130	\$ -
Selling and marketing expenses	108	78	300	250
General and administrative expenses	594	671	1,798	1,920
Research and development expenses	<u>86</u>	<u>79</u>	<u>262</u>	<u>650</u>
	<u>\$ 823</u>	<u>\$ 828</u>	<u>\$ 2,490</u>	<u>\$ 2,820</u>

The computer software is amortized on a straight-line basis over its estimated useful lives of 3 to 5 years.

12. PREPAYMENTS FOR LEASES

	September 30, 2018	December 31, 2017	September 30, 2017
Current assets (included in prepayments)	\$ 3,474	\$ 3,564	\$ 3,569
Non-current assets	<u>162,975</u>	<u>169,869</u>	<u>171,018</u>
	<u>\$ 166,449</u>	<u>\$ 173,433</u>	<u>\$ 174,587</u>

As of September 30, 2018, December 31, 2017 and September 30, 2017, prepaid lease payments include land use rights with a carrying amount of \$166,449 thousand, \$173,433 thousand and \$174,587 thousand, respectively, for land which is located in mainland China.

13. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Prepayments	<u>\$ 162,660</u>	<u>\$ 213,358</u>	<u>\$ 213,090</u>
<u>Non-current</u>			
Refundable deposits	\$ 30,010	\$ 29,169	\$ 28,316
Prepayments for equipment	<u>20,447</u>	<u>8,796</u>	<u>22,071</u>
	<u>\$ 50,457</u>	<u>\$ 37,965</u>	<u>\$ 50,387</u>

14. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Notes payable</u>			
Operating	\$ <u>5</u>	\$ <u>23</u>	\$ <u>2</u>
<u>Trade payables</u>			
Operating	\$ <u>2,642,131</u>	\$ <u>2,360,051</u>	\$ <u>2,145,496</u>

15. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$ 194,922	\$ 222,585	\$ 180,149
Payables for employee compensation	163,853	122,036	113,613
Payables for commission	64,182	63,811	56,960
Payables for insurance	41,136	36,735	32,776
Payables for remuneration of directors and supervisors	10,800	14,400	9,000
Payables for sales tax	31,619	19,841	27,259
Payables for purchases of equipment (include buildings)	56,366	10,234	16,195
Others	<u>49,243</u>	<u>36,633</u>	<u>42,774</u>
	\$ <u>612,121</u>	\$ <u>526,275</u>	\$ <u>478,726</u>
Other liabilities			
Advance receipts	\$ -	\$ 75,211	\$ 64,610
Receipts under custody	<u>4,650</u>	<u>1,475</u>	<u>5,659</u>
	\$ <u>4,650</u>	\$ <u>76,686</u>	\$ <u>70,269</u>
<u>Non-current</u>			
Other liabilities			
Guarantee deposits	\$ <u>225</u>	\$ <u>231</u>	\$ <u>1,193</u>

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

17. EQUITY

a. Share capital

	September 30, 2018	December 31, 2017	September 30, 2017
Number of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	78,685	78,688	78,688
Shares issued	<u>\$ 786,853</u>	<u>\$ 786,885</u>	<u>\$ 786,885</u>

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 amounted to \$20,000 thousand for the issuance of employee share options.

Per the resolutions of the board of directors on February 26, 2018 and May 4, 2017, the Company retired \$32 thousand and \$170 thousand restricted employee shares, respectively, at \$10 par value, totaling 3 thousand and 17 thousand shares, respectively. The Company designated the basis date of the capital reduction as 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	<u>(17)</u>	<u>(170)</u>
Balance at September 30, 2017	<u>78,688</u>	<u>\$ 786,885</u>
Balance at January 1, 2018	78,688	\$ 786,885
Retirement of recognized employee restricted shares	<u>(3)</u>	<u>(32)</u>
Balance at September 30, 2018	<u>78,685</u>	<u>\$ 786,853</u>

b. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 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	\$ 886,496
May be used for offset a deficit			
Premium from employee restricted shares	226,136	165,626	165,626
May not be used for any purpose			
Employee restricted shares	<u>181,528</u>	<u>243,578</u>	<u>243,578</u>
	<u>\$ 900,718</u>	<u>\$ 1,295,700</u>	<u>\$ 1,295,700</u>

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

A reconciliation of the capital surplus was as follows:

	Premium from Ordinary Shares	Premium from Employee Restricted Shares	Employee Restricted Shares
Balance at January 1, 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	<u>(393,527)</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2017	<u>\$ 886,496</u>	<u>\$ 165,626</u>	<u>\$ 243,578</u>
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	<u>(393,442)</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2018	<u>\$ 493,054</u>	<u>\$ 226,136</u>	<u>\$ 181,528</u>

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 dividend policy

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

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

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

The appropriations of earnings for 2017 and 2016 were 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.

d. Special reserve

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	\$ 102,342	\$ -
Appropriations in respect of The debits to other equity items	<u>31,899</u>	<u>102,342</u>
Balance at September 30	<u>\$ 134,241</u>	<u>\$ 102,342</u>

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	\$ (134,241)	\$ (102,342)
Effect of change in tax rate	4,852	-
Exchange differences on translating foreign operations	(100,942)	(33,002)
Income tax related to exchange differences arising on translating to the presentation currency	<u>20,188</u>	<u>5,611</u>
Balance at September 30	<u>\$ (210,143)</u>	<u>\$ (129,733)</u>

Employees' unearned benefits

In the meetings of shareholders on May 24, 2016, the shareholders approved the issuance of restricted shares to employees, respectively (refer to Note 22).

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	\$ (123,726)	\$ (264,938)
Share-based payment expenses recognized	65,793	109,364
Adjustment for retired restricted employee shares dividends	(64)	-
Retired restricted employee shares	<u>1,572</u>	<u>8,347</u>
Balance at September 30	<u>\$ (56,425)</u>	<u>\$ (147,227)</u>

18. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$ 3,056,844</u>	<u>\$ 2,560,176</u>	<u>\$ 8,435,306</u>	<u>\$ 7,237,423</u>
				September 30, 2018
Contract balance				
Notes receivable and trade receivables (Note 7 and 27)				<u>\$ 2,348,144</u>
Contract-liabilities				
Sales of goods				<u>\$ 63,794</u>

19. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income				
Bank deposits	\$ 5,823	\$ 8,175	\$ 31,864	\$ 21,833
Government grants	27,526	-	46,054	24,808
Others	<u>3,165</u>	<u>766</u>	<u>7,309</u>	<u>3,334</u>
	<u>\$ 36,514</u>	<u>\$ 8,941</u>	<u>\$ 85,227</u>	<u>\$ 49,975</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Loss on disposal of property, plant and equipment	\$ (150)	\$ (94)	\$ (918)	\$ (519)
Net foreign exchange gains (losses)	61,352	(66,742)	69,401	(194,713)
Others	<u>(122)</u>	<u>(112)</u>	<u>136</u>	<u>977</u>
	<u>\$ 61,080</u>	<u>\$ (66,948)</u>	<u>\$ 68,619</u>	<u>\$ (194,255)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Other interest expense	<u>\$ 3,691</u>	<u>\$ 2,551</u>	<u>\$ 11,186</u>	<u>\$ 6,974</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Property, plant and equipment	\$ 19,281	\$ 15,215	\$ 55,823	\$ 44,879
Intangible assets	<u>823</u>	<u>828</u>	<u>2,490</u>	<u>2,820</u>
	<u>\$ 20,104</u>	<u>\$ 16,043</u>	<u>\$ 58,313</u>	<u>\$ 47,699</u>
An analysis of depreciation by function				
Operating costs	\$ 11,411	\$ 11,572	\$ 35,347	\$ 34,295
Operating expenses	<u>7,870</u>	<u>3,643</u>	<u>20,476</u>	<u>10,584</u>
	<u>\$ 19,281</u>	<u>\$ 15,215</u>	<u>\$ 55,823</u>	<u>\$ 44,879</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
An analysis of amortization by function				
Operating costs	\$ 35	\$ -	\$ 130	\$ -
Operating expenses	<u>788</u>	<u>828</u>	<u>2,360</u>	<u>2,820</u>
	<u>\$ 823</u>	<u>\$ 828</u>	<u>\$ 2,490</u>	<u>\$ 2,820</u>
				(Concluded)

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Salary expenses	\$ 340,552	\$ 281,020	\$ 925,411	\$ 781,997
Other employee benefits	16,983	16,689	49,668	44,943
Equity-settled share-based payments	20,672	33,720	65,793	109,364
Post-employment benefits				
Defined contribution plans	<u>14,817</u>	<u>14,244</u>	<u>41,284</u>	<u>37,190</u>
Total employee benefits expense	<u>\$ 393,024</u>	<u>\$ 345,673</u>	<u>\$ 1,082,156</u>	<u>\$ 973,494</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 222,160	\$ 192,794	\$ 627,644	\$ 542,775
Operating expenses	<u>170,864</u>	<u>152,879</u>	<u>454,512</u>	<u>430,719</u>
	<u>\$ 393,024</u>	<u>\$ 345,673</u>	<u>\$ 1,082,156</u>	<u>\$ 973,494</u>

f. Employees' compensation and remuneration of directors

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 three months and nine months ended September 30, 2018 and 2017 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2018	2017
Employees' compensation	6.29%	5.33%
Remuneration of directors	0.64%	0.78%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Employees' compensation	\$ 54,000	\$ 32,000	\$ 105,900	\$ 61,577
Remuneration of directors	\$ 3,600	\$ 3,000	\$ 10,800	\$ 9,000

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

The appropriations of employees' compensation and remuneration of directors for 2017 and 2016 having been resolved by the board of directors on February 26, 2018 and February 24, 2017, respectively, were as below:

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

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 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 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Foreign exchange gains	\$ 250,823	\$ 99,081	\$ 537,317	\$ 206,436
Foreign exchange losses	(189,471)	(165,823)	(467,916)	(401,149)
	\$ 61,352	\$ (66,742)	\$ 69,401	\$ (194,713)

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of tax (expense) income were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
Current year	\$ (132,530)	\$ (80,179)	\$ (317,159)	\$ (243,503)
Income tax on				
unappropriated earnings	-	-	(1,505)	-
Adjustments for prior periods	<u>3,791</u>	<u>-</u>	<u>20,157</u>	<u>20,110</u>
	(128,739)	(80,179)	(298,507)	(223,393)
Deferred tax				
Current year	(13,524)	2,568	(34,266)	21,946
Adjustments to deferred tax				
attributable to changes in				
tax rates and laws	<u>-</u>	<u>-</u>	<u>2,303</u>	<u>-</u>
Income tax expense recognized				
in profit or loss	<u>\$ (142,263)</u>	<u>\$ (77,611)</u>	<u>\$ (330,470)</u>	<u>\$ (201,447)</u>

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. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive (expense) income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
<u>Deferred tax</u>				
Effect of change in tax rate	\$ -	\$ -	\$ 4,852	\$ -
In respect of the current period:				
Translation of foreign				
operations	<u>27,406</u>	<u>(8,299)</u>	<u>20,188</u>	<u>5,611</u>
Total income tax recognized in				
other comprehensive income	<u>\$ 27,406</u>	<u>\$ (8,299)</u>	<u>\$ 25,040</u>	<u>\$ 5,611</u>

c. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities. As of September 30, 2018, the Group has no unsettled lawsuit in related with tax.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Basic earnings per share				
Net income	<u>\$ 566,889</u>	<u>\$ 324,650</u>	<u>\$1,349,863</u>	<u>\$ 996,731</u>
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	<u>78,226</u>	<u>78,099</u>	<u>78,197</u>	<u>78,080</u>
Basic earnings per share	<u>\$ 7.25</u>	<u>\$ 4.16</u>	<u>\$ 17.26</u>	<u>\$ 12.77</u>
Diluted earnings per share				
Net income	<u>\$ 566,889</u>	<u>\$ 324,650</u>	<u>\$1,349,863</u>	<u>\$ 996,731</u>
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	78,226	78,099	78,197	78,070
Effect of potentially dilutive ordinary shares:				
Bonus to employees	198	115	227	149
Employee restricted shares	<u>375</u>	<u>315</u>	<u>371</u>	<u>253</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>78,799</u>	<u>78,529</u>	<u>78,795</u>	<u>78,472</u>
Diluted earnings per share	<u>\$ 7.19</u>	<u>\$ 4.13</u>	<u>\$ 17.13</u>	<u>\$ 12.70</u>

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

22. 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 of August 30, 2016 was determined by the board of directors 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:

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

- b. The employees shall not sell, pledge, transfer, donate or, in any other way, dispose of these shares.
- c. The employees which hold equity under the custody of the trust agency do not have the right to attend shareholders' meetings or to engage in motions, speech, and voting therein.
- d. The employees' other rights, which are the same as those of ordinary shareholders of the Company, include but are not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.

The vesting conditions of restricted shares are when an employee received the restricted shares, and 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 benefits of \$319,150 thousand were recognized on the basis of vesting conditions and expensed on a straight-line base over the vesting period. Compensation costs of \$20,672 thousand, \$33,720 thousand, \$65,793 thousand and \$109,364 thousand were recognized, respectively, within the vesting period for the three months and nine months ended September 30, 2018 and 2017.

23. CASH FLOWS INFORMATION

Non-cash Transactions

For the nine months ended September 30, 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 September 30, 2018, December 31, 2017 and September 30, 2017, the un-settled payments for purchases of property, plant and equipment were \$56,366 thousand, \$10,234 thousand and \$16,195 thousand, respectively, and recorded as other payables in the consolidated financial statements.

24. OPERATING LEASE ARRANGEMENTS

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

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

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	\$ 59,866	\$ 77,154	\$ 79,843
Later than 1 year and not later than 5 years	<u>24,729</u>	<u>47,222</u>	<u>61,025</u>
	<u>\$ 84,595</u>	<u>\$ 124,376</u>	<u>\$ 140,868</u>

25. 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.

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 consolidated financial statements which are not measured at fair value approximate their fair values.

- b. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Loans and receivables (1)	\$ -	\$ 4,525,067	\$ 4,032,437
Financial assets at amortized cost (2)	4,124,198	-	-
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (3)	2,813,128	2,471,504	2,260,720

- 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, other financial assets (included in other current assets) and refundable deposits (included in other non-current assets).
- 2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, other financial assets (included in other current assets) and refundable deposits (included in other non-current assets).
- 3) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables to related parties, other payables, and guarantee deposits received (included in other non-current liabilities).

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 (foreign 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 29.

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. 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 Nine Months Ended	
	September 30	
	2018	2017
Profit or loss	\$ 22,156	\$ 17,224
	RMB Impact	
	For the Nine Months Ended	
	September 30	
	2018	2017
Profit or loss	\$ (30,968)	\$ (23,110)

This was mainly attributable to the exposure on USD-denominated bank deposits, USD-denominated receivables, USD-denominated payables, RMB-denominated bank deposits and RMB-denominated 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-denominated trade receivables. The Group's sensitivity to RMB increased during the current period mainly because of an increase in RMB-denominated trade 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:

	September 30, 2018	December 31, 2017	September 30, 2017
Interest rate risk on fair value			
Financial assets	\$ 791,806	\$ 1,345,929	\$ 1,759,237
Interest rate risk on cash flow			
Financial assets	945,038	1,347,968	539,379

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 pre-tax profit for the nine months ended September 30, 2018 and 2017 would have increased/decreased by \$7,088 thousand and \$4,045 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate risks on its variable-rate bank deposits.

The Group's sensitivity to interest rates increased during the current period mainly because of the increased in floating-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

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 use of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

For interest flows pertaining to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

September 30, 2018

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 2,350,369</u>	<u>\$ 462,534</u>	<u>\$ 225</u>	<u>\$ -</u>

December 31, 2017

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 1,211,966</u>	<u>\$ 1,259,307</u>	<u>\$ 231</u>	<u>\$ -</u>

September 30, 2017

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 1,136,823</u>	<u>\$ 1,122,704</u>	<u>\$ 1,193</u>	<u>\$ -</u>

27. 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
Soltec Power 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

Line Item	Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
Sales	Key management personnel	\$ 44,877	\$ 176,108	\$ 357,657	\$ 504,340
	Essential related parties	137,675	291	170,418	41,089
		<u>\$ 182,552</u>	<u>\$ 176,399</u>	<u>\$ 528,075</u>	<u>\$ 545,429</u>

The selling prices are not comparable as the same products are not sold to third parties for the nine months ended September 30, 2018 and 2017. Payment terms of related parties are advance receipts are 150 days after the close of every month end and of third parties are 0-180 days.

c. Purchases of goods

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Key management personnel	\$ -	\$ 556	\$ 1,788	\$ 2,173
Essential related parties	<u>457</u>	<u>-</u>	<u>3,858</u>	<u>-</u>
	<u>\$ 457</u>	<u>\$ 556</u>	<u>\$ 5,646</u>	<u>\$ 2,173</u>

The purchase prices are not comparable as there are no purchases of the specified items from third parties for the three months and nine months ended September 30, 2018 and 2017. Payment terms of related parties are 150 days and 60-150 days after the close of every month end, respectively, and of third parties are 30-90 days.

d. Contract liabilities

Related Party Category	September 30, 2018	December 31, 2017	September 30, 2017
Key management personnel	\$ 101	\$ -	\$ -
Essential related parties	<u>1,515</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,616</u>	<u>\$ -</u>	<u>\$ -</u>

e. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category	September 30, 2018	December 31, 2017	September 30, 2017
Trade receivables	Key management personnel	\$ 90,080	\$ 145,221	\$ 160,192
	Essential related parties	<u>92,749</u>	<u>-</u>	<u>-</u>
		<u>\$ 182,829</u>	<u>\$ 145,221</u>	<u>\$ 160,192</u>

The outstanding trade receivables from related parties were unsecured. For the nine months ended September 30, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

f. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	September 30, 2018	December 31, 2017	September 30, 2017
Trade payables	Key management personnel	\$ -	\$ 521	\$ 1,304
	Essential related parties	<u>976</u>	<u>-</u>	<u>-</u>
		<u>\$ 976</u>	<u>\$ 521</u>	<u>\$ 1,304</u>

The outstanding trade payables from related parties are unsecured.

g. Other transactions with related parties

Line Item	Related Party Category	September 30, 2018	December 31, 2017	September 30, 2017
Receipts in advance	Key management personnel	\$ -	\$ 1,722	\$ 1,740
	Essential related parties	<u>-</u>	<u>532</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ 2,254</u>	<u>\$ 1,740</u>
Refundable deposits	Key management personnel	\$ -	\$ 207	\$ 207
	Essential related parties	<u>500</u>	<u>1,067</u>	<u>568</u>
		<u>\$ 500</u>	<u>\$ 1,274</u>	<u>\$ 775</u>

Line Item	Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
Rental expenses	Key management personnel	\$ -	\$ 321	\$ 107	\$ 963
	Essential related parties	<u>750</u>	<u>778</u>	<u>2,509</u>	<u>2,334</u>
		<u>\$ 750</u>	<u>\$ 1,099</u>	<u>\$ 2,616</u>	<u>\$ 3,297</u>

For the nine months ended September 30, 2018 and 2017, the Group 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 49,242	\$ 52,047	\$ 77,472	\$ 80,087
Post-employee benefits	<u>157</u>	<u>162</u>	<u>481</u>	<u>585</u>
Share-based payments	<u>8,665</u>	<u>14,063</u>	<u>27,579</u>	<u>45,182</u>
	<u>\$ 58,064</u>	<u>\$ 66,272</u>	<u>\$ 105,532</u>	<u>\$ 125,854</u>

The remunerations of directors and 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 Group as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Acquisition of property, plant and equipment	<u>\$ 200,108</u>	<u>\$ 656,419</u>	<u>\$ 724,142</u>

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 87,414	30.5250 (USD:NTD)	\$ 2,668,303
USD	252	6.8792 (USD:RMB)	7,688
RMB	53,576	4.4373 (RMB:NTD)	237,734
RMB	783,508	0.1454 (RMB:USD)	<u>3,476,662</u>
			<u>\$ 6,390,387</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,527	30.5250 (USD:NTD)	\$ 77,140
USD	12,555	6.8792 (USD:RMB)	383,246
RMB	783,508	4.4373 (RMB:NTD)	3,476,662
RMB	751,480	0.1454 (RMB:USD)	<u>3,334,542</u>
			<u>\$ 7,271,590</u>

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
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)	<u>3,507,629</u>
			<u>\$ 7,021,741</u>

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)	<u>3,429,239</u>
			<u>\$ 7,433,893</u>

September 30, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 70,420	30.2600 (USD:NTD)	\$ 2,130,899
USD	182	6.6369 (USD:RMB)	5,505
RMB	134,112	4.5594 (RMB:NTD)	611,471
RMB	655,787	0.1507 (RMB:USD)	<u>2,989,995</u>
			<u>\$ 5,737,870</u>

Financial liabilities

Monetary items			
USD	1,973	30.2600 (USD:NTD)	\$ 59,710
USD	11,707	6.6369 (USD:RMB)	354,300
RMB	655,787	4.5594 (RMB:NTD)	2,989,995
RMB	640,967	0.1507 (RMB:USD)	<u>2,922,423</u>
			<u>\$ 6,326,428</u>

The Group is mainly exposed to USD and RMB. 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 Three Months Ended September 30				
2018			2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.000 (NTD:NTD)	\$ 91,034	1.000 (NTD:NTD)	\$ (79,049)
USD	30.6150(USD:NTD)	(2,469)	30.2117 (USD:NTD)	2,170
RMB	4.4758(RMB:NTD)	<u>(27,213)</u>	4.5394 (RMB:NTD)	<u>10,137</u>
		<u>\$ 61,352</u>		<u>\$ (66,742)</u>
For the Nine Months Ended September 30				
2018			2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.000 (NTD:NTD)	\$ 107,669	1.000 (NTD:NTD)	\$ (218,360)
USD	29.9211(USD:NTD)	(2,521)	30.4072 (USD:NTD)	2,638
RMB	4.5765(RMB:NTD)	<u>(35,747)</u>	4.4768 (RMB:NTD)	<u>21,009</u>
		<u>\$ 69,401</u>		<u>\$ (194,713)</u>

30. SEGMENT INFORMATION

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 uninterrupted power supply. The related segment financial information was not necessary.