



Stock Code: 6591

## SUN MAX TECH LIMITED

### 2018 Annual Report

#### Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

2018/Annual Report is available at: <http://www.sun-max.com.tw>

I. Spokesperson and Deputy Spokesperson:

Item	Spokesperson	Acting Spokesman
Name	HSU Wen-Faung	Chen Hui-Ling
Title	Chairman	Chief financial officer
TEL	(886)2-8226-3300	(886)2-8226-3300
E-mail address	spokesman@powerlogic.tw	cfo@powerlogic.tw

II. Address and telephone number of the Head Office and branches

(I) Head office

Name: Sun Max Tech Limited Website: <http://www.sun-max.com.tw>  
 Address: The Grand Pavilion Commercial Centre, Oleander Way,802  
 West Bay Road, P.O.Box 32052,Grand Cayman KY1-1208, Cayman Islands. Tel: (886)2-8226-3300

(II) Taiwan Office

Name: POWER LOGIC TECH. INC Website: <http://www.powerlogic.tw>  
 Address: 6-2F, No. 16, Jian 8th Road, Zhonghe District, New Taipei City Tel: (886)2-8226-3300

(III) Subsidiaries, Sub-subsidiary

Name: United Strategy INC. Website: -  
 Address: Vistra Corporate Services Centre, Ground Floor NPF Building,  
 Beach Road, Apia, Samoa Tel: (886)2-8226-3300

Name: Power Logic Holdings INC. Website: -  
 Address: Vistra Corporate Services Centre, Ground Floor NPF Building,  
 Beach Road, Apia, Samoa Tel: (886)2-8226-3300

Name: Sunny Sharp International Limited Website: -  
 Address: Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076  
 Sir Francis Drake Highway, Road Town, Tortola, British Virgin  
 Islands VG1110 Tel: (886)2-8226-3300

Name: Sunny Faith Investments Limited Website: -  
 Address: Portcullis Chambers, P.O.Box 1225, Apia, SAMOA Tel: (886)2-8226-3300

Name: POWER LOGIC TECH. INC Website: <http://www.powerlogic.tw>  
 Address: 6-2F, No. 16, Jian 8th Road, Zhonghe District, New Taipei City Tel: (886)2-8226-3300

Name: DONG GUAN DONG LI DIAN ZI CO. LTD Website: -  
 Address: No. 13, Tianheng Road, Tianwei Village, Changping Town,  
 Dongguan City, Guangdong Province, China Tel: (86)769-3339-6200

Name: DongGuan Tai Yi Electronics Co., Ltd. Website: -  
 Address: Building 2, No. 3, Chaiohing West 2<sup>nd</sup> Road, Dazhou  
 Community, Qiaotou Town, Dongguan City Tel: (86)769-8293-9380

Name: DongGuan Yi Chuan Electronics Co., Ltd. Website: -  
 Address: Office 2011, Unit 2, Building 1, Jiajun Center, Banshi Village,  
 Changping Town, Dongguan City Tel: (86)769-3339-6030

III. Shares Registrar:

Name: Share Administration Department, Concord Securities Co., Ltd. Website: <http://www.6016.com>  
 Address: B1F., No. 176, Sec. 1, Keelung Rd., Taipei City Tel: (886)2-8787-1888

IV. Independent auditor for the financial report of the most recent year  
 Accountant Name: CPA, Cheng-Hsiou Website: [tps://www.deloitte.com.tw](https://www.deloitte.com.tw)  
 Yang; CPA, Wang-Sheng Lin  
 Name of CPA: Deloitte & Touche  
 Address: 12F., No. 156, Sec. 3, Minsheng E. Rd., Taipei City Tel: (886) 2-25459988

V. Name of the overseas stock exchange: None

VI. The Company's Website: <http://www.sun-max.com.tw>

VII. List of Company's Board of Directors

Title	Name	Nationality or place of registration	Major (academic degree) experience
Chairman	SINOTEAM HOLDINGS INC.	Samoa	-
	Representative: HSU Wen-Faung	Taiwan R.O.C.	Department of Civil Engineering, Tamkang University Engineer of CTCI Advanced Systems Inc. Director, He Feng Construction Corp. Director of Hefeng Construction Co., Ltd.
Director	LAI, Jen-Chung	Taiwan R.O.C.	Taipei Municipal Chenggong High School Sales Manager, He Feng Construction Corp. Supervisor of Power Logic Tech. Inc. Chairman, Kandlee Trading Co., Ltd. Division Manager of CviLux Corporation
Director	LIN, Chun-Yen	Taiwan R.O.C.	Department of Electronic Engineering, Guoji High School of Commerce and Industry Manufacturing Department Manager of Shenzhen plant of Asia Vital Components Co., Ltd.
Director	LI, Yung-Yi	Taiwan R.O.C.	Department of Electrical Engineering, Hwa Hsia Institute of Technology Special Aide to the Chairman of Taiwan Dalong Industrial Co., Ltd. Project Manager of Shih Yi Technology Co., Ltd.
Independent director	CHEN, Tien-Szu	Taiwan R.O.C.	Department of Electronics Engineering, NCTU Cameo Communications, Inc.
Independent director	CHIU, Shih-Fang	Taiwan R.O.C.	Department of Law, National Chung Hsing University Attorney of PwC Legal Managing Attorney of De Kai Law Firm
Independent director	HSIEH, Yu-Tien	Taiwan R.O.C.	Master's Program of Business Management, Chinese Culture University Assistant Officer of the Administration Office of The Company of Communications Assistant Vice President of Jien Hung International Securities and Investment Consulting Co., Ltd. Lecturer of Department of Business Administration of Shih Chien University

VIII. The name, job title, contact number, and email of the designated domestic agent  
 Name: HSU Wen-Faung Title: Chairman  
 Tel: (886)2-8226-3300 Email: [agents@powerlogic.tw](mailto:agents@powerlogic.tw)

**SUN MAX TECH LIMITED**  
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## **One. Message to the Shareholders**

Dear shareholders,

In 2018, the global e-sports market continued to flourish. Nvidia's new Turing series of high-end graphics cards were also launched in 2018. However, due to the heat of virtual currency, the mining energy disappeared from the market, and the demand for graphics cards on the market slowed down, affecting the overall operation motive of cooling fans. In 2019, Nvidia will launch a new series of mid-range graphics cards, which is expected to increase the energy of operation.

In 2018, we will continue to actively develop the application of automotive and smart home appliances. The vehicle-related products are currently used in the automotive market, such as air conditioners. At present, the market share of audio and video cooling systems for vehicles continues to increase. The mid-range and high-end automotive air-conditioning fans have also been successfully developed. In terms of high-end smart home appliances, the sweeping robots of US brand have also been shipped in 2018. We have also actively developed a new generation of machines, hoping that the sales will soon be expanded and effectively contribute to the revenue.

In 2018, we issued unsecured convertible bonds of NT\$ 150,000,000, and conducted capital increase by cash of NT\$ 80,000,000. The total fund raised amounted to NT\$ 230,000,000. The purpose of the fund is to enrich working capital and optimize production line equipment, and the efficiency of the production process. We expect to further transform the Company into a supplier with a full range of thermal application products.

### **I. 2018 business overview**

#### **(I) 2018 financial performance:**

In 2018, The consolidated revenue of SUN MAX TECH LIMITED was NT\$ 1,217,595,000, a decrease of 5.76% from NT\$ 1,291,947,000 in the previous year. The gross profit was NT\$ 240,877,000, a decrease of 30.31% from NT\$ 345,621,000 in the previous year. The net income was NT\$ 83,778,000, a decrease of 49.01% from NT\$ 164,296,000 in the previous year. The main reason is that the cost was increased by materials, labor, new plants and exchange rate fluctuations. In 2018, the earnings per share (EPS) of SUN MAX TECH LIMITED was NT\$ 3.12, and the ROE was 8.32%.

#### **(II) Status of R&D:**

- (1) The Company had 43 new fan structure patents in 2018. As of December 31, 2018, a total of 68 new practical patents have been obtained from the Mainland; 67 new patents from Taiwan; and 1 invention patent from the U.S.
- (2) The Company's 2018 and 2017 R&D expenses were NT\$ 31,063,000 and NT\$ 25,325,000, respectively, and R&D expenses accounted for approximately 2.55% and 1.96% of revenue. In order to meet the needs of a number of R&D projects, we will continue to expand the scale of laboratory, purchase relevant testing equipment, enhance professional R&D abilities, cultivate professional R&D talents, work closely with manufacturers and apply our expertise to design innovative products and develop new production technology to enhance the Company's competitiveness, expand the field of non-computer applications, and develop new market application items to expand overall efficiency.

### **II. Summary of 2019 business plan, the Company's future development strategy and impact from external environment**

#### **(I) Business policy of 2019:**

The Company adheres to the principles of consistent innovation/quality/service/professional/integrity/caring for employees/protecting the interests of investors.

- (1) Having closer cooperation with agents to introduce new customers.
- (2) Developing more household appliances and cooling fans to increase the proportion of household appliances to revenue.
- (3) Developing smart fans and promoting them to product use.
- (4) Refining the automation equipment to increase the flexibility of a small but a variety of production.
- (5) Improving R&D capacity, developing diversified markets, and improving the Company's overall operating performance.

**(2) The Company's future development strategy:**

- (1) With the development of the technology industry and the trend of consuming electronics integration, the Company continues to enhance its core competitiveness and creativity through innovative R&D and design, enhanced manufacturing capabilities and improved application technology.
- (2) With the rise of AI and the 5G industry, intelligent fans are developed, and fan design applications of diversified markets are also developed. The rapid design of products that meet customer needs have also become the competition indicators of fan manufacturers, with a view to driving new business opportunities.
- (3) Strengthening long-term trust partnerships with customers and continuing to maintain competitive advantage.
- (4) Adhering to the concept of team growth, focusing on the pass-down of experiences, improving the quality of employees, improving working conditions, and promoting labor and harmony.

**(3) Impacts by the external competitive environment, regulatory environment and overall business environment:**

The competitive advantages of the Company compared with its peers are as follows: 1. It has independently-developed products and collaborative design capabilities with customers; 2. the factory has highly vertical integration, strong process adjustment capability and fast delivery; 3. excellent customization ability; 4. it has a stable brand factory customer base; 5. it deeply cultivates niche type heat dissipation products, which is highly competitive.

In recent years, the global e-sports market has flourished, but in the near term, the overall e-sports industry is still in an industry with a large impact on market volatility. The overall e-sports industry has grown steadily. In 2017, the Legislative Yuan has passed the third reading to include the e-sports industry into the application scope of the sports and leisure education service industry in the "Sports Industry Development Act"; the Hangzhou 2022 Asian Games will determine the inclusion of e-sports in the official competition, and the International Olympic Committee may also hope to introduce electric competitions for the 2024 Paris Olympics as one of the sport items. The long-term development prospects of the e-sports industry can be expected.

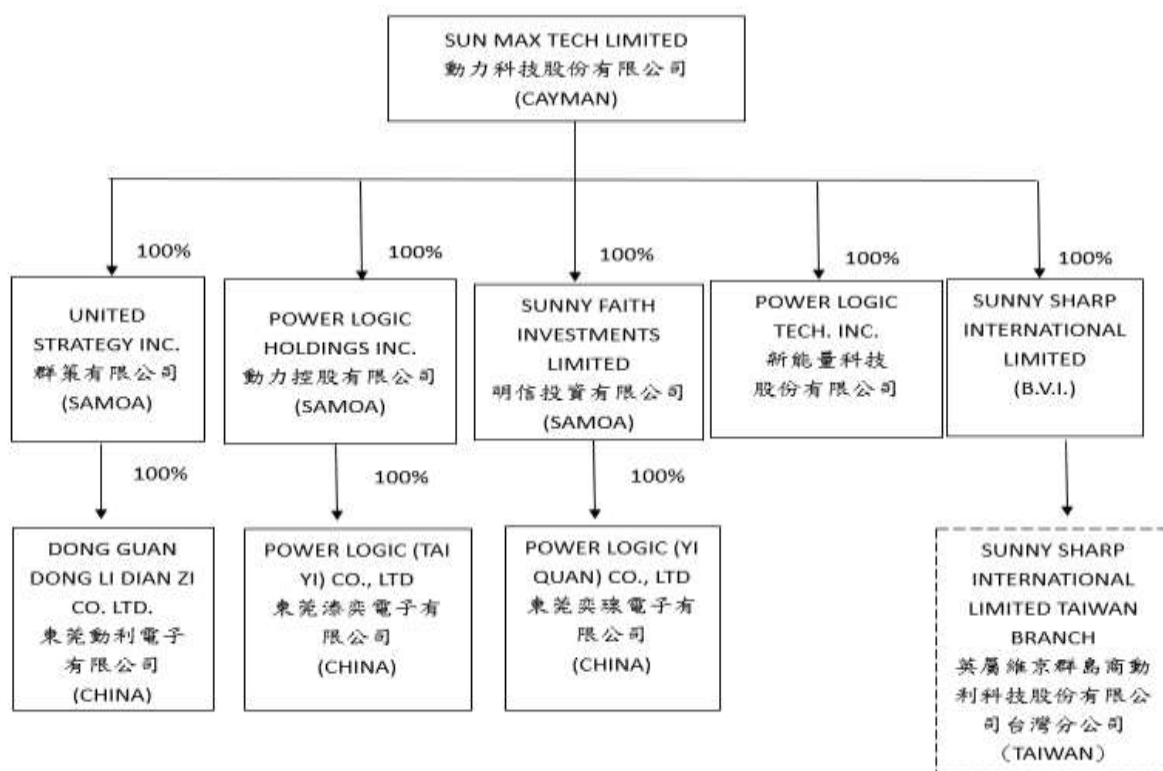
Chairman: SINOTEAM HOLDINGS INC  
Legal representative: HSU Wen-Faung

## Two. Company Profile

### I. Company and group profile

SUN MAX TECH LIMITED (hereinafter referred to as “SUN MAX” or “the Company”) is an investment holdings company established in the British Cayman Islands (hereinafter referred to as “Cayman Islands Merchants”), which was founded by Mr. HSU Wen-Faung. The Company was founded in 1998. The founder of the Company raised funds from friends and then invested in Dongguan Power Logic Co., Ltd. through UNITED STRATEGY INC., which was registered in Samoa. In 2013, with the approval of the MOEA Investment Commission, reorganized the investment structure. The invested company of the Company is mainly engaged in the research and development, production, and sales of professional cooling fans. As of December 31, 2018, the paid-in capital of the Company was NT\$ 262,030,000. Power Logic Tech. Inc., a subsidiary of the Taiwan Office of the Company, is mainly engaged in the integration of finance and information. POWER LOGIC HOLDINGS INC. registered in Samoa is responsible for the sales of deep processing transit in the Mainland China area. Dongguan Tai-Yu Electronics Co., Ltd. is responsible for sales in the Mainland China. SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH is responsible for sales in the European, American, and Asian region (excluding Mainland China area), and the Company’s research and development. The production base is mainly the responsibility of Dongguan Power Logic Co., Ltd. and Dongguan Tai-Yu Electronics Co., Ltd.

### II. Group structure



### III. Date of establishment

The company was established on November 28, 2013.



IV. Organization and operations

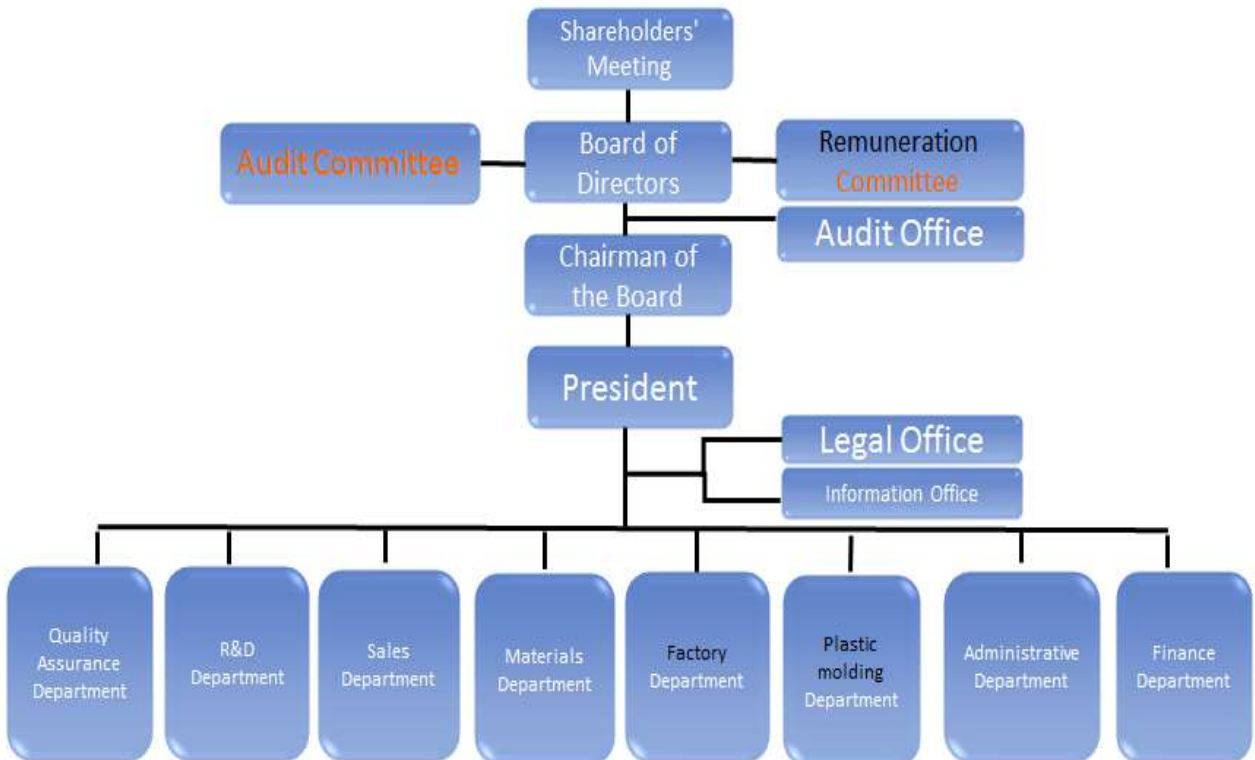
Year	Milestones
1998	Power Logic Tech. Inc. was established in New Taipei City.
1998	Huangjiang Power Electronic Products Factory was established.
1998	ISO 9001 certified
2003	UNITED STRATEGY INC. was registered and set up in Samoa.
2003	Dongguan Power Logic Co., Ltd. was 100% invested by UNITED STRATEGY INC. and established in Guangdong Province as a leading manufacturer of cooling fans.
2005	ISO 14001 certified
2007	Qualified as an AMD supplier and officially entered the field of display card fans.
2008	Registered POWER LOGIC HOLDING INC. in Samoa.
2009	Huangjiang Power Electronic Products Factory was merged by Dongguan Power Logic Co., Ltd.
2013	The parent company, SUN MAX TECH LIMITED, was established with an organizational restructure initiated at the same time, and the subsidiaries merged.
2014	Dongguan Tai-Yu Electronics Co., Ltd. located in Guangdong Province was 100% invested in by Power Logic Holding Inc.
2015	Sunny Sharp International Limited was registered and established in B.V.I.
2015	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH was established in New Taipei City.
2016	SUN MAX TECH LIMITED, the parent company, was approved for public trade on 11/16/2016.
2016	SUN MAX TECH LIMITED, the parent company, was approved for registration on the emerging market on 11/30/2016. (Stock No: 6591)
2016	Dongguan Tai-Yu Electronics Co., Ltd. expanded and relocated its factory to Building 2, No. 3, Chaiohing West 2 <sup>nd</sup> Road, Dazhou Community, Qiaotou Town, Dongguan City.
2017	Sunny Faith Investments Limited was registered and established in Samoa.
2017	Dongguan Yu-Chuan Electronics Co., Ltd. was 100% invested by Sunny Faith Investments Limited and established in Guangdong Province.
2017	SUN MAX TECH LIMITED, the parent company, was officially listed on 12/28/2017. (Stock No: 6591)

V. Risks: refer to page 171 to 189 of this report.

### Three. Corporate Governance

#### I. Organization:

##### 1. Organization structure:



##### 2. The responsibilities of various divisions:



Department name	Business and scope of responsibility
Board of Directors	Plan the company's business operations and policies, set operational goals, and appoint the management of the company to implement and promote the company's business.
Remuneration Committee	Formulate the policy system and standards for the performance evaluation and remuneration of the company's directors and managers, and regularly evaluate the remuneration of the company's directors and managers.
Audit Committee	Supervise the company's business and financial conditions, the appropriate expression of financial statements, and the effective implementation of internal controls.
Audit Office	Responsible for the company's various auditing businesses and evaluation and implementation of internal control, proposing suggestions for improvement and continuously following up on the improvement progress.
Office of Chairman and President	Plan the company's business operations and policies, set operational goals, and appoint the management of the company to implement and promote the company's business.
Information Office	Responsible for the planning, implementation, and management of the company's information operations.
Legal Office	Responsible for the Group's contract drafting and review, offering legal opinions, application and interpretations of relevant law and regulations, litigations, amendments of regulations, and patent, trademark, and intellectual property rights-related regulatory operations.
Financial Market and Production and Sales Overview Department	Develop financial development plans and annual plans and implementation of supervision according to the company's development strategy and business progress.
	Formulate and improve the company's financial management system and process construction.
	Responsible for the company's implementation of annual budget management, tax planning and management, accounting statement management, and fund management.
	Financial statement analysis, investment and transfer investment planning, and fund raising and dispatching.
Administration Department	Coordinate the overall administrative affairs of the company, including personnel, administrative general affairs, and safety and health.
	Supplier development and selection, and purchase delivery control.
	Responsible for formulating and improving the procurement system and procurement process, formulating and implementing procurement plans, procurement cost budgeting and control, selecting and managing suppliers as well as the construction of the department.
Plastic Molding Department	Production of plastic parts needed for production and the design of injection molds.
Factory Department	Meet sales order needs and avoid market supply shortages.
	Planning, introduction, and management of product quality.
	Design and production of molds and fixtures needed for production.
	Develop and produce production jigs and automatic assembly machines for the production processes developed by the R&D department.

Department name	Business and scope of responsibility
	Initiate process transformation for current production processes.
	Supervise, inspect, coordinate, and manage the company's products, work, and service quality.
	Responsible for the operation, maintenance, and management of the department's equipment and facilities.
	Control of production and manufacturing yields, capacity planning and other objectives and operations.
	Factory public safety and health management
Materials Department	Production planning, scheduling of materials, deployment of production lines and machines, monthly production line capacity monitoring, cross-department coordination and communication.
	Incoming, dispatching, and sampling inspection of abnormal shipping material on a daily, weekly, and monthly basis; also, analysis and improvement of the results of monthly inventory count results.
Sales Department	Responsible for planning and integrating the company's annual marketing plan.
	Responsible for the company's marketing plan, and completing the company's various sales indicators.
	Formulate relevant goals and strategies according to the actual operation of the company.
	Assist in the formulation of relevant business management systems and standardize departmental process management.
	Responsible for collecting and compiling market information, and formulating analysis reports, such as competitors, market demand, and product strategies.
R&D Department	Handle matters related to the Group's product R&D.
	New product planning, design, and development.
	Review that new product development is consistent with actual business needs.
	Application and development of new raw materials
	Management of on-site customer product guidance, testing and verification, product feedback and submitted corrective action reports
Quality Assurance Department	Formulation, control, and supervision of product quality standards in all aspects of production.
	The handling of nonconformities reported by the customers, correction and prevention controls.
	Safety requirements and ISO system maintenance and promotion, as well as quality management tasks led by the laboratory.

II. Profiles of Directors, Supervisors, President, Executive Vice Presidents, Asst. VP, and supervisors of the various departments and branches

(I) Directors and Supervisors:

1. Name, main experience (education), and shareholding and nature

April 30, 2019; Unit: thousand shares

Title	Nationality or place of registration	Name	Gender	Inauguration date	Date elected	Duration	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
Chairman	Samoa	SINOTEAM HOLDINGS INC.		2014/12/31	2016/4/30	3	775	38.21%	5,978	22.78%	0	0%	0	0%		-	None	None	None
	Taiwan R.O.C.	Representative: HSU Wen-Faung	Male				0	0%	960	3.66%	19	0.07%	0	0%	Department of Civil Engineering, Tamkang University Engineer of CTCI Advanced Systems Inc. Director, He Feng Construction Corp. Director of Hefeng Construction Co., Ltd.	Note 1	None	None	None
Director	Taiwan R.O.C.	LAI, Jen-Chung	Male	2016/4/30	2016/4/30	3	278	2.96%	427	1.63%	0	0%	0	0%	Taipei Municipal Chenggong High School Sales Manager of Hefeng Construction Co., Ltd. Supervisor of Power Logic Tech. Inc. Chairman, Kandlee Trading Co., Ltd. Division Manager of CviLux Corporation	Note 1	None	None	None
Director	Taiwan R.O.C.	LIN, Chun-Yen	Male	2016/4/30	2016/4/30	3	73	0.78%	176	0.67%	0	0%	0	0%	Department of Electronic Engineering, Guoji High School of Commerce and Industry Manufacturing Department Manager of Shenzhen plant of Asia Vital Components Co., Ltd.	Note 1	None	None	None
Director	Taiwan R.O.C.	LI, Yung-Yi	Male	2016/4/30	2016/4/30	3	16	0.17%	85	0.32%	0	0%	0	0%	Department of Electrical Engineering, Hwa Hsia Institute of Technology Special Aide to the Chairman of Taiwan Dalong Industrial Co., Ltd. Project Manager of Shih Yi Technology Co., Ltd.	Note 1	None	None	None
Independent director	Taiwan R.O.C.	CHEN, Tien-Szu	Male	2016/4/30	2016/4/30	3	0	0%	0	0	0	0%	0	0%	Department of Electronics Engineering, NCTU Cameo Communications, Inc.	Note 1	None	None	None

Title	Nationality or place of registration	Name	Gender	Inauguration date	Date elected	Duration	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
Independent director	Taiwan R.O.C.	CHIU, Shih-Fang	Male	2016/4/30	2016/4/30	3	0	0%	0	0	0	0%	0	0%	Department of Law, National Chung Hsing University Attorney of PwC Legal Managing Attorney of De Kai Law Firm	Note 1	None	None	None
Independent director	Taiwan R.O.C.	HSIEH, Yu-Tien	Male	2016/4/30	2016/4/30	3	0	0%	0	0%	0	0%	0	0%	Master's Program of Business Management, Chinese Culture University Assistant Officer of the Administration Office of The Company of Communications Assistant Vice President of Jien Hung International Securities and Investment Consulting Co., Ltd. Instructor of Jinwen University of Science and Technology Lecturer of Department of Business Administration of Shih Chien University	Note 1	None	None	None

Note 1: Summary of the directors also assuming a job position with the Company and other companies

Title	Name	Positions with other companies
President	HSU Wen-Faung	SINOTEAM HOLDINGS INC.: President UNITED STRATEGYINC.: President POWER LOGIC HOLDINGS INC.: President POWER LOGIC TECH. INC.: President Sunny Sharp International Limited.: President SUNNY FAITH INVESTMENTS LIMITED: President Power Logic Tech. (DongGuan) Inc.: President DongGuan Tai Yi Electronics Co., Ltd.: President Sunny Sharp International Limited Taiwan Branch: President DongGuan Yi Chuan Electronics Co., Ltd.: President
Chairman	SINOTEAM HOLDINGS INC. Representative: HSU Wen-Faung	SINOTEAM HOLDINGS INC. Director UNITED STRATEGYINC.: Director POWER LOGIC HOLDINGS INC.: Director POWER LOGIC TECH. INC.: Director Sunny Sharp International Limited.: Director Power Logic Tech. (DongGuan) Inc.: Director

Title	Name	Positions with other companies
		DongGuan Tai Yi Electronics Co., Ltd.: Director Sunny Sharp International Limited Taiwan Branch: Director DongGuan Yi Chuan Electronics Co., Ltd.: Director
Director	LAI, Jen-Chung	Power Logic Tech. Inc.: Supervisor Power Logic Tech. (DongGuan) Inc.: Supervisor DongGuan Tai Yi Electronics Co., Ltd.: Supervisor DongGuan Yi Chuan Electronics Co., Ltd.: Supervisor
Director	LIN, Chun-Yen	UNITED STRATEGYINC.: Vice President POWER LOGIC HOLDINGS INC.: Vice President POWER LOGIC TECH. INC.: Vice President Sunny Sharp International Limited.: Vice President SUNNY FAITH INVESTMENTS LIMITED: Vice President Power Logic Tech. (DongGuan) Inc.: Vice President DongGuan Tai Yi Electronics Co., Ltd.: Vice President Sunny Sharp International Limited Taiwan Branch: Vice President DongGuan Yi Chuan Electronics Co., Ltd.: Vice President
Director	LI, Yung-Yi	UNITED STRATEGYINC.: Asst. VP POWER LOGIC HOLDINGS INC.: Asst. VP POWER LOGIC TECH. INC.: Asst. VP Sunny Sharp International Limited.: Asst. VP SUNNY FAITH INVESTMENTS LIMITED: Asst. VP Power Logic Tech. (DongGuan) Inc.: Assistant Vice President DongGuan Tai Yi Electronics Co., Ltd.: Assistant Vice President Sunny Sharp International Limited Taiwan Branch: Assistant Vice President DongGuan Yi Chuan Electronics Co., Ltd.: Assistant Vice President
Independent director	CHEN, Tien-Szu	Santai (Cayman) Holdings Co., Limited: Supervisor Sunnyhills Foods (Shanghai) Co., Ltd.: Director
Independent director	CHIU, Shih-Fang	De Kai Law Firm: Managing Attorney
Independent director	HSIEH, Yu-Tien	KING CORE: Supervisor Taiwan Oasis Technology Co., Ltd.: Independent Director Vtc Electronics Corporation: Independent Director

2. Supervisor: The Company has set up an Audit Committee without an appointed supervisor.



### 3. Major Shareholders of Corporate Shareholders

April 30, 2019

Name of incorporated directors	Major Shareholders of Corporate Shareholders
SINOTEAM HOLDINGS INC.	HSU Wen-Faung (100%)

4. The main shareholders of the aforementioned incorporated shareholders: Not applicable.

5. Directors' and Supervisors' expertise and independence:

Name	Condition	Status of independence (Note)										Number of public companies where the person holds the title as independent director		
	Have more than 5 years of experience and the following professional qualifications	1	2	3	4	5	6	7	8	9	10			
SINOTEAM HOLDINGS INC. Representative: HSU Wen-Faung	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	-	-	-	✓	-	✓	✓	✓	✓	-	-
LAI, Jen-Chung	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	-
LIN, Chun-Yen	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	-
LI, Yung-Yi	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director CHEN, Tien-Szu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director CHIU, Shih-Fang	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director HSIEH, Yu-Tien	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Respective director and supervisor who meet the following qualifications 2 years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) The directors and supervisors (except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law) of a company other than the Company and its affiliates
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.

- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein. Except the members of the Remuneration Committee in exercising their authority within the scope of empowerment pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse to or kin at the second pillar under the Civil Code to any other director.
- (9) Not under any of the categories stated in Article 30 of the Company Act.
- (10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Act.

## 6. Implementation of the director diversification policy:

Board members shall be diversified in a manner that supports the Company's operations, business activities and growth. The diversification shall be based on, but is not limited to, the following two principles:

1. Basic conditions and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: Professional background (such as, law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

Board members should possess the necessary knowledge, skills, and literacy for performing duties, which include:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

Core diversity aspects	Gender	Operating judgment	Accounting and Financial Analysis Ability	Operational and Management Ability	Crisis Response Ability	Knowledge of Industry	Understanding of International Markets	Leadership	Decision Making	Law
Name of Directors										
Representative of SINOTEAM HOLDINGS INC.: HSU Wen-Faung	Male	V	V	V	V	V	V	V	V	
LAI, Jen-Chung	Male	V	V	V		V	V	V	V	
LIN, Chun-Yen	Male	V		V	V	V	V	V	V	
LI, Yung-Yi	Male	V		V	V	V	V	V	V	
HSIEH, Yu-Tien	Male		V			V	V			
CHEN, Tien-Szu	Male	V	V	V	V	V	V	V	V	
CHIU, Shih-Fang	Male					V	V			V

## 7. Continuing education of directors and supervisors:

Title	Name	Training date	Organizer	Course name	Training hours
Director	HSU Wen-Faung	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Director	HSU Wen-Faung	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Director	LAI, Jen-Chung	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Director	LAI, Jen-Chung	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Director	LIN, Chun-Yen	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Director	LIN, Chun-Yen	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Director	LI, Yung-Yi	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Director	LI, Yung-Yi	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Independent director	HSIEH, Yu-Tien	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Independent director	HSIEH, Yu-Tien	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Independent director	CHEN, Tien-Szu	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Independent director	CHEN, Tien-Szu	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Independent director	CHIU, Shih-Fang	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Independent director	CHIU, Shih-Fang	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3

## (2) The President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

## 1. Name, main experience (education), and shareholding and nature

April 30, 2019; Unit: thousand shares

Title	Nationality	Name	Gender	Election Date	Status of shareholding		Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Positions with other companies	Spouse or kin within the second pillar under the Civil Code and who is a manager		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
President	Taiwan R.O.C.	HSU Wen-Faung	Male	1997/3	960	3.66%	19	0.07%	0	0	Department of Civil Engineering, Tamkang University Engineer of CTCI Advanced Systems Inc. Director, He Feng Construction Corp. Director of Hefeng Construction Co., Ltd.	Note 1	None	None	None
Executive Vice President	Taiwan R.O.C.	LIN, Chun-Yen	Male	2010/5	176	0.67%	0	0	0	0	Department of Electronic Engineering, Guoji High School of Commerce and Industry Manufacturing Department Manager of Shenzhen plant of Asia Vital Components Co., Ltd.	Note 1	None	None	None
Assistant VP	Taiwan R.O.C.	LI, Yung-Yi	Male	2010/5	85	0.26%	0	0	0	0	Department of Electrical Engineering, Hwa Hsia Institute of Technology Special Aide to the Chairman of Taiwan Dalong Industrial Co., Ltd. Project Manager of Shih Yi Technology Co., Ltd.	Note 1	None	None	None
Finance Manager	Taiwan R.O.C.	Chen Hui-Ling	Female	2011/3	68	0.30%	0	0	0	0	Chihlee University of Technology - Accounting Information Department Chief Accountant of Da-Dou Construction Co., Ltd. Chief Accountant of Shi-Yi Construction Co., Ltd. Accounting Director of Hefeng Construction Co., Ltd. Accounting Director of Hefeng Construction Co., Ltd.	Note 1	None	None	None
Audit Manager (Note 2)	Taiwan R.O.C.	CHOU, YI-HSIN	Female	2016/7	0	0%	0	0	0	0	National Chengchi University - Accounting Graduate School Deputy Manager, Deloitte & Touche	Note 1	None	None	None
Audit Manager (Note 2)	Taiwan R.O.C.	CHEN, CHI-CHENG	Male	2019/3	0	0%	0	0	0	0	National Central University - Industrial Economics Graduate School	Note 1	None	None	None

											Audit Department Assistant Manager of David Electronics Company Ltd. Audit Department Assistant Manager of Kaibo Enterprise Co., Ltd.				
R&D Manager	Taiwan R.O.C.	CHEN,PING-CH	Male	2014/3	0	0%	0	0	0	0	National Cheng Kung University – Aeronautics and Astronautics Engineer of Simplo Co., Ltd. Engineer of Delphi Corporation (Taiwan) Engineer of GOTREND Technology Co., Ltd.	Note 1	None	None	None
R&D Manager	Taiwan R.O.C.	HSIEH, JUNG-CHUNG	Male	2015/8	0	0%	0	0	0	0	National Taipei University of Technology - Mechatronics Mechanical engineer of Jowle Technology Co., Ltd. Manager of Engineering Department of Lextar Technology Co., Ltd. (Dongguan Plant) R&D Manager of Dynaeon Industry R&D Manager of Arx Co., Ltd. R&D Manager of Apistek Technology Company Limited	Note 1	None	None	None

Note 1: The President, Vice President, Junior Vice President, and heads of various departments and branches who also hold a job position with the other companies are listed in the table below.

Note 2: The former audit manager, CHOU, YI-HSIN, left the company on 2/28/2019, and the new audit manager, CHEN, CHI-CHENG, reported for duty on 3/11/2019.

Title	Name	Positions with other companies
President	HSU Wen-Faung	Director/ President of UNITED STRATEGY INC. Director/ President of POWER LOGIC HOLDINGS INC. Director/ President of POWER LOGIC TECH. INC. Director/ President of SUNNY SHARP INTERNATIONAL LIMITED Director/ President of SUNNY FAITH INVESTMENTS LIMITED Power Logic Tech. (DongGuan) Inc. Director/General Manager DongGuan Tai Yi Electronics Co., Ltd. Director/General Manager Director/ President, Sunny Sharp International Limited Taiwan Branch DongGuan Yi Chuan Electronics Co., Ltd.: President

Executive Vice President	LIN, Chun-Yen	Vice President of UNITED STRATEGY INC. Vice President of POWER LOGIC HOLDINGS INC. Vice President of POWER LOGIC TECH. INC. Vice President of SUNNY SHARP INTERNATIONAL LIMITED Vice President of SUNNY FAITH INVESTMENTS LIMITED Vice President, Power Logic Tech. (DongGuan) Inc. Vice President, DongGuan Tai Yi Electronics Co., Ltd. Vice President, Sunny Sharp International Limited Taiwan Branch Vice President, DongGuan Yi Chuan Electronics Co., Ltd.
Assistant VP, Sales Department	LI, Yung-Yi	Asst. VP of UNITED STRATEGY INC. Asst. VP of POWER LOGIC HOLDINGS INC. Asst. VP of POWER LOGIC TECH. INC. Asst. VP of SUNNY SHARP INTERNATIONAL LIMITED Asst. VP of SUNNY FAITH INVESTMENTS LIMITED Assistant Vice President, Power Logic Tech. (DongGuan) Inc. Assistant Vice President, DongGuan Tai Yi Electronics Co., Ltd. Assistant Vice President, Sunny Sharp International Limited Taiwan Branch Assistant Vice President, DongGuan Yi Chuan Electronics Co., Ltd.
Finance Manager	Chen Hui-Ling	Head of Finance and Accounting of UNITED STRATEGY INC. Head of Finance and Accounting of POWER LOGIC HOLDINGS INC. Head of Finance and Accounting of POWER LOGIC TECH. INC. Head of Finance and Accounting of SUNNY SHARP INTERNATIONAL LIMITED Head of Finance and Accounting of SUNNY FAITH INVESTMENTS LIMITED Head of Finance and Accounting of Power Logic Tech. (DongGuan) Inc. Head of Finance and Accounting of DongGuan Tai Yi Electronics Co., Ltd. Head of Finance and Accounting, Sunny Sharp International Limited Taiwan Branch Head of Finance and Accounting of DongGuan Yi Chuan Electronics Co., Ltd.
R&D Manager	CHEN,PING-CHI	President of R&D Department, POWER LOGIC TECH. INC. President of R&D Department, Power Logic Tech. (DongGuan) Inc. President of R&D Department, Sunny Sharp International Limited Taiwan Branch
R&D Manager	HSIEH, JUNG-CHUNG	President of R&D Department, POWER LOGIC TECH. INC. President of R&D Department, Power Logic Tech. (DongGuan) Inc. President of R&D Department, Sunny Sharp International Limited Taiwan Branch

Audit Manager (Note)	CHOU, YI-HSIN	<p>Chief Auditor of UNITED STRATEGY INC.  Chief Auditor of POWER LOGIC HOLDINGS INC.  Chief Auditor of POWER LOGIC TECH. INC  Chief Auditor of SUNNY SHARP INTERNATIONAL LIMITED  Chief Auditor of SUNNY FAITH INVESTMENTS LIMITED  Chief Auditor of DONG GUAN DONG LI DIAN ZI CO. LTD  Chief Auditor of DongGuan Tai Yi Electronics Co., Ltd.  Chief Auditor, Sunny Sharp International Limited Taiwan Branch  Chief Auditor of DongGuan Yi Chuan Electronics Co., Ltd.</p>
Audit Manager (Note)	CHEN, CHI-CHENG	<p>Chief Auditor of UNITED STRATEGY INC.  Chief Auditor of POWER LOGIC HOLDINGS INC.  Chief Auditor of POWER LOGIC TECH. INC  Chief Auditor of SUNNY SHARP INTERNATIONAL LIMITED  Chief Auditor of SUNNY FAITH INVESTMENTS LIMITED  Chief Auditor of DONG GUAN DONG LI DIAN ZI CO. LTD  Chief Auditor of DongGuan Tai Yi Electronics Co., Ltd.  Chief Auditor, Sunny Sharp International Limited Taiwan Branch  Chief Auditor of DongGuan Yi Chuan Electronics Co., Ltd.</p>

Note: The former audit manager, CHOU, YI-HSIN, left the company on 2/28/2019, and the new audit manager, CHEN, CHI-CHENG, reported for duty on 3/11/2019.

2. Continuing education and training programs related to corporate governance attended by managers:

<b>Title</b>	<b>Name</b>	<b>Training date</b>	<b>Lecturing unit</b>	<b>Course name</b>	<b>Training hours</b>
President	HSU Wen-Faung	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
President	HSU Wen-Faung	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
President	HSU Wen-Faung	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
President	HSU Wen-Faung	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Executive Vice President	LIN, Chun-Yen	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Executive Vice President	LIN, Chun-Yen	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Executive Vice President	LIN, Chun-Yen	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Executive Vice President	LIN, Chun-Yen	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Senior Manager of Sales	LI, Yung-Yi	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Senior Manager of Sales	LI, Yung-Yi	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Finance Manager	Chen Hui-Ling	2018/2/23	Taipei Exchange	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	3
Finance Manager	Chen Hui-Ling	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Finance Manager	Chen Hui-Ling	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Finance Manager	Chen Hui-Ling	2018/9/13	Accounting Research and Development Foundation	Advanced study courses for the accounting officers of the securities issuers by the Taipei Stock Exchange	3



<b>Title</b>	<b>Name</b>	<b>Training date</b>	<b>Lecturing unit</b>	<b>Course name</b>	<b>Training hours</b>
Finance Manager	Chen Hui-Ling	2018/9/14	Accounting Research and Development Foundation	Advanced study courses for the accounting officers of the securities issuers by the Taipei Stock Exchange	3
Finance Manager	Chen Hui-Ling	2018/12/19	Data Systems Consulting Co., Ltd.	Human capital new application trends and systems declaration seminar	3
Audit Manager	CHOU, YI-HSIN	2018/2/6	Accounting Research and Development Foundation	Summary and analysis of the latest updates to labor laws and regulations and internal control of recent malpractice	6
Audit Manager	CHOU, YI-HSIN	2018/2/22	Accounting Research and Development Foundation	Internal auditing practice and case analysis of the manufacturing industry's "material system"	3
Audit Manager	CHOU, YI-HSIN	2018/2/23	Taipei Exchange	"Promoting Taiwan's Adopting the International Financial Reporting Standards" Seminar	3
Audit Manager	CHOU, YI-HSIN	2018/2/26	Accounting Research and Development Foundation	IFRS15 "Key practical issues"	3
Audit Manager	CHOU, YI-HSIN	2018/3/28	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	3
Audit Manager	CHOU, YI-HSIN	2018/4/27	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3
Audit Manager	CHOU, YI-HSIN	2018/4/27	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	3
Audit Manager	CHOU, YI-HSIN	2018/8/28	PricewaterhouseCoopers Legal Taiwan	"EU GDPR, Comparison with Taiwan's Personal Information Law and Response to Common Misunderstandings and Compliance" Workshop	3
Audit Manager	CHOU, YI-HSIN	2018/8/30	Taiwan Securities Exchange Corporation	Listed company internal control business propaganda	3
Audit Manager	CHOU, YI-HSIN	2018/9/27	Accuvally Inc.	Evaluate business performance and risks from TIMM	3
Audit Manager	CHOU, YI-HSIN	2018/10/19	PwC Taiwan	"Taiwanese manufacturers' response to the China-US Trade War" Workshop	3
Audit Manager	CHOU, YI-HSIN	2018/10/26	Securities and Futures Institute	2018 Insider Trading Prevention Publicity Conference	3

III. Remuneration paid to Directors (including Independent Directors), Supervisors, the President, and the Vice President in the most recent year  
 1. Remuneration to Directors (including independent directors)

Unit: NT\$ thousand; thousand Shares

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings	Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to Earnings	Remuneration paid to directors from an invested company other than the company's subsidiary		
		Director fees (A)		Pension (B)		Remuneration to directors (C)		For services (D)			Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)							
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	Cash	Stock	Cash	Stock			The Company	All companies mentioned in the financial statements
Chairman	SINOTEAM HOLDINGS INC. Representative: HSU Wen-Faung	1,767	1,771	0	0	1,730	1,730	0	0	4.74%	4.75%	0	12,179	0	161	938	0	1,662	0	6.01%	23.72%	0
Director	LAI, Jen-Chung																					
Director	LIN, Chun-Yen																					
Director	LI, Yung-Yi																					
Independent director	CHEN, Tien-Szu																					
Independent director	CHIU, Shih-Fang																					
Independent director	HSIEH, Yu-Tien																					

Classification of remuneration

Remunerations to individual directors in respective brackets along the salaries scale	Name of Directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements
Less than 2,000,000	SINOTEAM HOLDINGS INC.; LAI, Jen-Chung; LIN, Chun-Yen; LI, Yung-Yi; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien	SINOTEAM HOLDINGS INC.; LAI, Jen-Chung; LIN, Chun-Yen; LI, Yung-Yi; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien	SINOTEAM HOLDINGS INC.; LAI, Jen-Chung; LIN, Chun-Yen; LI, Yung-Yi; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien	LAI, Jen-Chung; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien
2,000,000(inclusive) ~5,000,000 (exclusive)				LIN, Chun-Yen; LI, Yung-Yi
5,000,000(inclusive) ~ 10,000,000 (exclusive)				SINOTEAM HOLDINGS INC.
10,000,000(inclusive) ~15,000,000 (exclusive)				
15,000,000(inclusive) ~ 30,000,000 (exclusive)				
30,000,000(inclusive) ~ 50,000,000 (exclusive)				
50,000,000(inclusive) ~ 100,000,000 (exclusive)				
100,000,000 above				
Total	7 persons	7 persons	7 persons	7 persons

2. Supervisor's remuneration: The Company sets up an Audit Committee, but has not appointed a supervisor.

### 3. Remuneration to President and Executive Vice Presidents

Unit: NT\$ 1,000 (except for the market price), 1,000 shares

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration paid to directors from an invested company other than the company's subsidiary
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash Dividends	Free-Gratis Dividends	Cash Dividends	Free-Gratis Dividends			
President	HSU Wen-Faung	0	7,680	0	161	0	1,491	696	0	1,178	0	0.94%	14.25%	0
Executive Vice President	LIN, Chun-Yen													

#### Classification of remuneration

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Name of Presidents and Executive Vice Presidents	
	The Company	Consolidation
Less than 2,000,000	HSU Wen-Faung; LIN, Chun-Yen	
NT\$ 2,000,000 (inclusive)~ NT\$ 5,000,00	LIN, Chun-Yen	
NT\$ 5,000,000 (inclusive)~ NT\$ 10,000,00	HSU Wen-Faung	
NT\$ 10,000,000 (inclusive)~ NT\$ 15,000,00		
NT\$ 15,000,000 (inclusive)~ NT\$ 30,000,00		
NT\$ 30,000,000 (inclusive)~ NT\$ 50,000,00		
NT\$ 50,000,000 (inclusive)~ NT\$ 100,000,00		
100,000,000 above		
Total	2 persons	2 persons

4. Name of the managers received remuneration and the distribution of remuneration:

	Title	Name	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	President	HSU Wen-Faung	0	2,288,991	2,288,991	3.10%
	Executive Vice President	LIN, Chun-Yen				
	Audit Manager	CHOU, YI-HSIN				
	Senior Manager of Sales	LI, Yung-Yi				
	Finance Manager	Chen Hui-Ling				
	R&D Manager	CHEN,PING-CHI				
	R&D Manager	HSIEH, JUNG-CHUNG				

5. Individually explain and compare and disclose remunerations paid in the last 2 years by The Company and all companies included in the consolidated financial statements to The Company's Directors, Supervisors, President and Vice Presidents as a percentage of after-tax net profit. Describe the remuneration policy, standards and packages, the procedures for determining remuneration, and their link to business performance.

- (1) Analyzing the ratio of the remuneration to the directors, supervisors, President, and Vice President of the Company and all the companies on the consolidated financial statements to net income:

Unit: NT\$ thousands

Item	2017		2018	
	Amount	Proportion	Amount	Proportion
Director, President and Vice President	19,545	22.62%	17,573	23.82%
Consolidated net income	86,422	100.00%	73,777	100.00%

- (2) Association with the remuneration policy, standard and combination, procedure for determining the remuneration, and operation performance, and the risks in the future.

The Company has set up a Remuneration Committee with all independent directors as its members. The policy of remuneration for directors and managers is based on their duties, the contribution value of their involvement in business operations, and the standard remuneration of the industry with a regular evaluation conducted periodically; also, it is paid with the approval of the Committee. Such remuneration assessment procedures are grouped together with the business performance and risks included for consideration.

6. For the individuals who are not directors of the securities issuer but perform the duties of the directors or actually control the company's personnel, finance, or business operations; also, instruct the directors to executive business, their name, experience (education), shareholdings, current position held with the issuer and other companies, relationship with the issuer's directors and supervisors, and substantive control over the issuer should be detailed, in addition, foreign issuers shall state the legal responsibilities of the aforementioned individuals according to the laws of the country of registration.

There are no individuals who are not the Company's board directors but perform the duties of the directors or actually control the company's personnel, finance, or business operations; also, directors instruct executive business, and therefore this is not applicable to them.

#### IV. Status of Corporate Governance

##### 1. The function of the Board:

1.1 6 Board of Directors meetings (A) were held in the 2018; Directors' and Supervisors' attendance are listed below:

Title	Name	Actual attendance (B)	Attend through proxy	Attendance rate % (B/A)	Remarks
Chairman	Representative of SINOTEAM HOLDINGS INC.: HSU Wen-Faung	6	0	100%	Elected on 4/30/2016
Director	LAI, Jen-Chung	6	0	100%	
Director	LIN, Chun-Yen	6	0	100%	
Director	LI, Yung-Yi	6	0	100%	
Independent director	CHEN, Tien-Szu	6	0	100%	
Independent director	CHIU, Shih-Fang	6	0	100%	
Independent director	HSIEH, Yu-Tien	6	0	100%	

##### Other notes:

I. 1. The content of the particulars inscribed in Article 14-III of the Securities and Exchange Act, and of the adverse opinions or qualified opinions of the independent directors with record or declaration in writing shall be stated with the date of the Board meeting, the session, the content of the motions, the opinions of all independent directors, and the response to such opinions: None.

On October 29, 2018, the Board of Directors passed the second item of Proposal 7, which proposed to arrange a cash capitalization with common stock shares issued. Due to the rapid fluctuation of market conditions, the Audit Committee recommended discussion of whether to modify the price range in the board meeting.

With reference to the recommendations made by the Audit Committee and the discussion of the Board of Directors, the provisional issue price of the common stock issuance from cash capitalization is adjusted to NT\$ 40 ~ NT\$ 60 per share. The proposal was resolved unanimously by the seven attending directors.

2. Except for the aforementioned matters, resolutions that have been objected to or qualified by independent directors with a record or written statement retained: Except for the statements in the preceding paragraph, for the board meeting convened by the Company, the attending independent directors did not object or qualify the proposals.

II. The avoidance of the conflict of interest by the Directors on related motions, specify the names of the Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots:

1. On January 22, 2018, the Board of Directors passed the proposal for the distribution of bonus of 2017. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.

2. On January 22, 2018, the Board of Directors passed the 2018 salary adjustment. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.

3. On March 19, 2018, the Board of Directors passed the 2017 remuneration for employees, directors,

and supervisors. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.

4. On December 22, 2018, the Board of Directors passed the “Rules Governing Employees Stock Subscription” and “Manager Stock Subscription Statement” for the issuance of new shares from the 2018 cash capitalization. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.

III. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. the establishment of an Audit Committee, improving information transparency etc), and the progress of such enhancements.

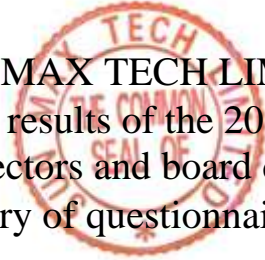
The objectives and implementation of the Company’s strengthening the functions of the Board of Directors are as follows:

- (I) When the Company’s board meeting is convened, the Company’s public accountant and the heads of various departments of the Company are invited to report to the directors and independent directors on the audit of the financial statements, information on the company’s recent finances, business, and research and development, and internal audit results. Ensure that the directors are informed of the most complete and detailed information.
- (II) The Company has designated staff to be responsible for information disclosure on the company’s website and the Market Observation Post System, and enact the “Procedures for Handling Material Inside Information” to promote information transparency.
- (III) In order to strengthen corporate governance, the Company’s Board of Directors has passed the “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical and Guidelines for Conduct,” “Corporate Social Responsibility Best Practice Principles,” “Code of Ethical Conduct,” and “Material Contingencies Reporting Procedure,” “Rules Governing Risk Control,” “Director Diversity Policy,” and “Standard Operating Procedures for Handling Directors’ Requests;” also, will continue to amend other relevant specifications in order to implement the highest corporate governance principles.

1.2 Description of the implementation of the performance evaluation method for the Board of Directors and board directors:

The “Rules Governing the Performance Evaluation of the Board of Directors” was passed on March 19, 2018; also, a resolution for the amendments to the “Rules Governing the Performance Evaluation of the Board of Directors” was reached by the Board of Directors on March 22, 2019. According to Article 3 of the Operational Guidelines: 1. The Company’s Board of Directors shall implement the internal performance evaluation of the Board of Directors according to the evaluation procedures and evaluation indicators as stipulated in Articles 6 and Article 8. 2. The performance evaluation of the Company’s Board of Directors shall be carried out at least once every three years by an external professional independent institution or a team of external experts and scholars. 3. The performance evaluation of the Board of Directors should be completed before the end of the first quarter of the next year.

The Company had the 2018 performance evaluation of the Board of Directors and board directors carried out in accordance with the “Rules Governing the Performance Evaluation of the Board of Directors,” which was passed by the Board of Directors on January 11, 2019. The results of the 2018 performance evaluation of the Board of Directors and board directors are summarized as follows:



## SUN MAX TECH LIMITED

### Summary of the questionnaire results of the 2018 Self-assessment of the Board of Directors and board directors Summary of questionnaire results

In order to improve the efficiency and effectiveness of the Company's Board of Directors, the Board of Directors conducts self-assessment operations at the beginning of each year in accordance with the Company's "Rules Governing the Performance Evaluation of the Board of Directors," and reports the evaluation results and improvement plans to the Board of Directors. The assessment scope includes the Board of Directors and individual board directors. The Board of Directors performance evaluation categories include six aspects: (A) participation in the company's operations, (B) improving board decision quality, (C) composition and structure of the Board of Directors, (D) election and continuing education of the board directors, (E) internal control, (F) Others. The board directors' performance evaluation categories include seven aspects: (A) control of the company's objectives and tasks, (B) recognition of board director's responsibilities, (C) participation in the company's operations, (D) internal relationship management and communication, (E) board director's expertise and continuing education, (F) internal control, and (G) others that are described as follows:

#### **I. The questionnaire of the 2018 Self-assessment for the Board of Directors of SUN MAX TECH LIMITED:**

1. Evaluator: The evaluation is performed by the Audit Office.
2. Statistics of the self-assessment results: There are a total of 45 questions in 6 aspects (A~F). All board directors had participated in and fully understood the operation of the Board of Directors in 2018. The Board of Directors self-assessment questionnaire is attached in Table 1.
3. Suggestions and comments to the Board of Directors: The overall operation of the Company's Board of Directors is smooth and management operations are well-controlled; also, proper management and monitoring is exercised over the compliance of the relevant law and regulations, risk control, and auditing items.

#### **II. The questionnaire of the 2018 Self-assessment of the board directors of SUN MAX TECH LIMITED:**

This questionnaire is answered by 4 board directors and 3 independent directors of the Company, a total of 7 board members. The results of this questionnaire are analyzed and summarized as follows:

1. Evaluator: SINOTEAM HOLDINGS INC. Representatives HSU Wen-Fang, Director LAI, Jen-Chung, Director LIN, Chun-Yen, Director LI, Yung-Yi, Independent Director CHEN, Tien-Szu, Independent Director HSIEH, Yu-Tien, and Independent Director CHIU, Shih-Fang.
2. Statistics of self-assessment results: There are a total of 23 questions in 7 aspects (A~G). All board directors had participated in and fully understood the operation of the Board of Directors in 2018. The Board of Directors self-assessment questionnaire is attached in Table 2.
3. Suggestions and comments to the Board of Directors: Independent Director CHIU, Shih-Fang: The overall operation of the Company's Board of Directors is smooth and the corporate governance is well.

January 10, 2019



2. The operation of the Auditing Committee:

(1) The Audit Committee of the Company is consisted of 3 persons.

(2) The term of office for this session is from April 30, 2016 to April 30, 2019. The Audit Committee had 6 meetings (A) held in 2018. The qualifications and attendance of the members are as follows:

Title	Name	Actual number of attendance (B)	Attendance rate (%) (B/A)	Remarks
Convener	HSIEH, Yu-Tien	6	100%	
Committee	CHEN, Tien-Szu	6	100%	
Committee	CHIU, Shih-Fang	6	100%	

Other notes:

1. On issues stated in Article 14-5 of the Securities and Exchange Act and issues not passed by the Auditing Committee by passed by a two-third majority of all directors, the date of Board session, the term of the Board, the content of the motions, the resolutions of the Auditing Committee, and the opinions of the Auditing Committee: None.  
On October 29, 2018, the Audit Committee passed the second item of Proposal 7, which proposed to arrange a cash capitalization with common stock shares issued. Due to the rapid fluctuation of market conditions, the Audit Committee recommended discussing whether to modify the price range in the board meeting.
2. Except for the matters stated in the preceding paragraph, the matters that are not approved by the Audit Committee, but resolved with the consent of two thirds of the board directors should be handled as follows: In addition to the descriptions stated in the preceding paragraph, the attending independent directors at the Audit Committee meeting convened by the Company did not have any objections or reservations raised against other proposals.
2. For independent directors who have themselves recused for any proposals with a risk of conflict of interest, the name of said independent director(s), the content of the proposal, the reasons for recusal, and the participation in the voting should be detailed: There is not any risk of conflict of interest for the independent directors to have themselves recused in the most recent year and as of the annual report printing date.
3. The communication between the Independent Directors and the Chief Internal Auditor and the certified public accountants (including the communications related to the financial position and state of operation of the Company, in materiality, the means of communications, and the result).
  1. The internal audit officer of the company will regularly report the audit results and the follow-up to the members of the Audit Committee. For any special circumstances, the internal audit officer will immediately notify the members of the Audit Committee. The communication between the Audit Committee and the internal audit officer of the Company is good.
  2. The Company's Audit Committee will commission the Company's public accountants to attend the Audit Committee meeting depending on the actual needs, and will report the audit results.
  3. Communication between independent directors and accountant

Date of communication	Main points of communication	Implementation by the company
2018/1/22	The 2017 financial report is subject to the auditing procedure of Standards of Auditing No. 57, and the accountant communicates the key auditing matters in the audit report.	Independent directors have no objection.
2019/03/22	The 2018 financial report is subject to the auditing procedure of Standards of Auditing No. 57, and the accountant communicates the key auditing matters in the audit report.	Independent directors have no objection.

4. Communication between independent directors and internal audit executive:

Date of communication	Main points of communication	Implementation by the company
2018/3/19	Presented the 2017Q4 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2018/05/10	Presented the 2018Q1 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2018/08/08	Presented the 2018Q2 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2018/10/29	Presented the 2018Q3 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2019/03/22	Presented the 2018Q4 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.

(3)Major resolutions reached in the 2018 Audit Committee meeting and their handling:

Meeting date	Meeting	Major resolutions reached in the 2018 Audit Committee meeting
2018/1/22	13 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	Proposal 1: The Company intends to endorse and guarantee a loan of US\$2 million from China Trust Bank for the 100% invested subsidiary, POWER LOGIC HOLDINGS INC.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: With the intention of enriching the working capital of the 100% invested subsidiary, POWER LOGIC HOLDINGS INC., the company is expected to invest US\$ 5,022,000.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 3: The Company intends to invest 100% in the sub-subsiidiary, Dongguan Tai-Yu Electronics Co., Ltd. (hereinafter referred to as "Tai-Yu"), through the 100%-owned subsidiary, POWER LOGIC HOLDINGS INC., for an amount of RMB 12,500,000.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 4: The proposal of attending the bid for the right-of-use land handled by "Dongguan City District Court, Guangdong Province, China."
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 5: The Company's 2018 Board of Directors meeting date scheduled
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
2018/3/19	14 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	Proposal 1: The Business Report and consolidated financial statements of 2017.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: The Company's 2017 earnings appropriation.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 3: The declaration of the Company's 2017 internal control system
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 4: Amendments to the Articles of Association

Meeting date	Meeting	Major resolutions reached in the 2018 Audit Committee meeting
		<p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 5: The replacement of the public accountants due to the internal reorganization of Deloitte Taiwan</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 6: The Company intends to endorse and guarantee a short-term loan of US\$ 2 million from Taishin International Bank for its subsidiary, SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 7: The Company intends to endorse and guarantee a short-term loan of US\$6 million from Taishin International Bank for its subsidiary, POWER LOGIC HOLDINGS INC.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 8: It is proposed to cancel Proposal 2 of the 13<sup>th</sup> board meeting of the 2<sup>nd</sup> term on October 13, 2017 regarding the loaning of fund for RMB 12 million.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2018/5/10	15 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	<p>Proposal 1: The consolidated financial statements covering 2018 Q1.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 2: It is proposed to cancel Proposal 1 of the 13<sup>th</sup> board meeting of the 2<sup>nd</sup> term on October 13, 2017 regarding the loaning of fund by Dongguan Power Logic Co., Ltd., the sub-subsidiary, to Dongguan Yu-Chuan Electronics Co., Ltd., the sub-subsidiary, for RMB 6 million.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 3: It is for the loaning of fund by Dongguan Yu-Chuan Electronics Co., Ltd., the sub-subsidiary, to Dongguan Tai-Yu Electronics Co., Ltd., the sub-subsidiary, for RMB 6 million.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 4: It is for the loaning of fund by Dongguan Power Logic Co., Ltd., the sub-subsidiary, to POWER LOGIC HOLDINGS INC., its subsidiary for an amount of US\$ 5,486,307.88 and to Dongguan Tai-Yu Electronics Co., Ltd., the sub-subsidiary, for an amount of RMB 6,231,028.26.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 5: The Company intends to endorse and guarantee a short-term loan of US\$3 million from KGI Commercial Bank for its subsidiary, POWER LOGIC HOLDINGS INC.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2018/8/8	16 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	<p>Proposal 1: The consolidated financial statements covering 2018 Q2.</p> <p>Proposal 2: It is for the loaning of fund by Tai-Yu Electronics Co., Ltd., the 100% invested sub-subsidiary, to Dongguan Tai-Yu Electronics Co., Ltd, the 100% invested sub-subsidiary, for an amount of RMB 14,500,000.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 3: It is for the loaning of fund by Dongguan Power Logic Co., Ltd., the 100% invested sub-subsidiary, to UNITED STRATEGY INC., the 100% invested subsidiary, for an amount of RMB 216,443.81.</p>

Meeting date	Meeting	Major resolutions reached in the 2018 Audit Committee meeting
		<p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 4: Amendment of the “Rules Governing Budget Management.”</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 5: The “Rules Governing Informer Implementation and Protection” according to Article 23 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 6: It is proposed to handle the first repurchase of the Company’s shares.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2018/10/29	17 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	<p>Proposal 1: The consolidated financial statements covering 2018 Q3.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 2: The Company’s 2019 operating plan and budget</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 3: A loaning of fund for US\$ 2 million to Power Logic Holdings Inc., the 100% invested company, is proposed.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 4: The Company intends to endorse and guarantee a short-term bank loan of US\$ 3 million for its subsidiary, POWER LOGIC HOLDINGS INC., Dongguan Power Logic Co., Ltd., the sub-subsidiary, and Dongguan Tai-Yu Electronics Co., Ltd., the sub-subsidiary.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 5: For the Company’s first repurchase of shares, the follow-up on the amendments to the submitted document upon the request of the competent authorities and the implementation of repurchase.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 6: POWER LOGIC HOLDINGS INC., its subsidiary, plans to invest in Dongguan Tai-Yu Electronics Co., Ltd., the sub-subsidiary, for an amount of RMB 5.5 million.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 7: The Company intends to handle the offering and issuance of the first unsecured convertible corporate bonds and the issuance of new shares from cash capitalization in Taiwan.</p> <p>Situation: Three members attended the meeting and all attending members at the meeting passed the proposal unanimously. However, due to the rapid fluctuation of market conditions, it is recommended to discuss whether to modify the price range in the board meeting.</p> <p>Proposal 8: According to International Financial Reporting Standard No. 16 (IFRS16), it is proposed to amend the relevant regulations on leasing of the internal control system of each company within the Group.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 9: In order to strengthen the management of the intellectual property rights of the Company and its affiliated enterprises, “Rules Governing Intellectual Property” is to be formulated.</p>

Meeting date	Meeting	Major resolutions reached in the 2018 Audit Committee meeting
		<p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 10: It is proposed to have the “Rules Governing the Use of Seals” amended in order to make the financial payment operation process more efficient.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2018/12/22	18 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	<p>Proposal 1: Set the issuing price of the stock shares issued from the Company’s cash capitalization.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 2: According to Article 13 of the “Regulations Governing Establishment of Internal Control System by Public Companies,” the Company’s Audit Office has formulated the 2019 audit plan according to the results of risk assessment.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 3: A report on the results of the regular assessment of the independence of accountants</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>

3. How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why:

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies	
	Yes	No		
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?	V		The Company has set up the "Code of Practice for Corporate Governance" and persists in safeguarding shareholders' rights, strengthening the board's functions, bringing the board's functions into full play, respecting stakeholder rights, enhancing information transparency, and other important corporate governance principles. It also establishes relevant corporate governance regulations, such as the "Board Meeting Rules," "Remuneration Committee Regulations," "Internal Major Information Processing and Inside Trading Prevention Management," "Internal Audit System," "Code of Business Integrity and Conduct Guidelines," etc. Further, according to relevant laws and regulations, it discloses major company information, as well as financial and non-financial information. The board shall also comply with responsibilities given by shareholders to guide corporate management and effectively supervise management functions.	No significant difference
2. Shareholding structure and shareholders' equity				
(1) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V		The Company has commissioned a stock agency to handle stock affairs and set up dedicated stock units, as well as spokespersons and representative spokesperson mechanisms in order to handle shareholder suggestions, inquiries, disputes, and legal affairs.	No significant difference
(2) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	V		The Company learns about the Company's main shareholders and changes in the final controllers of main shareholders through the internal declaration system.	No significant difference
(3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V		The assets and financial management responsibilities among conglomerates are independent and handled in accordance with the Company's internal control system, thereby properly executing risk control and firewall mechanisms.	No significant difference
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		The Company has set up "Internal Major Information Processing and Insider Trading Prevention Management," which is intended to prohibit internal company staff from trading securities based on undisclosed market information. Internal regulatory compliance advocacy should be strengthened for staff to understand and abide by its relevant provisions.	No significant difference
3. The constitution and obligations of the board of directors				
(1) Has the board devised diversified guidelines and implemented them based on member makeup?	V		The Company's board member makeup takes into consideration its own operations, business model, and business development needs. The makeup consists of those with industrial backgrounds, as well as those with expertise in business management, financial accounting, and law. 1. The Company has set up the "Board	No significant difference

Items for evaluation	Implementation Status		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No		
			Diversification Policy” and diversified guidelines for implementation based on board member structure. 2. For information on the company chairman’s name, gender, nationality, professional background, and main work (education) experience, refer to Page 7-11 of this year’s annual report.	
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		The Remuneration Committee and the Audit Committee both currently exist. Other respective functional committees shall be set up in the future as needed.	No significant difference
(3) Will the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?	V		The Company has set up the Guidelines for Board Performance Assessment and related assessment methods. Refer to Page 25 of this year’s annual report for descriptions on the 2018 board performance assessment implementation status.	No significant difference
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		The Company’s appointment of certified public accountants (CPA) shall be passed by the board, and the independence of CPAs shall be periodically assessed. The Company’s CPA firm is a large accounting firm that takes an impartial stand and inspects the Company’s financial situation in compliance with regulatory norms.	No significant difference
4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders’ meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders’ meeting)?	V		The Company has set up the “Code of Practice for Corporate Governance.” Currently, the legal unit and the stock unit concurrently serve as corporate governance units responsible for corporate governance-related matters. The audit unit shall execute audit procedures according to the audit plan and regularly report to the board regarding execution conditions and tracking and improvement status. The Company is a foreign company, and related corporate change registration operations are commissioned to Deloitte Taiwan to conduct changes within the local legal time of the Cayman Islands.	No significant difference
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company’s website, and responded appropriately to the important corporate social responsibilities concerned by	V		Depending on the situation, the Company’s shareholders, employees, clients’ suppliers, and other communication channels have a spokesman and representative spokesperson system, with dedicated personnel for these undertakings. The Company’s litigation and non-litigation representatives are responsible for the disclosure of representative information and serve as communication channels between the Company and stakeholders. The Company’s website has a “stakeholder area” and “stakeholder” contact in order to respond to important	No significant difference

Items for evaluation			Implementation Status	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
the stakeholders?			corporate social responsibility issues of concern to stakeholders.	
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The Company has commissioned “Concorde Securities Co., Ltd.,” a professional stock representative institution in Taiwan, to handle all stock matters.	No significant difference
7. Disclosure of information				
(1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		The Company has set up its website ( <a href="http://www.sun-max.com.tw">www.sun-max.com.tw</a> ), and relevant company information will continue to be disclosed thereupon. In addition, according to relevant provisions, relevant information will be disclosed on the Public Information Observatory.	No significant difference
(2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company’s website, etc.)?	V		The Company has set up its website ( <a href="http://www.sun-max.com.tw">www.sun-max.com.tw</a> ) and has set up company finance related information and corporate governance information. In addition, designated personnel are responsible for company information collection and disclosure, and the Company has set up a spokesperson and representative spokesperson system. In the future, investor conferences will be convened in accordance with the provisions of the Taiwan Stock Exchange.	No significant difference
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company’s directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		<p>Important Information Conducive to an Insight into the Company’s Corporate Governance Operations:</p> <ol style="list-style-type: none"> <li>1. Employee Rights and Employer Care: The Company attaches importance to employees’ rights and unobstructed communication channels, as well as adequate education training and reasonable remunerations and welfare measures.</li> <li>2. Employment Care: Through a welfare system that enriches and stabilizes employees’ lives, mutually trusting and good relationships with employees are established. Perks such as irregularly held meal gatherings, providing employees with parking spaces, fixed payments for birthday celebrations, etc.</li> <li>3. Investor Relations: The Company has designated personnel and a mailbox to establish unobstructed communication channels.</li> <li>4. Supplier Relations: Explicit agreements with suppliers are set up to regulate each other’s rights and obligatory relations.</li> <li>5. Rights of Shareholders: Shareholders may communicate, give suggestions, and main proper legal rights through the Company’s spokesperson and representative spokesperson system.</li> <li>6. Education Situation of Board of Directors and Supervisors: The Company’s directors have all joined education courses on corporate governance; the Company has set up an Audit Committee, without supervisors.</li> <li>7. Risk Management Policy and Risk Measurement Standard Execution Situation: The Company has</li> </ol>	No significant difference



Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	
			<p>set up its internal control system and relevant management guidelines, through which executions are carried out. In addition, auditors shall conduct executions and inspections according to the annual audit plan in order to reduce and prevent any possible risks.</p> <p>8. Customer Policy Execution Situation: The dedicated department is responsible for client inquiries and complaint channels.</p> <p>9. Professional liability insurance for the protection of the Directors and the Supervisors: The Company has taken professional liability insurance for the protection of the Directors of the Company.</p>
<p>IX. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.</p> <p>The Company was listed on December 28<sup>th</sup>, 2017 and joined the Corporate Governance Appraisal for the first time in 2018. The Company's corporate governance appraisal result is 51%-65%. In the future, it shall continue to improve items without a score.</p> <p>Expected Improvement Items for 2019</p> <p>Indicator 1.10: 30 days before the shareholders' meeting, upload the English version of the Meeting Manual and supplemental meeting information.</p> <p>Indicator 1.11: Seven days before the shareholders' meeting, upload the English version of the annual report.</p> <p>Indicator 2.2: The situation of the board members' diversified policy implementation shall be disclosed in the annual report and the Company's website.</p> <p>Indicator 2.17: Disclose and evaluate the CPA's independence and evaluation procedures in detail in the annual report.</p> <p>Indicator 2.22: Regarding whether the Guidelines for Board Performance Assessment or the procedures have been passed by the board, conduct a self-assessment at least once a year and disclose assessment results on the company website or annual report.</p> <p>Indicator 3.5: Seven days before the shareholders' meeting, upload the English version of the disclosed annual financial report.</p> <p>Indicator 3.16: Add a list of the major shareholders on the website to keep investors informed.</p>			

4. If the Company has established the Remuneration Committee, disclose the composition, function and state of operation:

(1) Information on the members of the Remuneration Committee

By identity	Name	Have more than 5 years of experience and the following professional qualifications			Status of independence								Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies	Remarks
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the company	1	2	3	4	5	6	7	8		
Independent Director	CHEN, Tien-Szu			√	√	√	√	√	√	√	√	√	-	
Independent Director	HSIEH, Yu-Tien	√		√	√	√	√	√	√	√	√	√	1	
Independent Director	CHIU, Shih-Fang		√	√	√	√	√	√	√	√	√	√	-	

Place a "V" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or its affiliates Except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law.
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in criteria 1~3.
- (5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein.
- (8) Does not meet any descriptions stated in Article 30 of the Company Act.

(2)The operation of the Remuneration Committee

1. The Remuneration Committee of the Company is consisted of 3 persons.
2. Term of Office of Current Commissioners: From April 30<sup>th</sup>, 2016 to April 30<sup>th</sup>, 2019, three (A) Remuneration Committee meetings were held in 2018. The qualifications and attendance of the commissioners are as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)	Remarks
Independent Director	CHEN, Tien-Szu	3	0	100%	
Independent Director	HSIEH, Yu-Tien	3	0	100%	
Independent Director	CHIU, Shih-Fang	3	0	100%	
Other notes:					
<ol style="list-style-type: none"> <li>1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.</li> <li>2. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members: None.</li> </ol>					

3. Important Resolutions and Handling Situation of the Remuneration Committee in 2018.

Meeting date	Meeting	Important Resolutions of The Remuneration Committee in 2018
2018/1/22	8 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	Case 1: The 2017 Year-end Bonus Distribution Case in
		Disposal: A resolution was reached to pass the case and submit it to the board.
		Case 2: 2018 Annual Salary Raise Case
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
2018/3/19	9 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	Case 1: The Guidelines or Annual Assessment of Director and Manager Remuneration Management” Case
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Case 2: According to tai-cheng-chih-li-tzu No. 10622010651 of Taiwan Stock Exchange Corporation, the “Remuneration Committee Regulations” have been set up.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Case 3: The Company’s 2017 Employee Remuneration and Supervisor Remuneration Distribution Case

Meeting date	Meeting	Important Resolutions of The Remuneration Committee in 2018
		<p data-bbox="560 230 1444 311">Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p data-bbox="560 311 1444 427">Case 3: According to relevant provisions in Article 37 of the Code of Practice for TAIEX and OTC Listed Companies the “Guidelines for Board Performance Assessment” have been set up.</p> <p data-bbox="560 427 1444 510">Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2018/12/22	10 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	<p data-bbox="560 510 1444 624">Case 1: In coordination with the 2018 Cash Capital Increase for Issuance of New Shares,” the “Guidelines for Employee Subscription” and the “Manager Subscription Detail.”</p> <p data-bbox="560 624 1444 703">Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>

5. Performance of corporate social responsibility: The systems of the Company in environmental protection, community participation, social contribution, social service, social charity, consumer rights, human rights, safety and health, and other aspects of corporate social responsibility and the state of pursuit:

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<b>I. Implementation of sound corporate governance</b>				
(1) Does the Company have the CSR policies or systems established and the implementation effect reviewed?	V		The Company has set up the “Practice Code for Corporate Social Responsibility” and shall fulfill its corporate social responsibility and the regulations in the Code of Practice.	No significant difference
(2) Does the Company have the CSR education and training arranged on a regular basis?	V		Through meeting holdings, the Company shall continue to advocate the business philosophy and social responsibility and obligations, provide incoming employees with job rules to clearly convey the social responsibility expected of employees.	No significant difference
(3) Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?		V	The Company has not yet set up corporate social responsibility promotion related units, but the management and departments shall maintain the social responsibility status.	The setup will depend on the Company’s future needs.
(4) Does the Company have a reasonable salary and remuneration policy set-up, have the employee performance evaluation system been combined with the corporate social responsibility policies and have a clear and effective reward and punishment system been established?	V		The Corporate Charter clearly stipulates 1.5%-10% of annual profits incurred should be allocated as employee remunerations. The Company has set up specific job rules and an effective incentive and punishment system to guide employees’ conducts in line with the corporate social responsibility policy, although the employee performance assessment system has not yet been combined with the corporate social responsibility policy.	No significant difference
<b>2. Fostering a Sustainable Environment</b>				
(1) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		The main raw material of the Company’s surplus is plastic material, and there are also defective materials or scraps during the production process, which are all declared scrap and recycled by a legitimate cleaning company. The Company has comprehensively promoted in e-operation, advocating paper recycling and double-sided printing to reduce document paper usage.	No significant difference
(2) Does the Company have an appropriate environmental management system established in	V		In order to fulfill the corporate responsibility of environmental protection and cater to employees’	No significant difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
accordance with its industrial character?			safety and health and based on environmental protection self-awareness and pollution prevention and control management, and the duty of environmental social responsibility, the Environmental Management System in accordance with requirements in ISO 14001 international standards has been established for the Group’s production base. In June 2007, ISO 14001 environmental management system certification was obtained, and the latest certification was June 2016. In 2007, the Group established the Quality Management System according to ISO 9001 an obtained certification, with the latest certification in June 2016. In response to the automotive market layout, the Group has established the Automobile Quality Management System and obtained IATF16949 certification in August 2017.	
(3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?	V		The Company falls under a non-polluting industry. Through advocacy on energy conservation and carbon reduction, process improvement, machinery and air-conditioning equipment are regularly maintained to achieve effective energy conservation, carbon reduction, and greenhouse gas emissions.	No significant difference
<b>3. Preserving Public Welfare</b>				
(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		The Company has set up the “Human Rights Policy” according to international human rights conventions, with relevant files archived and placed on the Company’s website. In addition, according to relevant labor regulations, the job rules have been set up, clearly standardizing respective labor conditions, ensure employees’ legal rights, and set up complaint channels and disposal teams. Employees may express their opinions through email or the mailbox and receive fair and reasonable disposal.	No significant difference
(2) Does the Company have the complaints mechanism and channels established for employees and have it handled properly?	V		The Company employees have set up a complaint channel and disposal team. Employees may express their opinions through email or the mailbox and	No significant difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
			receive fair and reasonable disposal. Supervisors concerned will also appropriately handle related matters.	
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		The Company has its own work environment requirements and advocates environmental safety concepts to employees.	No significant difference
(4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means.	V		The Company has a mailbox for employees to bring up problems and express opinions, thereby creating a harmonious communication channel between employers and employees.	No significant difference
(5) Does the Company have an effective career capacity development training program established for the employees?	V		The Company adopts basic external training. Depending on employees’ job needs, related education courses are also used.	No significant difference
(6) Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations and service processes?	V		The Company values customers’ opinions and feedbacks and dedicates a unit to handle customer service procedures, thus ensuring customers are provided with the best service effectiveness and protecting their rights and interests.	No significant difference
(7) Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms?	V		The Company’s product and service marketing and labeling in accordance with relevant intellectual property laws and regulations and international standards that protect related rights.	No significant difference
(8) Does the Company have the suppliers checked in advance for any records of impacting the environment and society?	V		The Company’s setup of relevant management guidelines in “Procurement Control Procedure” and “Supplier Management Policy” target suppliers, prior assessments and investigations on suppliers are carried out, periodic ratings are implemented. The transacting supplier have no record of conducts affecting the environment and society.	No significant difference
(9) Does the contract signed by the Company with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have significant impact on the environment and society?	V		The Company requires main suppliers to sign the “Procurement Contract.” In particular, the Corporate Social Responsibility Policy requires suppliers to guarantee they meet the social responsibility and environmental responsibility related requirements in accordance with ISO 14001. The Company incorporates environmental protection and improvement on safety and hygiene requirements into standards for evaluating suppliers in	No significant difference.

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
			accordance with the “Procurement Control Procedure” and “Supplier Management Policy.” The Company shall cease all dealings with suppliers in violation of corporate social responsibility unless out of absolute necessity.	
4. Enhancing Information Disclosure (1) Does the Company have the relevant and reliable CSR information disclosed on the Company’s website and MOPS?	V		The Company has disclosed relevant and related corporate social responsibility information on the website and Public Information Observatory.	No significant difference
5. For companies who had established corporate responsibility code of conducts in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct: The Company has set up the “Code of Practice for Corporate Social Responsibility” and is committed to promoting corporate social responsibility, without major deviations from that of the Code of Practice.				
6. Other important information that help understand the CSR operation: In addition to emphasizing on regulatory compliance to protect all stakeholders, it also has its own social responsibility requirement of concern to the society and expected of enterprises, forming a part of its corporate culture.				
7. If the Company’s Corporate Social Responsibility Report has passed the certification standards of the relevant certification institutions, it should be detailed: The Company has not prepared the CSR Report.				



6. The Company's integrity and measures taken to ensure service integrity:

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<b>1. The policy and plan of business integrity</b>				
(1) Does the Company have the corporate management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies?	V		(1) The Company has set up the "Business Integrity Rules," "Business Integrity Operating Procedures and Conduct Guidelines," "Internal Major Information Handling and Insider Trading Prevention Management," and other rules. (2) The Company values and adheres by justice, honesty, and integrity. Therefore, all managers and employees must abide by relevant conduct rules when engaging in any activities. (3) Refer to Page 45 of the annual report for the situation of the Company's implementation of business integrity education training.	No significant difference
(2) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions and complaints system declared explicitly; also have it implemented substantively?	V		The Company has set up an Employee Manual and readily advocates the importance of honest conduct. The Guidelines for Employee Incentives and Punishments have also been set up. Employees showing any dishonest conducts shall be punished accordingly.	No significant difference
(3) Does the company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities subject to higher risks of fraud?	V		The Company prohibits any bribery and law-breaking conducts from the managers and all employees. Those in violation of the above shall be punished or reported to judiciary agency for disposal depending on actual circumstances. All incoming employees are required to sign the "Confidentiality Agreement" and will be provided with the Job Rules that clearly convey employees' rights and obligations.	No significant difference
<b>2. The Materialization of Business Integrity</b>				
(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		Prior to transacting, the Company shall investigate the credibility of transacting parties in accordance with internal control related guidelines and find out if the involved parties incurred dishonest transaction conducts.	No significant difference
(2) Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its	V		The Company's legal unit concurrently serves as the unit for promoting business integrity and is responsible for relevant matters. In	No significant difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
implementation to the Board on a regular basis?			addition, the Audit Unit regularly reports to the board regarding execution and tracking improvement status in accordance with the "Audit Plan Execution Audit Procedures."	
(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		In order to establish the corporate culture and robust development of business integrity, implement the conflict of interest avoidance policy, and provide appropriate channels for presenting statements in order for all employees to explain whether the said persons are potentially in conflict of interest with the Company.	No significant difference
(4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs?	V		In order to implement business integrity, the Company has set up an effective accounting system and internal control system. Internal audit personnel shall inspect the compliance situation in accordance with the Audit Plan.	No significant difference
(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		Refer to Page 45 of the Annual Report for the Company's implementation of the business integrity education training.	In the future, education training shall continue based on the Company's developmental needs and laws and regulations.
<b>3. The operations of the Company's Report System</b>				
(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		The Company has set up the "Guidelines for Reporter Exercise and Protection" and has designated an email box for reporting cases, ensuring reporters' unobstructed communication channels, protecting specific reporting and incentive systems, and maintaining the Company's business integrity related operations. The Guidelines stipulated relevant dedicated personnel for handling reported cases. Investors may visit the "Corporate Governance Area" on the company website for details.	No significant difference
(2) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported?	V		The Company has set up the "Guidelines for Reporter Exercise and Protection" and has designated an email box for reporting cases, ensuring reporters' unobstructed communication channels. Investors may visit the "Corporate Governance Area" for details.	No significant difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		The Company has set up the “Guidelines for Reporter Exercise and Protection,” which stipulate measures protecting reporters from inappropriate disposal for reporting a case. Investors may visit the “Corporate Governance Area” for details.	No significant difference
4. Enhancing Information Disclosure (1) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company has disclosed business integrity fulfillment and measures adopted on the company website and the Public Information Observatory.	No significant difference
<p>Where the Company may have establish its own business integrity best-practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”, and shall elaborate the practice of business integrity and the variations from the aforementioned regulation:</p> <p>The Company has set up Business Integrity Rules. All company staff, managers, and board members must abide by the norms and relevant provisions in the guidelines. The Company’s business integrity rules-based operations and the contents of the norms show no difference. Refer to Page 45 of the annual report for the Company’s implementation of the business integrity education training.</p>				
<p>Other important information that helps to understand the practice of business integrity of the company (e.g., the review and revision of the best-practice principles of the Company in business integrity)</p> <ol style="list-style-type: none"> <li>1. The Company regularly arranges corporate governance courses for directors to attend and irregularly advocates the business integrity policy through internal meetings.</li> <li>2. The Company strictly complies with the Company Act, Securities and Exchange Act, relevant regulations for TAIEX listed and OTC listed companies, and other relevant business conduct regulations, which shall serve as the basis for implementing business integrity.</li> <li>3. Refer to the company website: “Business Integrity Rules” and “Business Integrity Operating Procedures and Conduct Guidelines” at <a href="http://www.sun-max.com.tw">http://www.sun-max.com.tw</a>.</li> </ol>				

7. The method of inquiry shall be disclosed if the Company has established the Corporate Governance Best Practice Principles and related rules and regulations:
- The Company has set up a Code of Practice for Corporate Governance. Targeting relevant regulations applicable for the Code of Practice for Corporate Governance, in addition to disclosure on the Public Information Observatory regulated by the competent authority, the Corporate Governance Area has also been set up on the company website to fully disclose the Company’s corporate governance situation.
8. Any other vital information that helps to understand the performance of corporate governance of the Company shall also be disclosed:
- (I) Comply with the internal control system, implement internal control self-assessments, and strengthen audits and submissions to the board, thereby achieving the purpose of receiving board concern and supervision.
  - (II) Implement the spokesperson system, make timely major information announcements on the Public Information Observatory, and strengthen information transparency and the maintenance of investors’ rights.
  - (III) In order to strengthen corporate governance, the company board has passed the “Code of Practice for Corporate Governance,” the “Business Integrity Rules, the “Business Integrity Operating Procedures and Operational Guidelines,” the “Code of Practice for Corporate Social Responsibility,” “Moral Conduct Standards,” “Major Accidental Event Notification Procedure,” “Risk Control Operation Norms,” Board Diversity Policy,” and “Guidelines for Board Performance Assessment.” Other relevant norms will continue to be modified to implement the highest principle of corporate governance.

(IV) Continue to schedule courses and arrange education courses for directors and supervisors to take education courses, thereby achieving the spirit of corporate governance implementation by the board.

Company Business Integrity Policy Implementation and Education Training Conduction Situation in 2018

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants	Title
1	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	2018/3/28	3	CHOU, YI-HSIN	Manager
2	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	2018/3/28	3	Hung Wei-Liang	Legal Affairs
3	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	2018/3/28	3	Chen Ying-Ju	Stock Matters
4	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Lui Wan-Ling	Deputy Manager
5	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	LI, Yung-Yi	Director and Manager
6	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	CHOU, YI-HSIN	Manager
7	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	LIN, Chun-Yen	Director and Manager
8	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	CHIU, Shih-Fang	Director
9	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Hung Wei-Liang	Legal Affairs
10	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	HSU Wen-Faung	Director and Manager
11	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	CHEN, Tien-Szu	Director
12	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Chen Ying-Ju	Stock Matters
13	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Chen Hui-Ling	Manager
14	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	LAI, Jen-Chung	Director
15	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	HSIEH, Yu-Tien	Director
16	External Training	Specialized Knowledge and Technical Training	Securities and Futures Institute	2018 Insider Trading Prevention Publicity Conference	2018/10/26	3	CHOU, YI-HSIN	Manager
17	External Training	Specialized Knowledge and Technical Training	Securities and Futures Institute	2018 Insider Trading Prevention Publicity Conference	2018/10/26	3	Hung Wei-Liang	Legal Affairs

9. The following shall be disclosed in the pursuit of the internal control system:  
(1) Declaration of Internal Control:

**SUN MAX TECH LIMITED**  
**Statement of Declaration of Internal Control System**

Date: March 22, 2019

The following declaration is based on the 2018 self-audit over the Company's internal control policies:

- I. The Company and its subsidiaries are well aware that the establishment, implementation, and maintenance of the internal control system are the responsibility of the board and managers, and the Company has already set up such a system. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
- V. The Company, according to the aforementioned evaluation results, thinks the Company's internal control system (including the supervision and management over the subsidiaries) on December 31, 2018, including understanding the effectiveness and efficiency of operations, reporting the internal control design and implementation with effectiveness, timeliness, transparency, and compliance with the relevant requirements and regulations and laws; therefore, a reasonable assurance on the achievement of the aforementioned goals is provided.
- VI. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This declaration was approved by The Company's Board of Directors in the meeting dated March 22, 2019. None of the 7 directors present to the meeting held any objections, and had unanimously agreed to the contents of this declaration.

**SUN MAX TECH LIMITED**

Chairman: Representative of SINOTEAM HOLDINGS INC.: HSU Wen-Faung      Signature  
President: HSU Wen-Faung      Signature

(2) For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed:

**Deloitte.**

**勤業眾信**

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內部控制制度審查報告

後附動力科技股份有限公司及其子公司西元 2019 年 3 月 22 日謂經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於西元 2018 年 12 月 31 日係有效設計及執行之聲明書，業經本會計師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會計師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

任何內部控制制度均有其先天上之限制，故動力科技股份有限公司及其子公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，動力科技股份有限公司及其子公司與外部財務報導及保障資產安全有關之內部控制制度，於西元 2018 年 12 月 31 日之設計及執行，在所有重大方面可維持有效性；動力科技股份有限公司及其子公司於西元 2019 年 3 月 22 日所出具謂經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。

勤業眾信聯合會計師事務所

會計師 楊 承 修



會計師 林 旺 生



西 元 2019 年 3 月 27 日

10. Punishment of the Company and its internal personnel by law, punishment of the internal personnel of the Company for violation of the internal control system in the most recent year to the date this report was printed, and the major defects and state of corrective action taken: None.
11. In the current year and as of the date of annual report printing, the important resolutions and execution status of the shareholders' meetings, board, Remuneration Committee, and Audit Committee:

(1) The resolution execution situation of the shareholders' meeting on June 22<sup>nd</sup>, 2018:

**First case acknowledged: Passed the Company's 2017 annual business report and financial statements.**

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 16,526,297 (Including 1,076,553 of electronic voting rights)	99.54%
Cons: 0 (including 0 for e-voting)	0%
Weight of no-votes: 0 (including 0 for e-voting)	0%
Waiver and non-voting weights: 77,009 (Including 15,009 of electronic voting rights)	0.46%

Execution status: The shareholders are requested to acknowledge and pass the case.

**Second case acknowledge: Passed the Company's 2017 annual surplus distribution case.**

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 16,516,297 (Including 1,066,553 of electronic voting rights)	99.48%
Cons: 10,000 (Including 10,000 of electronic voting rights)	0.06%
Weight of no-votes: 0 (including 0 for e-voting)	0%
Waiver and non-voting weights: 77,009 (Including 15,009 of electronic voting rights)	0.46%

Execution status: The shareholders are requested to acknowledge and pass the case to distribute dividends in the amount of NT\$ 47,406,000 (NT\$ 2/share) before 2018/7/31.

**First case of discussion: Amend the Company's "Endorsement Guarantee Operating Procedure."**

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 16,523,297 (Including 1,073,553 of electronic voting rights)	99.52%
Cons: 0 (including 0 for e-voting)	0%
Weight of no-votes: 0 (including 0 for e-voting)	0%
Waiver and non-voting weights: 80,009 (Including 18,009 of electronic voting rights)	0.48%

Execution status: Request shareholders to discuss and pass the case.

**Second case for discussion: Amend the Company’s “Capital Loan to Others Procedure.”**

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 16,523,297 (Including 1,073,553 of electronic voting rights)	99.52%
Cons: 0 (including 0 for e-voting)	0%
Weight of no-votes: 0 (including 0 for e-voting)	0%
Waiver and non-voting weights: 80,009 (Including 18,009 of electronic voting rights)	0.48%

Execution status: Request shareholders to discuss and pass the case.

**Third case for discussion: Amend the Company’s “Capital Loan to Others Procedure.”**

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 16,523,297 (Including 1,073,553 of electronic voting rights)	99.52%
Cons: 0 (including 0 for e-voting)	0%
Weight of no-votes: 0 (including 0 for e-voting)	0%
Waiver and non-voting weights: 80,009 (Including 18,009 of electronic voting rights)	0.48%

Execution status: Request shareholders to discuss and pass the case. Completed local corporate charter change registration on July 3, 2018 in The Cayman Islands (country of registration).

**Fourth case for discussion: Amend the Company’s “Director Election and Appointment Procedure.”**

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 16,523,297 (Including 1,073,553 of electronic voting rights)	99.52%
Cons: 0 (including 0 for e-voting)	0%
Weight of no-votes: 0 (including 0 for e-voting)	0%
Waiver and non-voting weights: 80,009 (Including 18,009 of electronic voting rights)	0.48%

Execution status: Request shareholders to discuss and pass the case.



(2) Important Resolutions Passed by the Board:

Meeting date	Meeting	Major Board of Directors resolutions in 2018
2018/1/22	17 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Board of Directors	First Case: Passed the Company's 2017 Annual Year-end Bonus Distribution Case.
		Second Case: Passed the 2018 Annual Salary Raise Case.
		Third Case: Passed the endorsement guarantee for the Company's 100% investment subsidiary POWER LOGIC HOLDINGS INC through financing from China Trust Bank in the amount of US\$2 million.
		Fourth Case: Passed capital funding for its 100% shareholding subsidiary POWER LOGIC HOLDINGS INC through reinvestment in the amount of US\$ 5,022,000.
		Fifth Case: Through the Company's 100% shareholding subsidiary POWER LOGIC HOLDINGS INC, reinvest in 100% shareholding of grandson company SUN MAX GROUP in Dongguan (hereinafter SUN MAX) in the amount of RMB 12,200,000.
		Sixth Case: Passed Acquisition of Tender Lad Use Rights Undertaken by The First People's Court of Dongguan, Guangdong Province, China.
		Seventh Case: Passed the Company's 2018 tentative board of directors meeting schedule.
2018/3/19	18 <sup>th</sup> Meeting of the 1 <sup>st</sup> Board of Directors	First Case: Passed the "2018 Guidelines for Management of Director and Management Remuneration Evaluation" Case.
		Second Case: Revise the "Remuneration Committee Regulations" by order of Taiwan Stock Exchange Corporation tai-cheng-chih-li-tzu No. 10622010651.
		Third Case: resolved to pass the 2017 remuneration to employees, directors, and supervisors.
		Fourth Case: Pass the 2017 Business Report and consolidated financial statements of 2017.
		Fifth Case: Pass the Company's 2017 earnings appropriation.
		Sixth Case: Passed inspection and submission of the Company's 2017 "Declaration of Internal Control System."
		Seventh Case: Passed the "Corporate Charter Revision" Case
		Eighth Case: Passed Internal Adjustment of Deloitte Taiwan and Replacement of CPA.
		Ninth Case: Passed the Company's endorsement guarantee for its subsidiary SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRNACH regarding short-term financing from Taishin International Bank in the amount of US\$ 2 million.
		Tenth Case: Passed the Company's endorsement guarantee for its subsidiary POWER LOGIC HOLDINGS INC. regarding short-term financing from Taishin International Bank in the amount of US\$ 6 million.
		Eleventh Case: Passed cancellation of capital funding in the amount of RMB 12 million at the second annual board meeting (13 <sup>th</sup> session) on October 13, 2017.
		Twelfth Case: Passed "Convening the Company's 2018 Shareholders' Meeting related matters"
		Thirteenth Case: Set up the "Guidelines for Board Performance

Meeting date	Meeting	Major Board of Directors resolutions in 2018
		Assessment” in accordance with relevant provisions in Article 37 of Code of Practice for Corporate Governance of TAIEX Listed and OTC Listed Companies.
2018/5/10	19 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Board of Directors	<p>First Case: Pass the consolidated financial statements covering 2018 Q1.</p> <p>Second Case: Passed the first case at the second annual board meeting (13th session) on October 13, 2017, the Capital Loan from Grandon Company POWER LOGIC HOLDINGS INC to SUN MAX Case in the amount of RMB6 million.</p> <p>Third Case: Passed the Capital Loan from Grandon Company POWER LOGIC TECH. INC to SUN MAX Case in the amount of RMB 6 million.</p> <p>Fourth Case: Passed grandson company POWER LOGIC TECH. INC capital loan to subsidiary POWER LOGIC HOLDINGS INC in the amount of US\$ 5,486,307.88 and grandson subsidiary SUN MAX in the amount of RMB 6,231,028.26.</p> <p>Fifth Case: Passed the Company’s endorsement guarantee for subsidiary POWER LOGIC HOLDINGS INC regarding short-term financing from KGI Commercial Bank Co., Ltd. in the amount of US\$ 3 million.</p>
2018/8/8	20 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Board of Directors	<p>First Case: Pass the consolidated financial statements covering 2018 Q2.</p> <p>Second Case: Passed 100% investment grandson company POWER LOGIC TECH. INC capital loan to 100% investment grandson company SUN MAX in the amount of RMB 14.5 million.</p> <p>Third Case: Passed 100% investment grandson company POWER LOGIC TECH. INC capital loan to 100% investment subsidiary UNITED STRATEGY INC in the amount of RMB 216,443.81.</p> <p>Fourth Case: Passed revisions to the “Guidelines for Budget Management.”</p> <p>Fifth Case: Passed the setup of the “Guidelines for Reporter Exercise and Protection” in accordance with provisions in Article 23 of the “Code of Practice for Business Integrity of TAIEX Listed and OTC Listed Companies.</p> <p>Sixth Case: Passed the First Re-purchase of Company Shares.</p>
2018/10/29	21 <sup>st</sup> Meeting of the 2 <sup>nd</sup> Board of Directors	<p>First Case: Pass the consolidated financial statements covering 2018 Q3.</p> <p>Second Case: Passed the Company’s 2019 Annual Business Plan and Annual Budget Case.</p> <p>Third Case: Passed capital loan and shareholding of 100% reinvestment company POWER LOGIC HOLDINGS Inc. (hereinafter POWER LOGIC HOLDINGS) in the amount of US\$ 2 million.</p> <p>Fourth Case: Passed endorsement guarantee for subsidiary POWER LOGIC HOLDINGS, grandson company POWER LOGIC TECH. INC and Grandson company SUN MAX regarding short-term bank financing in the amount of US\$ 3 million.</p> <p>Fifth Case: Passed “After first re-purchase of company shares and</p>

Meeting date	Meeting	Major Board of Directors resolutions in 2018
		<p>submission of documents, competent authority requires partial content amendments and re-purchase execution status tracking report.”</p> <p>Sixth Case: Passed subsidiary POWER LOGIC HOLDINGS reinvestment in SUN MAX in the amount of RMB 5.5 million.</p> <p>Seventh Case: Passed the “Company’s First Domestic Unsecured Corporate Bond Collection and Issuance and Cash Capital Increase of New Shares Case.”</p> <p>Eighth Case: Passed revision of group subsidiary internal control system related lease norms in accordance with No. 16 of International Financial Report Standards (IFRS16).</p> <p>Ninth Case: Passed the setup of the “Guidelines for Intellectual Property Management” to strengthen the intellectual property management of the Company and its conglomerates.</p> <p>Tenth Case: Revise the “Guidelines for Chop Use Management” to ensure more efficient financial payment management procedures.</p>
2018/12/22	22 <sup>nd</sup> Meeting of the 2 <sup>nd</sup> Board of Directors	<p>First Case: Passed the “Company Cash Increase Issuance Price Case.”</p> <p>Second Case: The Company’s Audit Office shall set up the 2019 Annual Audit Plan based on risk assessment results in accordance with provision in Article 13 of “Publicly Offered Company Establishment of Internal Control System Disposal Standards.”</p> <p>Third Case: Passed the “Report of Periodic Assessment of CPA Independence Results.”</p> <p>Fourth Case: Passed the “Guidance for Employee Subscription for Current Issuance” in coordination with 2018 capital increase for issuance of new shares, and “Manager Subscription Detail.”</p> <p>Fifth Case: Passed the Company’s 2019 tentative board of directors meeting schedule.</p>

- (3) The Audit Committee has resolved and passed important resolution matters: see Pages 27-30 of the annual report for descriptions.
  - (4) Important resolution matters resolved and passed by the Remuneration Committee: See Pages 36-37 of the annual report for descriptions.
  - (5) Important matters resolved and passed by the board: See Pages 50-52 of the annual report for description.
12. Adverse opinions from the Directors or the Supervisors against major resolutions of the Board on record or in written declaration in the most recent year to the date this report was printed. The key content: Not applicable in this year.
  13. Resignation of any personnel relating to financial statement preparation (including Chairman, President, Head of Accounts, and Head of Internal Audit etc) in the most recent year, up until the publishing date of this annual report:  
The former audit manager Chou Yi-Chun left his post due to his personal career planning on 2/28/2019; the new audit manager Chen Chih-Cheng reported on the job on 3/11/2019. No changes were made for the rest of the employees.

V. Disclosure of the accountant's fee:

Firm Name	CPA Name		Duration of Audit	Remarks
Deloitte & Touche	Yang Cheng-Hsiu	Lin Wang-Sheng	January 1, 2018 to December 31, 2018	

Fee levels		Fee items	Auditing fee	Non-Auditing fee	Total
1	Below NT\$ 2,000 thousand			v	
2	NT\$ 2,000 thousand (inclusive) ~ NT\$ 4,000 thousand		v		
3	NT\$ 4,000 thousand (inclusive) ~ NT\$ 6,000 thousand				v
4	NT\$ 6,000 thousand (inclusive) ~ NT\$ 8,000 thousand				
5	NT\$ 8,000 thousand (inclusive) ~ NT\$ 10,000 thousand				
6	Over NT\$ 10,000 thousand (inclusive)				

1. Remuneration of non-audit services to CPAs, CPAs' firm and its affiliated companies that exceed one quarter of audit remuneration:

Amount Unit: NT\$ 1000

Firm Name	CPA Name	Auditing fee	Non-Auditing fee					The duration of the audit	Remarks
			System design	Corporate Registration	Human Resources	Others (Note)	Subtotal		
Deloitte & Touche	Yang Cheng-Hsiu	3,600	0	0	0	1,850	5,450	2018/01/01~ 2018/12/31	1. Tax check: \$100,000
	Lin Wang-Sheng								2018/01/01~ 2018/12/31
									3. Transfer price: \$250,000
									4. Financial information execution agreement procedure: \$600,000

2. If a change in accounting firm resulted in a lower audit remuneration for that year compared to the previous year, the amount, percentage, and reason of the reduction must be disclosed: Not applicable.

3. If the auditing fee of the current year is more than 15% less than the year before, the reduced fee amount, ratio, and the root cause should be disclosed: Not applicable.

VI. Change of CPA

In coordination with the internal work adjustments of Deloitte Taiwan, starting the first quarter of 2018, CPAs Yang Cheng-Hsiu and Cheng Hao-Jen will be replaced by CPAs Yang Cheng-Hsiu and Ling Wang-Sheng

VII. The Chairman, President, manager charged with finance or accounting of the Company has been working with the CPA firm retained as an external auditor or its affiliate in the last year. No such cases in the current year.

VIII. Regular review and assessment on the impartiality and independence of the external auditor

1. In accordance with Article 29 of the “Code of Practice for Corporate Governance,” results of CPA independence shall be reviewed periodically. Companies that have not replaced CPAs for seven consecutive years or have been subject to disciplinary or events detrimental to independence need to reconsider the necessity of CPA replacement and report evaluation results to the board.
2. The Company’s CPAs are Deloitte Taiwan’s CPAs Yang Cheng-Hsiu and Ling Wang-Sheng. Assessments were carried out in accordance with Article 47 of Certified Public Accountant Act and The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10, as well as the Independence and Eligibility Assessment Form. After the assessments, the two CPAs above were not found to have incurred independence violations, nor were there records of disciplinary action by the competent authority in the recent year. Therefore, there is currently no need to replace CPAs.
3. The CPA independence assessment were passed and registered by the 18<sup>th</sup> Audit Committee Meeting of the first year on December 22<sup>nd</sup>, 2018 and 12<sup>th</sup> board meeting of the second year, on December 22<sup>nd</sup>, 2018.

IX. In the current year and as of the annual report printing date, concerning directors' supervisors, and managers whose shareholding ratio exceeds 10%, the equity transfer and pledge change are currently updated to 3/31 and will be further updated on 4/30.

1. Shareholding changes of directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2018		Year-to-date April 30	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman	SINOTEAM HOLDINGS INC.	0	0	469,347	1,200,000
SINOTEAM HOLDINGS INC: Representative	HSU Wen-Faung	0	0	138,056	0
Director	LAI, Jen-Chung	-26,000	0	-7,915	0
Director	LIN, Chun-Yen	0	0	13,811	0
Director	LI, Yung-Yi	0	0	12,169	0
Independent director	HSIEH, Yu-Tien	0	0	0	0
Independent director	CHIU, Shih-Fang	0	0	0	0
Independent director	CHEN, Tien-Szu	0	0	0	0
Finance Manager	Chen Hui-Ling	0	0	2,000	0
Audit Manager (Note 1)	CHOU, YI-HSIN	-2,000	0	0	0
Audit Manager (Note 1)	CHEN, CHI-CHENG	0	0	0	0
R&D Manager	CHEN,PING-CH	0	0	0	0
R&D Manager	HSIEH, JUNG-CHUNG	0	0	0	0
Large shareholders with shareholdings exceeding 10%	China Development Venture Capital Corporation	-277,000	0		

Note 1: The former audit manager, CHOU, YI-HSIN, left the company on 2/28/2019, and the new audit manager, CHEN, CHI-CHENG, reported for duty on 3/11/2019.

Note 2: With the shareholding not reaching 10% as of 2/26/2019, internal employees of China Development Venture Capital Corporation were laid off.

2. Counterpart of equity transfer or pledge as the stakeholder: No such cases in the current year.

X. Relationships among The Company's top ten shareholders including spouses, second degree relatives or closer, or any person defined under Statement of Financial Accounting Principle No. 6 - "Related parties"

April 14, 2019

Name	Own shareholdings		Shares Held by Spouse & Dependents		Shareholdings under the title of a third party		Spouse, Relative Of Second Degree Or Closer, Or Related Parties Defined In Statement Of Financial Accounting Standards No. 6 Among The Top Ten Shareholders; State Their Names And Relationships.		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name (or Name)	Relation	
Taishin Custodian Investment Account of Hsin Ting Holding Limited	5,977,844	23.02%	0	0%	0	0%			
Taishin trustee Xinting Holdings Co., Ltd. Investment Account: Corporate Representative HSU Wen-Faung	960,273	3.66%	19,007	0.07%	0	0%	HSU Wen-Faung	Self	
China Development Venture Capital Corporation	2,338,882	9.01%	0	0%	0	0%	-	-	
China Development Venture Capital Corporation	0	0	-	-	-	-	-	-	
Far Eastern International Bank trustee Tianci Global Investment Company	1,495,000	5.76%	0	0%	0	0%	-	-	
Far Eastern International Bank trustee Tiantzu Global Investment Company: Corporate Representative: Note 1	0	0	-	-	-	-	-	-	
HSU Wen-Faung	960,273	3.66%	19,007	0.07%	0	0%	SINOTEAM HOLDINGS INC	Legal representative: HSU Wen-Faung	
LAI, Jen-Chung	427,337	1.65%	0	0%	0	0%	-	-	
Li Chung-Cheng	372,247	1.43%	0	0%	0	0%			
Taishin Trustee Tsaituo Co., Ltd. Investment Account	353,707	1.36%	0	0%	0	0%	-	-	
Taishin Trustee Investment Account: Corporate Representative: Wu Cun-Fu	33,731	0.13%	-	-	-	-	-	-	
Li Cheng-Hsu	319,662	1.23%	0	0%	0	0%	Li Lung-Chu	Father-Son	
Li Chung-Lang	304,247	1.17%	0	0%	0	0%			
Li Lung-Chu	276,819	1.07%	0	0%	0	0%	Li Cheng-Hsu	Father-Son	

Note 1: Far Eastern International Bank trustee Tiantzu Global Investment Company: Corporate Representative CLJ Greater China SME Fund LP, CLJ is a fund that does not have the concept of shareholders and is managed by GP (General Partner)

XI. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties

Unit: share; %

Transfer investment business (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
United Strategy Inc.	1,530	100%	0	0	1,530	100%
Power Logic Holding Inc.	5,100	100%	0	0	5,100	100%
Sunny Sharp International Ltd.	490	100%	0	0	490	100%
Sunny Faith Investments Limited	500	100%	0	0	500	100%
POWER LOGIC TECH. INC	4,500	100%	0	0	4,500	100%
DONG GUAN DONG LI DIAN ZI CO. LTD	Note 1	100%	0	0	Note 1	100%
POWER LOGIC TECH (TAI YI) CO., LTD	Note 1	100%	0	0	Note 1	100%
POWER LOGIC (YI QUAN) CO., LTD	Note 1	100%	0	0	Note 1	100%

Note1: Company limited without shares



## Four. Funding Status

### I. Capital and outstanding shares

#### (I) Capital Sources

April 14, 2019

Year and month	Issuing price (NT\$)	Authorized shares capital		Paid-in shares capital		Remarks		
		Quantity	Amount	Quantity	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
2013/11	USD 1	10,000,000	10,000,000	1	1	Set up	None	Note 1
2013/12	USD 1	10,000,000	10,000,000	570,093	570,093	Cash capitalization USD 570,092	None	Note 2
2013/12	USD 1	10,000,000	10,000,000	2,026,996	2,026,996	Equity transfer of USD 1,456,903	None	Note 3
2015/12	USD 1	10,000,000	10,000,000	2,526,996	2,526,996	Cash capitalization USD 500,000	None	Note 4
2016/02	0	100,000,000	1,000,000,000	8,300,000	83,000,000	Equity currency conversion	None	Note 5
2016/03	TWD 11	100,000,000	1,000,000,000	9,400,000	94,000,000	Capital increase by cash NT\$ 11,000 thousand	None	Note 6
2016/06	TWD 60	100,000,000	1,000,000,000	12,400,000	124,000,000	Capital increase by cash NT\$ 30,000 thousand	None	Note 7
2016/09	TWD 10	100,000,000	1,000,000,000	16,120,000	161,200,000	Capitalization of retained earnings NT\$ 37,200 thousand	None	Note 8
2017/05	TWD 78	100,000,000	1,000,000,000	18,320,000	183,200,000	Capital increase by cash NT\$ 22,000 thousand	None	Note 9
2017/08	TWD 10	100,000,000	1,000,000,000	21,068,000	210,680,000	Capitalization of retained earnings NT\$ 27,480 thousand	None	Note 10
2017/12	TWD 10	100,000,000	1,000,000,000	23,703,000	237,030,000	IPO cash increase of NT\$ 26,350 thousand	None	Note 11
2019/01	TWD 10	100,000,000	1,000,000,000	26,203,000	262,030,000	Capital increase by cash NT\$ 26,203 thousand	None	Note 12
2019/04	TWD 10	100,000,000	1,000,000,000	26,244,811	262,448,110	Corporate bond conversion of NT\$ 418,110	None	Note 13

Note 1: Funding capital

Note 2: Capital increase

Note 3: Share exchange with SUN MAX TECH LIMITED by 13 people including Li Lung-Chu, exchanging all UNITED STRATEGY INC. shares issued for 970,986 regular shares of SUN MAX TECH LIMITED.

Share exchange with SUN MAX TECH LIMITED by 13 people including Li Lung-Chu, exchanging all POWER LOGIC HOLDINGS INC. shares issued for 422,561 regular shares of SUN MAX TECH LIMITED.

Share exchange with SUN MAX TECH LIMITED by 13 people including Li Lung-Chu, exchanging all ADVANCE PLUS LIMITED. shares issued for 63,356 regular shares of SUN MAX TECH LIMITED.

The equity transfer totaling 1,456,903 shares. After the share exchange, UNITED STRATEGY INC. and POWER LOGIC HOLDINGS INC. and ADVANCED PLUS LIMITED are 100% reinvestment subsidiaries of SUN MAX LIMITED.

Note 4: Capital increase

Note 5: The shareholders' meeting reached the resolution on February 2<sup>nd</sup>, 2016 that the 2,526,996 shares issued each at the denomination of USD 1, totaling USD 2,526,996. With the exchange rate of NT\$ 32.845323: 1 USD, the issued 8,300,000 shares each at the denomination of NT\$ 10, totaling NT\$ 83,000,000.

Note 6: Capital increase

Note 7: Capital increase

Note 8: The annual surplus for 2015 will be transferred to capital increase, each share issuing \$3 shares.

Note 9: Capital increase

Note 10: The Company conducted surplus to capital increase, distributing \$1.5 shares per share.

Note 11: Cash increase before IPO

Note 12: Capital increase

Note 13: Corporate bond conversion shares increased by 41,811, and capital increased by \$418,110.

April 14, 2019

Stock Type	Authorized shares capital			Remarks
	Outstanding shares (Note 1)	Unissued Shares	Total	
Common stock	26,244,811	73,755,189	100,000,000	

Note 1: Under TAIEX listed shares

## (II) Shareholders structure

April 14, 2019

Composition of Shareholders Amount	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign institution and foreigners	Total
No. of Person	0	0	13	2,782	15	2,810
Shares	0	0	2,901,573	14,549,115	8,794,123	26,244,811
Ratio of Shareholding	0%	0%	11.06%	55.44%	33.50%	100%

Note: Chinese investment shareholding ratio: 0; Chinese investment refers to the people, corporate bodies, Groups, other institutions, or companies investing in a third region from Mainland China permitted to invest in Taiwan in accordance with provisions in Article 3 of Guidelines for Permitting Persons from Mainland China to Invest in Taiwan.

## (III) Ownership diversification

NT\$ 10/share April 14, 2019

Range of Shares			No. of Shareholders	Shares	Ratio of Shareholding (%)
1	~	999	149	24,243	0.09
1,000	~	5,000	2,215	4,091,248	15.59
5,001	~	10,000	240	1,812,560	6.91
10,001	~	15,000	76	952,820	3.63
15,001	~	20,000	34	608,099	2.32
20,001	~	30,000	29	731,640	2.79
30,001	~	40,000	19	675,924	2.58
40,001	~	50,000	6	280,709	1.07
50,001	~	100,000	14	1,107,212	4.22
100,001	~	200,000	12	1,761,807	6.71
200,001	~	400,000	11	2,999,213	11.43
400,001	~	600,000	1	427,337	1.63
600,001	~	800,000	0	0	0
800,001	~	1,000,000	1	960,273	3.66
1,000,001 and above			3	9,811,726	37.39
Total			2,810	26,244,811	100.00

(IV) The main shareholders' list (name, number of shares held, and ratio of Shareholder with equity ratio reaching over 5% or shareholders with equity ratio ranking top ten)

April 14, 2019

Name of Principle shareholder	Shares	Shareholding percentage (%)
Taishin Custodian Investment Account of Hsin Ting Holding Limited	5,977,844	23.02%
China Development Venture Capital Corporation	2,338,882	9.01%
Far Eastern International Bank trustee TiantzuGlobal Investment Company Investment Account	1,495,000	5.76%
HSU Wen-Faung	960,273	3.66%
LAI, Jen-Chung	427,337	1.65%
Li Chung-Cheng	372,247	1.43%
Taishin Trustee Tsaituo Co., Ltd. Investment Account	353,707	1.36%
Li Cheng-Hsu	319,662	1.23%
Li Chung-Lang	304,247	1.17%
Li Lung-Chu	276,819	1.07%

(V) Market price, net value, earnings, dividend per share and related information in the last 2 years

Unit: NT\$

Item		Year	2017	2018	Until March 31, 2019
Market Price Per Share	The Highest		97.7	127	46.50
	The Lowest		88.00	39.8	36.50
	Average		91.50	76.07	43.20
Net Value Per Share	Before Distribution		37.49	37.37	37.41
	After dividend distribution (Note 1)		35.49	Note 3	—
Earnings per share	Weighted average shares		23,703 thousand Shares	23,703 thousand Shares	26,203 thousand Shares
	Earnings per share (Note 2)		4.26	3.12	0.45
Dividend Per Share	Cash dividends		2	Note 3	—
	Free-Gratis Dividends	Retained Shares Distribution	—	—	—
		Capital Reserve Shares Distribution	None	None	—
	Retained Dividends		None	None	—
Return on investment Analysis	P/E ratio		21.48	24.38	—
	Dividend Yield		45.75	50.71	—
	Cash Dividend Yields		2.19%	1.97%	—

Source: consolidated audited financial statements in 2017 and 2018.

Note 1: Net value per share (net value 0 cash dividends)/number of regular shares for the current year

Note 2: Tracing adjustment of weighted average number of shares and earnings per share

Note 3: The Company passed the resolution reached by the board on March 22<sup>nd</sup>, 2019 to distribute cash dividends in the amount of NT\$ 38,959,500 (NT\$ 1.5/share), which is pending resolution passing at the shareholders' meeting on June 12<sup>th</sup>, 2019.

P/E ratio = Average closing price per share for the year / earnings per share.

Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

Net worth per share and earnings per share should be based on audited (auditor-reviewed) data as at the latest quarter before the publishing date of this annual report. For all other fields, data should be provided as at the end of their respective years.

(VI) Company's dividend policy and execution status:

1. Dividend policies stated in The Company's Articles of Incorporation:

After the board reached and passed the resolution at the shareholders' meeting, cash dividends are distributed to shareholders according to their shareholding ratios. Dividend may be distributed to the Company's shareholders in cash dividends or share dividends.

The Company shall reserve a makeup amount before distributing employee and director remunerations. According to legal regulation of The Cayman Islands, TAIEX 1 and OTC listing regulation and Article 129 of Corporate Charter, the board resolution reached with more than two thirds attendance and the consent of more than half the attending directors, employee and director remunerations may be distributed in cash and/or shares. The board resolution on the above-mentioned distribution of employee and director remunerations shall be reported to shareholders at the shareholders' meeting after the board passed the resolution.

The Company shall not pay interest on undistributed dividends.

Except restricted by public company related laws, the earnings, if any, after closing account every year, the Board of Directors should propose earning distribution plan to shareholders' meeting as method and priority below,

- (1) Payment of tax and duty;
- (2) Make up for cumulative losses for the previous year (if any):
- (3) According to TAIEX and OTC listing regulations, 10% is distributed as statutory surplus reserves except when said reserve reaches the Company's paid-up capital.
- (4) According to TAIEX and OTC listing regulations or the competent authority request distribution of special surplus reserve; and
- (5) According to the surplus for the current year, the amounts from Item (1) to Item (4) shall be dedicated, and the cumulative undistributed surplus for the previous period is provided for surplus distribution. The Distributable surplus shall be distributed after the board proposal of a dividend distribution case and submission to the shareholders' meeting to be resolved according to TAIEX and OTC listing regulations. The Company may release dividends in cash and/or stock, and the amount of dividend for release shall not fall below the net earnings of the year of the appropriation specified in (1) to (4) if there is no contradiction to the law of the Cayman Islands. In addition, the amount of cash dividend shall not fall below 10% and up to 100% of the total dividend payable to the shareholders.

Article 139 of the Corporate Charter (Provident fund transfer to capital increase)

Unless otherwise regulated by TAIEX and OTC listing regulations or the Company Act, the company may resort to Type A Special Resolution or Type B Special resolution.

- (1) Any balance to be listed in the company reserve account or other capital provident fund (including capital premium account, capital redemption reserve, surplus, profit and loss account, capital reserve, statutory surplus reserve, and special surplus reserve) shall be transferred to capital increase, whether or not they will be distributed.
- (2) The amount resolved for transfer to capital increase shall be distributed to shareholders according to their shareholding ratio. Additionally, on behalf of shareholders, the amount shall be used for the distribution company's unissued shares, bonds, or other relevant stock portfolios. The company shares or bonds or other portfolio shall be distributed to shareholders (or designated persons) according to the aforementioned ratios.
- (3) Make any arrangements deemed appropriate to resolve problems encountered during provident fund transfer to capital increase, especially but not limited to when shares or corporate bonds distributed are distorted shares. The board reserves the right to dispose distorted shares or corporate bonds by means deemed appropriate; and
- (4) Will take all necessary stands to execute provisions in this article.

Article 139A of the Corporate Charter: To avoid disputes, new shares issued for distributing employee and board remunerations in accordance with Article 129 does not require the acquisition of Class A Special Resolution or Class B Special Resolution.

2. Situation of Dividends Pending (Already Distribution in the Current Year)

The Company's 2018 surplus distribution passed the board resolution on March 22<sup>nd</sup>, 2019 distributing cash dividends of NT\$ 38,959,500 (NT\$ 1.5/shares) and pending resolution passing by the board on June 12<sup>th</sup>, 2019.

(VII) The proposed free share placement in the current year shall have no impact on the Company's operating performance and earnings per share.

The Company offered no share dividend distribution in 2018 and is thus not special account applicable.

(VIII) Employee bonus and remuneration paid to directors and supervisors:

1. Proportion or range of employees' bonuses and Directors'/Supervisors' remuneration specified in the Articles of Incorporation

According to Article 129 of the Corporate Charter, the Company shall distribute profits according to the profit distribution plan proposed by the board and resolved and passed at the shareholders' meeting. In addition, after making up for the losses incurred over the years, in accordance with the provisions in the company public offering regulations, or inaccuracies with the competent authority's request to list or turnaround of special surplus reserve, no more than 20% of the remaining profit shall be used as director remunerations and 10% at most and 1.5% at least as employee bonuses. The employee bonuses shall be distributed in accordance with provisions in Article 17 of the Employee Incentive plan. The board shall stipulate in the surplus distribution agenda regarding the percentage of bonuses distributed to employees. Shareholders may modify the proposal before the resolution. Directors concurrently serving as company executives are entitled to bonuses as company employees.

2. The estimation basis for employee bonuses and remunerations for directors and supervisors the current period, the basis for distributing stock dividend shares, and the actual distributed amounts shall be handled by accounting if they differ from the estimated amounts. None.

3. Remuneration to be distributed as resolved in the board of directors:

(1) If employee remunerations and director and supervisor remunerations distributed in cash or dividends differ from the annual estimation of the listed expenses, the amount of different, reason, and disposal shall be disclosed: The amounts and the estimated amounts for the current year are not different.

(2) Employee remunerations distributed in shares and the ratio in individual or separate financial report's after-tax net profit and employee remuneration total: No dividends in shares were distributed this year

4. Actual status of distributing remuneration to employees, directors and supervisors in the previous year (including the number of shares distributed, amount and share price), difference number, reasons and process status if there is discrepancy between the actual amount and the amount recognized:

(1) Actual Distribution Situation:

Actual distribution situation for the previous year: distributed items.	The number of distributions originally proposed by the board.	The actual distribution amount resolved in the shareholders' meeting	Amount of difference
Employees' stock bonus	-	-	-
Employees' cash bonus	2,895 thousands	2,859 thousands	-
Remuneration to directors/supervisors	1,817 thousands	1,817 thousands	-

(2) Difference in listed employee bonuses and director and supervisor remunerations: None.

(IX) Shares repurchased by The Company:

The execution of re-purchase of company shares are reported as follows:

Period No.	The 1st time
Date of Board resolution	2018/08/08
Purpose of repurchase	Transferring stocks to employees
Repurchase period	2018/08/10~2018/10/08
Price range at which scheduled to be repurchased (NT\$)	NT\$ 110~ NT\$ 55
Type and amount (shares) of the repurchased shares	230,000 ordinary shares
Amount of the repurchased shares (NT\$)	NT\$ 15,286,879
Average repurchase price per share (NT\$)	NT\$ 66.46
Shareholdings that have been cancelled and transferred (shares)	0 Shares
Accumulated shareholdings of the Company (shares)	230,000 Shares
Percentage of accumulated shareholdings of the Company to total issued shares (%)	0.97%
Reasons for not completing the repurchase during the repurchase period	In order to take care of both the market mechanism and the shareholders' interests, the Company conducts the repurchase in batches based on the change of stock price, and thus the Company has not completed the repurchase of treasury stocks this time.

II. Disclosure relating to corporate bonds

Bond type	The 1st Unsecured Convertible Bond in R.O.C.
Issue date	January 3, 2019
Face Value	NT\$ 100,000
Place of Issue and Trading	Taipei Exchange (TPEX)
Issuing price	The bond is issued with 100% par value of NT\$ 100,000.
Total amount	NT\$ 150,000,000
Interest rate	Coupon rate 0%
Maturity	3 years, matured on January 3, 2022.
Guarantee Institution	None
Trustee	Taishin International Bank
Consignee	Concord Securities Co., Ltd.
Certified Lawyer	Jheding International Law Offices Lawyer, Yu-Liang Chen
Certified CPA	Deloitte & Touche CPA, Cheng-Hsiou Yang; CPA, Wang-Sheng Lin
Repayment Methods	Except for the case where the holders of the convertible bonds convert them into the Company's ordinary shares in

Bond type		The 1st Unsecured Convertible Bond in R.O.C.
		accordance with Article 13 of the Regulations or exercise the put options in accordance with Article 22 of the Regulations, and where the Company calls the bonds or purchases them back from the security houses for cancellation in advance in accordance with Article 21 of the Regulations, the Company redeems the bonds with cash at the face value when the convertible bonds are due.
Amount not repaid		NT\$ 150,000,000
Redemption or earlier redemption		Is handled in accordance with the regulation of bond redemption right defined in Article 22 of the issuing rules.
Limitation Article		Please refer to the Regulations on the Issuance and Conversion of the 1st Secured Convertible Bonds in R.O.C.
Name of the credit rating agency, rating date, and rating results		Not applicable
Other equity attached	The amount of the bonds that have been converted into ordinary shares (either by exchange or purchase), GDRs or other securities	As of the annual report printing date, the first domestic guaranteed conversion of corporate bonds was 18, and the conversion price was NT\$ 43.05, 41.811 regular shares converted in total.
	For the Regulations on Issuance and Conversion (Swap or Purchase),	Please refer to the bond issuance data on the section of bond credit rating on the MOPS.
Rules for issuing, conversion, exchange or purchase, possible dilutions of equity from the issuing conditions, and the impacts on the rights of the existing shareholders		The amount limit that the Company plans to issue the 1st unsecured convertible bonds in R.O.C. this time is NT\$ 150,000,000. The current conversion price is NT\$ 43.05. Assume that all bondholders convert their convertible bonds at the conversion price, the shares that will be converted into the Company's ordinary shares are 3,484 thousand shares. Based on the Company's current issued outstanding shares of 23,703 thousand shares plus convertible shares, the dilution ratio is about 13.30%, which is not significant. Furthermore, the holders of convertible bonds usually convert their bonds into ordinary shares gradually, and thus equity dilution does not occur immediately. As a result, the issuance of convertible bonds this time will not have significant impact on shareholders' equity.
Custody Agency Name for the Exchange Target		Not applicable

**Status of convertible bonds:**

Bond type	The 1st Unsecured Convertible Bond in R.O.C.	
Item	Year	Year-to-date April 30, 2019
Market price of the convertible bond	The Highest	NT\$ 128
	The Lowest	NT\$ 95.2
	Average	NT\$ 104.92
Conversion price	NT\$ 43.05	
Issue date and	Issue date: January 3, 2019	
Conversion price	The conversion price at the time of issue was NT\$ 43.73.	
Ways of fulfilling conversion obligation	Paid by issuing new regular shares.	

III. Disclosure relating to preference shares: none.

IV. Disclosure relating to depository receipts: none.

V. Situation of handling of subscription right certificate and restricted employee right for new shares: none.

VI. The new shares from restricted employee stock option: none.

VII. Disclosure on new shares issued for the acquisition or transfer of other shares: none.



VIII. Progress on the use of funds:

**The capital increase plan and execution situation as of March 2017:**

(I) Content of the plan:

1. Capital increase approval date and document number: April 7<sup>th</sup>, 2017: Jin-Guan-Zheng-Fa-Zi No. 1060010089.
2. Total capital required for the plan: NT\$ 171,600.
3. Source of capital required for the plan: Cash increase issue of 2,200,000 shares, each at the denomination of \$10 and each share issued at NT\$ 78, and funds raised in the amount of NT\$ 171,600.
4. Capital Use Plan and Reserve Use Progress:

Unit: NT\$ thousands

Plans	Scheduled completion date	Total funds required	Capital Use Situation:
			2017 Q2
Replenishing operating fund	2017 Q2	NT\$171,600	NT\$171,600

5. Plan Benefits Generated:

The Company raised NT\$ 171,600 used for supplementing operating funds. In addition to increasing long-term fund source stability and improving short-term debt repayment ability, interest burden from borrowing from financial institutions can be lessened, thereby strengthening the Company's long-term competitiveness and enhancing the flexibility of capital allocation.

(II) Execution:

1. Actual execution status: This capital increase execution was completed in the second quarter of 2017 as scheduled.

## **The capital increase plan and execution situation as of November 2017:**

### (I) Content of the plan:

1. Capital increase approval date and document number: November 20<sup>th</sup>, 2017: Tai-Zheng-Shan-Er-Zi No. 1061704050.
2. Total capital required for the plan: NT\$ 158,100.
3. Source of capital required for the plan: Cash increase issue in 2,635 shares, each at the denomination of 10 and each share issued at NT\$ 60, and funds raised in the amount of NT\$ 158,100,000.
4. Capital Use Plan and Reserve Use Progress:

Unit: NT\$ thousands

Plans	Scheduled completion date	Total funds required	Capital Use Situation:
			2017Q4
Replenishing operating fund	2017Q4	158,100	158,100

### 5. Plan Benefits Generated:

The capital increase issued 2,635 shares, each share with the issue price of NT\$ 60 and the total raised amount of 158,100,000. After the fund raising, all the amount shall be used for supplementing operating funds, contributing to the Company's more adequate self-owned capital and conducive to strengthening the financial structure and cutting down interest expenditure.

### (II) Execution:

1. Actual execution status: This capital increase was completed in the fourth quarter of 2017 as scheduled.

## **The 2018 cash capital increase issue of new shares and issue of the first unguaranteed corporate bond conversion capital increase plan and execution situation:**

### (I) Plan Content: 2018-12-10 Jin-Guan-Zheng-Fa-Zi No. 1070344687

1. Cash increase approval date and document number: December 10<sup>th</sup>, 2018; Jin-Guan-Zheng-Fa-Zi No. 1070344687  
Corporate bond approval date and document number: December 10<sup>th</sup>, 2018; Jin-Guan-Zheng-Fa-Zi No. 10703446871
2. Total capital required for the plan: NT\$ 230,000,000
3. Source of capital required for the plan:
  - (1) Cash increase issue of new shares
    - ① Denomination: NT\$ 10
    - ② Number of shares: 2,500 shares
    - ③ Issue price: NT\$ 32 per share
    - ④ Total amount raised: NT\$80,000,000
    - ⑤ This capital increase issued is to supplement operating funds

(2) 1st Unsecured Convertible Bond in R.O.C.

- ① Denomination: NT\$ 100,000
- ② Number: 1,500 shares
- ③ Period: Three years
- ④ Coupon rate: 0%
- ⑤ Issue price: Issued at the denomination amount.
- ⑥ Total amount raised: NT\$ 150,000,000
- ⑦ For supplementing operating funds

4. Capital Use Plan and Reserve Use Progress:

Unit: NT\$ thousands

Plans	Scheduled completion date	Total funds required	Fund application progress	
			2019Q1	2019Q2
Replenishing operating fund	2019Q2	230,000	150,000	80,000

5. Plan Benefits Generated:

The funds raised in the amount of NT\$ 230,000,000 shall supplement the funds needed to achieve operating growth and shall replace bank loans to strengthen the financial structure and reduce capital cost. If the above funds are to be paid through bank loans instead, with current company short-term loan interest rate of about 1.70%-1.80%, an estimated NT\$ 2,933,000 - NT\$ 3,105,000 can be saved from April to December 2019 and NT\$ 3,910,000 - NT\$ 4,140,000 thereafter. Since the Company is in the growth phase, in coordination with future operational expansion, it is expected that with the fund input, the financial structure and capital allocation flexibility can be enhanced.

(II) Execution:

Capital use execution situation as of the first quarter of 2019:

Plans	Status of implementation:		2019Q1	Cumulative Execution Progress	Description of Progress
	Amount Mobilized	Scheduled			
Replenishing operating fund	Amount Mobilized	Scheduled	150,000	150,000	The execution progress is as scheduled. Following the Company's receipt of the convertible debt in full in the amount of 150,000,000, mobilization as completed in the first quarter of 2019. The capital increase was collected in full on January 21 <sup>st</sup> , 2019 and has not yet been mobilized.
		Actual	150,000	150,000	
	Execution progress (%)	Scheduled	65.21%	65.21%	
		Actual	65.21%	65.21%	

## Five. Business performance

### I. Content of business

#### 1. Business scope:

##### (1) The main contents of the business service

The Company's main business items are: DC cooling fan management and sales.

##### (2) The proportion of key items to overall operation

Unit: NT\$ thousands

Product	2017		2018		March 31, 2019	
	Amount	Business weightage	Amount	Business weightage	Amount	Business weightage
E-sports	1,066,960	82.59%	995,133	81.73%	238,735	87.31%
General cooling	89,312	6.91%	85,449	7.02%	15,391	5.63%
Communication	49,758	3.85%	61,630	5.06%	5,947	2.17%
Industrial control and home appliances	56,894	4.41%	48,640	3.99%	9,662	3.53%
Vehicles and other	29,023	2.24%	26,743	2.20%	3,706	1.36%
Total	1,291,947	100.00%	1,217,595	100.00%	273,441	100.00%

##### (3) The Company's current products (services)

The Company's products are e-sports cooling fans, general computer cooling fans, communication, industrial control, home appliances, and vehicle cooling fans, including modules, plastic injections, SMT, wires, and relevant processing.

##### (4) Planned developments for new products (services)

The Company continues to develop computer cooling products through its complete processes in the field of fans. In addition to display card cooling fans, products continue to be added, such as power supply, chassis, CPU fans, and other customized products. Markets other than computer cooling include vehicle fans (cooling or exhaust), electric vehicle charging pile pooling, industrial control products (inverters, transformer cooling), home appliances, and so on. Through the continuous development of related products and application fields, customers jointly develop new products to strengthen the R&D momentum, continue to expand product application diversity, thereby enhancing markets and customer sources.

#### 2. Industry overview

##### (1) Industrial status and development

With the trend of IoT and portable products, the global electronic information products continue heading toward the direction of light, thin, short, small, fast-computing, multi-function and energy-saving, leading to the continuous development of the internal chip operation clock. According to the theory of current thermal effect, electronic products during operation will generate unnecessary heat due

to the effect of circuit current impedance. If heat fails to be effectively eliminated but instead build up in electronic components, the electronic components may be damaged due to temperature elevations. According to IEK's report, among the causes of device damage, high temperature causing dysfunction accounts for the highest ratio reaching 55%, higher than other causes such as vibration, humidity, and dust. Therefore, the quality of cooling devices has a huge impact on electronic product operations. Under this trend, the cooling efficiency requirement for cooling component also continues to rise.

In the field of thermal current, the cooling efficiency of forced convection is better than natural convection. Therefore, fan related applications have always played a vital role in cooling modules.

As for 5C products (communications, computers, consumer electronics, automotive electronics, and medical electronics) applied in fan design over the years, in addition to rotation speed, efficiency, energy saving, low noise, long life, and stability improvements, how to design products in line with these applications has become one of the competitive indicators for fan manufacturers.

Looking ahead, the Company shall enter two blocks: the e-sports industry and VR based on the current development trend of the consumer electronics industry. Incited by global professional e-sports leagues, industries and VR are two blocks to enter. With the global professional leagues, an international market survey organization Newzoo released the "2019 global e-sports market report" on February 13<sup>th</sup>, 2019, forecasting the e-sports market size will exceed the USD 1 billion mark for the first time and creating a new benchmark of prosperity like never before for the continuously booming industry; the rise of the e-sports industry had depended on the construction of prerequisites such as game software, computer technology, network equipment, business models and creation of business opportunities in concerted efforts. Therefore, domestic and foreign manufacturers have actively engaged in developing e-sports business.

In addition, major manufacturers have actively engaged in the VR market. As far as the market segmentation is concerned, it can be divided into two categories: smart machines and high-performance hosts, the former with a lower barrier to entry, including Google Cardboard, Samsung, Gear VR, and so on in the market. Another type is the VR device with a high-performance host, which is a promising VR market. Currently, Sony, PlayStation VR, Oculus Rift under Facebook, and HTC (2498) Vive are available. According to the analysis of an industrial research survey institution, the annual contribution value of global VR devices is expected to reach \$35 billion by 2020, which certainly include hardware and software. As for VR device shipments, the target is to reach 10 million units, and the market of focus will remain game related.

First-tier international manufacturers have actively engaged in VR development at present. Although significant profits are yet to be seen, manufacturers that profit from the industry usually join at the beginning of industrial development. In addition, VR will be followed by AR (augmented reality), these international manufacturer have the need to actively take part.

The Company relies on its outstanding product design capabilities, coupled with high manufacturing process quality standards and deep plows on the customer end to jointly develop market strategies to increase capacity and fast delivery capabilities. The Company is convinced it will have strong competitiveness in the future cooling fan industry.

(2) Correlation of upstream, midstream, and downstream industry:

The Company's current main product line consists cooling fan products. Cooling fan components are complex. The upstream related industries include: plastic raw materials, bearings, steel, metal processing, die-casting (aluminum die-casting, powder metallurgy, molds (metal stamping and plastic injection), wires, connectors, driver IC, passive components (resistors/capacitors/inductors), printed circuit boards, and so on.

There is a wide range of downstream cooling fan applications. Fans are needed by all for enhancing air convection cooling efficiency. The fields of application include: information industry, Netcom equipment, optoelectronic industry, home appliance industry, information home appliances, audiovisual devices, industrial commercial equipment, automotive and electronics industries.

(3) Product development trends

With the rapid development of technology and ever-changing products, the applications and market demand also continue to expand and change. In recent years, in addition to the rapid popularization of smart phones, tablet PCs, and other consumer mobile devices, the rapid development of high-end technologies including 5G big data, Internet of things (IoT), cloud computing, and artificial intelligence (AI) technologies have also led to the rapid development of more emerging industries, such as cloud servers, electric vehicles, VR devices, unmanned aerial vehicles, etc. Therefore, more and more industries need cooling modules or other cooling products. Cooling product manufacturers with solid foundation and competitiveness have stepped into niche operating markets or seized market share in middle-high end product applications in recent years, reaching out to application fields other than the traditional computer industry to seek higher profits. The e-sports boom in recent years has led to the industry's increasing higher demand. Many traditional computer and component brand manufacturers have put in more efforts to enter the niche e-sports market and actively develop e-sport-exclusive product series, in the hope of keeping up with e-sports industrial growth. However, due to the increasing number of competitors, in order to cater to the needs of module manufacturers or end customers, 3Hs and double-speed product strategies will be the key to success.

A. Three Highs

(a) High Quality:

In response to the global environmental concept trend, major computer manufacturers have one after another increased quality requirements, strictly prohibiting harmful substances in electronic products during processes or final products. Only by passing international manufacturers' high-standard quality audit and environmental certifications can there be sustainable orders.

(b) Long Life:

Fans have a long life, which can increase customers' product use life and reduce burdens on the environment and public security during future maintenance and recycling.

(c) High Performance:

"Light, thin, short, and small" are a featured development trend for all electronics products. How to use technology, innovation, R&D, and design to develop new materials for application in order to bring out high cooling efficiency in the limited spaces of mechanisms and using smart functions in place of manual information collection are the keys to successfully receiving

purchase orders.

## B. Double Speed

### (a)Fast Design:

Due to the short life cycle of video cards, new video card chips NV/AMD continue to be launched every year. Therefore, in order to become a cooling fan manufacturer with a high market share, one must obtain new product specifications and marketing and market demand related information the fastest. Supplemented by software and hardware design equipment and years of solid industrial application and development technologies, products can be quickly design; in the design, process smoothness should be considered to achieve speedy manufacture and products with high yield rates through reasonable processes.

### (b)Fast Delivery:

The factory demonstrates a high degree of vertical integration, from molding, injection molding, fan processing, SMT, motor winding, rotor processing, stator assembly, wire processing, finished product assembly, high compliance with delivery dates, high production flexibility, and quality control. At the same time, well-planned inventory, supplier management plans, and speedy and unobstructed shipment processes and transportation should be established to avoid stagnant inventory and materials.

## C. Three Lows (3Ls)

### (a)Low Costs:

With the global 3C industry's price competition becoming increasingly fierce, all suppliers are facing enormous pressure to reduce prices. Therefore, how to apply efficient management, enhance our own component manufacturing, improve processes, increase yield rates, vertically integrate manufacturers, automation I place of manpower to reduce costs, and increasing gross profit are the objectives of uttermost importance to the industry at present.

### (b)Low Noise:

Cooling fans with thermal modules and system applications are widely used in daily life. Take for example an environment where notebook computers are readily accessible, a quiet office, and an audiovisual equipment environment, the size of noise value and even noise quality are listed for consideration as product rating indicators and the key factors contributing to proprietors' competitive market advantage.

### (c)Low Power Consumption:

In response to the trend of energy conservation and carbon reduction, 3C products, 3C products take on the design goal of power consumption reduction. Therefore, the Company's fan motors, blades, and circuits are matched for low-energy R&D and applications in line with the design goals customers.

In view of the above future industrial development trends, whether cooling fan manufacturers can continue to launch products in line with market trends will be the key factor contributing to whether the proprietor can gain an advantage in the competitive market.

## (4) Competition

The major competitors of cooling fans are classified as follows:

- A. Well-known international Japanese manufacturers: Sanyo, Denki, Nidec, and NMB.
- B. Domestic first-line manufacturers: Sunon, Asia Vital and Delta.
- C. Other companies: Everflow Technology Corp., Yungli, and Chinese investment company FirstCo Corp.

Since there are many competitors and that cooling fan applications are for the 3C industry with steady growth and maturity, the industry target customers with large purchase orders and use price competition as a means of marketing, thus the fierce market competition and resulting in the industry's price shreds for sales and quality inconsistency. In view of the Red Sea market, the cooling fan manufacturers encounter blind spots, including: 1. Slow production operation with poor flexibility; 2. Inability to comply with small quantities and large diversities; 3. Inability to quickly respond to and coordinate new product development for customers. The above are the keys to the Company's urgent need to achieve breakthroughs in the industry

Due to the short Lifecycle of IT products, complex design, rapid R&D, and high-quality requirements, the coordination of components to technology update and speed is of greater importance. With the product differentiation inclination and in response to the customers' varied product specifications and appeals, manufacturers must possess process response capability and R&D, innovation, and changeability ability in order to timely meet customers' needs. The Company at the time of entry into the video card market engaged in development of its own technologies. With years of accumulated R&D experience, in addition to its many patent applications to ensure company competitiveness, the product design, delivery dates, and quality are developed and adjusted according to customers' requirements and quickly respond to market changes. With the rise of 5G and AI applications and through smart fan R&D and active process improvement, productivity and market competitiveness can be enhanced.

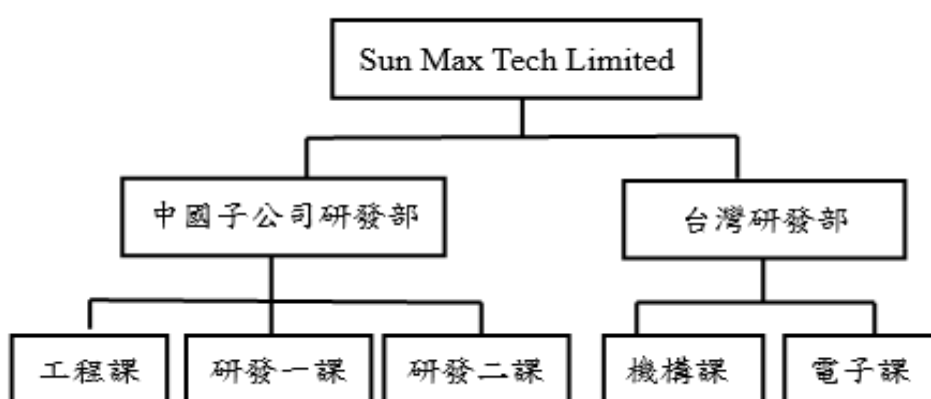


### 3. Technological research and development

#### (1) Technical level and R&D for business operations

The Company has deep plowed the field of fan products for two decades. Currently, new products are mostly co-developed with end customers, in close cooperation with customers as early as R&D commencement. Product design is carried out targeting different customer attributes, and mass production is imported. In addition to product R&D, process improvement continues to be ongoing. Automated equipment continues to be imported to enhance production efficiency and quality and reduce production costs. In addition, the Company engages in technological cooperation with its customers and suppliers to improve product function and enhance the Company's innovation and R&D competitiveness.

The Company's R&D Department's organization is as shown in the diagram below:



#### (2) Academic/career backgrounds of the R&D personnel

Unit: person

Year		2015	2016	2017	2018	March 31, 2019
Education	Doctoral Degree	0	0	0	0	1
	Master	1	1	2	2	3
	Bachelor	1	2	3	3	3
	College	16	13	9	11	11
	Senior High School (Including below)	13	16	19	15	16
	Total	31	32	33	31	34

#### (3) Annual R&D expenses for the last 5 years

Unit: NT\$ thousand; %

Year \ Item	2014	2015	2016	2017	2018	2019Q1
Research and development expenses	8,984	10,218	20,739	25,325	31,063	7,031
Net revenue	732,564	841,107	1,173,895	1,291,947	1,217,595	273,441
Percentage to operating revenue	1.23%	1.21%	1.77%	1.96%	2.55%	2.57%

(4) Successfully developed technologies or products for the last 5 years

Year	R&D results	R&D results
2012	Product design	6 fan structures, circuit related patents.
2013	Product design	4 forward and reverse fan circuit designs, fan dustproof structure, centrifugal fan runner design, anti-leakage structure improvement patents.
2015	Product design	2 fan structures, circuit related patents.
2016	Product design	18 fan structure, blade, water cooling system related patents.
2017	Product design	15 fan structure patents
2018	Product design	43 fan structures, circuit control, and LED related application patents

4. Long-term and short-term business development plans

(1) Short-term business development plans

- A. Having closer cooperation with agents to introduce new customers.
- B. Actively develop niche product markets, such as peripheral cooling fans for electric vehicles, and diversified home appliances for higher profits.
- C. Refining the automation equipment to increase the flexibility of a small but a variety of production.

(2) Long-term business development plans

- A. With the development of the technology industry and the trend of consuming electronics integration, the Company continues to enhance its core competitiveness and creativity through innovative R&D and design, enhanced manufacturing capabilities and improved application technology.
- B. Develop overseas customers and markets to lead the Company toward globalized development.
- C. Develop smart fans and promote to product, adding new fan ideas.
- D. Engage in the R&D of new-energy products such as cooling fan charging cabinets and charging modules.
- E. With the rise of AI and 5H, develop diversified market fan design and applications to rapidly design products in line with customers' needs and become a competitive indicator for other fan manufacturers.

## II. Market and sales overview

### 1. Market Analysis

#### (1) Main products (services) sales (providing) area

Unit: NT\$ thousands

Sales area	2017		2018	
	Amount	Proportion%	Amount	Proportion%
China	1,129,321	87.42	1,001,632	82.26
Taiwan	52,366	4.05	85,995	7.06
Others	110,260	8.53	129,968	10.68
Total	1,291,947	100.00	1,217,595	100.00

#### (2) Market share

The Company is the world's main e-sports PC cooling fan supplier at present who provides customers with more competitive products featuring unique performance. It also continues to enter and develop new fields including new energy, automotive charging cabinets, vehicles, and NB e-sports market to take on greater and more difficult challenges. In recent years, the government has passed legislation to list e-sports as an official sporting event. The Hangzhou Asian Games to be held in 2022 will include e-sports in the official competition; the International Olympic Committee is also expected to introduce e-sports as one of the sporting events in the 2024 Paris Olympics, making e-sports a promising industry in terms of its long-term development. Countries around the world have increasing recognition for the e-sports industry. The large e-sports competition holdings and broadcasting at home and abroad also contribute to e-sports industry promotions. According to statistics of market survey institution Newzoo, the e-sports market is expected to reach USD 16.5 billion in output and achieve 27.4% compound annual growth rate by 2021. According to estimates of Digi Capital, the global digital gaming market size will reach USD 115 billion by 2020. The middle-term and long-term growth momentum of the e-sports industry is taken care of.

#### (3) Future market supply and demand and the growth

##### ① Video Card Market

With NVIDIA's launch of 2080TI/2080/2070 in 2018 and the intensive launch of the new-generation Turing middle-end RTX2060, GTX 1660Ti, and GTX1660 series chips beginning the first quarter of 2019. It is expected that by the second quarter of 2019, NVIDIA low-end GTX1650 will also be staged to create a new wave of demand and accelerate consumer card changes.

With the significantly improved performance of NVIDIA's new-generation Turing series chip compared to the current structure, the Company launched the new version of Turing series for e-sports cooling fan use, which was marketed in the third quarter of 2018. Downstream card proprietors believe it will help promote a new wave of "changing old machines for new ones" in the e-sports market. According to proprietors, NVIDIA Corporation's new-generation chip e-sports graphic card have been significant improvement compared to that of the previous generation and is expected to contribute significantly to demand for "changing old machines for new ones" e-sports machines. The Company will continue to adhere by its advantage of "fast beating slow," providing customers with new-generation

e-sports cooling products at the earliest time and further promoting the Company's growth momentum in revenue and profit.

② Personal Computer Market

With the e-sports demand, consumers demand systems with high computing power, thus leading to e-sports PC growth.

③ Notebook Computer Market

With the e-sports demand and GPU thermal elevation, there is an urgent need for fans for cooling. Therefore, the original single-fan cooling will mostly be changed to double-fan cooling.

(4) Competitive niche

① The diversity of one-stop production lines, mass production, and planning management-based manufacturing advantage meet customers' demand for delivery flexibility as well as market changes.

② Setup of independent production lines: Products with high products in small quantities and large diversities (machine models) in response to new products on the market.

③ The Company maintains long-term positive partnerships with its major customers to jointly develop new products and provide opinions and demands, create a closer collaboration mode, and strengthen "working with customers as one" to markets in concerted efforts.

④ Price Competitiveness: Engage in lean production management in response to the pressure of rising costs, promote management improvement through technology improvement and importation of automated equipment, gradually achieving market demand for price drops.

⑤ International Certification: The Company has obtained ISO9001 & ISO14001 system certifications for many years. For ISO/TS16949, the IATF16949 certification was obtained in 2017, and the quality of products manufactured have received much recognition from customers.

⑥ Achieved harmonious labor relations, production efficiency and quality stability.

(5) Advantages and disadvantages of future development and the countermeasures

① Favorable factors

A. Grasp of Research and Development and Markets

In the cooling fan production process, in addition to integration material applications and fluid mechanics related knowledge, the production technology R&D capabilities of manufacturers have also been put to the test. In addition to professional R&D personnel with a solid background, the Company has also obtained international certifications, including ISO9001 and ISO14001 and has obtained certification from major domestic and foreign manufacturers, a full indication of the Company's receiving affirmation and recognition.

B. Increased Market Demand

Although the global PC market is showing a decline trend, the e-sports industry continues to achieve growth. Due to the changing PC demand and the flourishing e-sports market development, in addition to having a video card market share, the Company also actively develops the vehicle and medical care

market, as well as providing water cooling technology related applications.

### C. Product Competitiveness

Effective cost control gives the Company a better competitive edge, which is coupled with the high level of internalized production at present and a rapidly accelerating degree of automation.

- (A) Provide customers with instant and rapid services.
- (B) Provide unit prices with market competitiveness.
- (C) Shipments are in cooperation with customers' required delivery dates.
- (D) Increase production output and reduce process defective rates.
- (E) Provide customers with technical support.

## ② Unfavorable Factors and Specific Coping Strategies

### A. Fierce Market Competitiveness

Due to the increasing competition in PC products, electronic components have been facing increasing pressure to lower prices. With the shorter life cycle of PC products and numerous competitors, the industry's under greater competitive pressure.

#### Responsive strategies:

Fully grasp market changes actively enhance R&D design and management capabilities, strengthen supply chain vertical integration, enhance internalization level, and accelerate automated production.

### B. Rapid Increase of Labor costs

Due to rapid cross-trait development, increased national income, and yearly wage increases in recent years, labor requirements and production costs increase every year. Moreover, the current cooling fan assembly process requires manual assembly, testing, and packaging, resulting in operational pressure.

#### Responsive strategies:

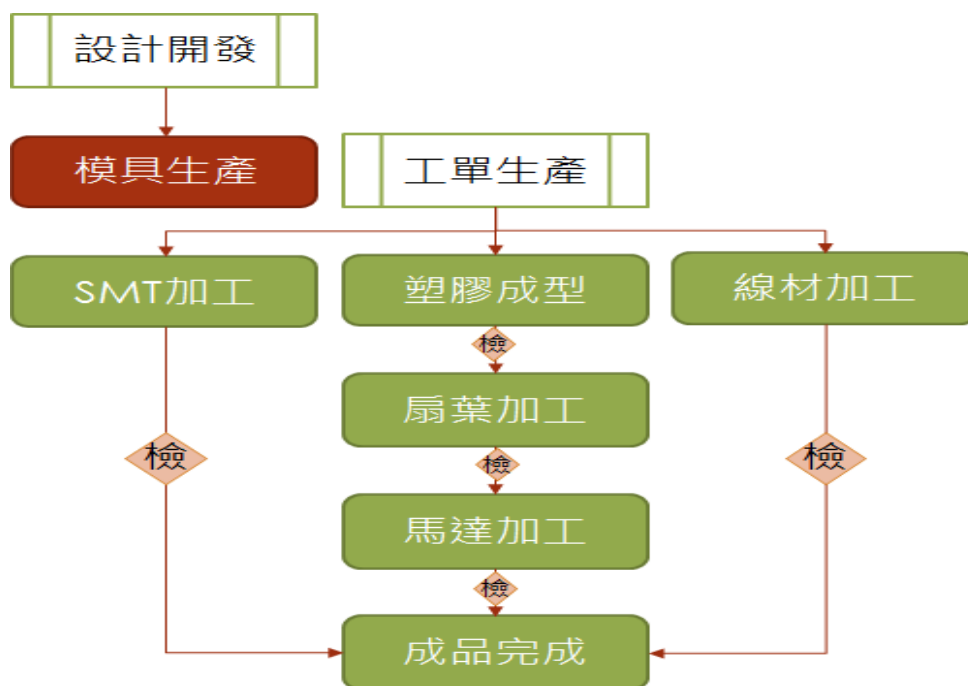
In addition to developing products with high performance and high profits, automated production is also gradually improved and accelerated to reduce demand for labor during production processes. In addition, the Company also actively engages in the research and development of cross-domain new products to enhance added value.

## 2. The purpose of key items and production process

### (1) Intended use of the main products

Main products	Important Uses
Cooling fan	PC, NB, Communication network, industrial control, vehicle, home appliances, and other mechanical cooling components.

(2) The production process of the main products



3. Supply of key materials

Main raw materials	Main Sources	Supply status
IC	China/Taiwan	Good
Bearing	China/Taiwan	Good
Plastic material	China/Taiwan	Good
Diode	China/Taiwan	Good
PCB	China/Taiwan	Good
Packaging material	China/Taiwan	Good
Enameled wire	China/Taiwan	Good
Capacitance	China/Taiwan	Good
Silicon lamination	China/Taiwan	Good
Copper alloy	China/Taiwan	Good

#### 4. List of key customers for purchase and sales

- (1) Names of suppliers accounting for more than 10% of the total purchase in any of the last 2 years, the amount of purchase and proportion to total purchase, and explain the reasons for the changes

Unit: NT\$ thousands

Item	2017				2018				2019Q1			
	Name	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer
1	Manufacturer A	71,168	13.66	None	Manufacturer A	86,181	17.72	None	Manufacturer A	3,836	3.81	None
2	Manufacturer B	61,621	11.83	None	Manufacturer B	52,300	10.76	None	Manufacturer B	10,383	10.33	None
3	Others	388,151	74.51	None	Others	347,763	71.52	None	Others	86,332	85.86	None
	Purchase Net	520,940	100.00		Purchase Net	486,244	100.00		Purchase Net	100,551	100.00	

Manufacturer A: Compared to 2017, the net ratio in annual purchase increase by \$15,013,000 in 2018 due to customers' changed model orders. The product features more stable fan speed, low noise, and long life. Manufacturer B: Compared to 2017, the net ratio in annual purchase decreased by 9,321,000 in 2018 due to customers' changed product functional requirements and instead purchased components with market required function, leading to a reduced purchase volume.

Manufacturer A: Compared to the same period the previous year, there was a decrease of 89.06% in the first quarter of 2019; Manufacturer B: Compared to the same period the previous year, there was a decrease of 65.06% in first quarter of 2019 due to a decrease in shipments in the first quarter of 2019 compared to the same period the previous years and customers' changed product functional requirements and instead purchased components with market-required functions, leading to a reduced purchase volume.

Compared to the same period the previous year, the net purchase in the first quarter of 2019 decreased by \$86,958,000, mainly due to a reduced shipment volume compared to the same period.

- (2) Names of customers accounted for more than 10% of the total sale in any of the last 2 years, the amount of sale and proportion to total sale, and explain the reasons for the changes:

Unit: NT\$ thousands

Item	2017				2018				2019Q1			
	Name	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer
1	Customer A	486,492	37.66	None	Customer A	392,594	32.24	None	Customer A	77,832	28.46	None
2	Customer B	257,048	19.90	None	Customer B	240,747	19.77	None	Customer B	80,946	29.60	None
3	Others	548,407	42.44	None	Others	584,254	47.99	None	Others	114,663	41.93	None
	Sale Net	1,291,947	100.00		Sale Net	1,217,595	100.00		Sale Net	273,441	100.00	

The Company's sales to customers decreased in 2018 mainly due to NVIDIA's launch of 2080TI/2080 new chip in the third quarter of 2018 whose sales fell short of expectations and failed to create a new demand or accelerate the wave of "customers' changing old cards for new ones."

#### 5. Production volume and value in the last 2 years

Unit: NT\$ 1,000/ 1,000 set

Main Products	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
E-sports	14,085	12,149	837,002	14,894	12,388	944,010
General cooling	1,513	1,305	61,592	1,4674	1,392	70,629
Communication	1,163	1,003	50,217	432	359	31,305
Industrial control and home appliances	890	768	51,865	792	659	45,884
Vehicles and other	88	76	4,781	118	98	5,217
Total	17,739	15,301	1,005,457	17,909	14,896	1,097,045

The Company's production output and yield increased compared to 2017. In particular, the overall yield in 2018 increased by \$91,588,000 compared to 2017.

#### 6. Sale volume and value in the last 2 years

Unit: NT\$ 1,000/ 1,000 set

Main Products	2017				2018			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
E-sports	10,345	998,445	700	68,515	8,493	872,834	1,209	122,299
General cooling	965	69,358	321	19,954	1,128	61,228	316	24,222
Communication	530	21,228	405	28,530	367	28,766	395	32,864
Industrial control and home appliances	356	18,638	458	38,257	312	16,974	346	31,666
Vehicles and other	355	21,652	62	7,370	6,629	21,830	49	4,912
Total	12,551	1,129,321	1,946	162,626	16,929	1,001,632	2,315	215,963

The Company's overall revenues decreased by \$74,352,000 compared to 2017 due to stagnation of video cards for mining machines in 2018 and NVIDIA's launch of new chip high-end RTX video card (2080&2080TI) with an overly high price tag, coupled with games supporting raytracing being too few, resulting in system manufacturers' sales falling short of expectation, and delayed launch of middle-end and low-end chips 1660&1650, resulting in lower revenue.

### III. Number of employees in the last 2 years to the date this report was printed.



Unit: person; year; years old

Year		2017	2018	March 31, 2019
Employee No. of Person	Direct labor	655	524	557
	Indirect labor	235	213	177
	Total	890	737	734
Average age		32.89	33.73	32.08
Average seniority		2.62	3.33	3.03
Academic qualification	Doctoral Degree	0	0	0.13%
	Master	0.68%	0.67%	0.82%
	College	16.85%	8.96%	11.04%
	Below Senior High School	82.47%	90.37%	88.01%

#### IV. Information on spending on environmental protection

1. Permit of the installation of pollution treatment facility, or permit for emission of pollutants, or the payable fees for anti-pollution treatment, or the appointment of the designated body and personnel for environmental protection under law, and the status of licensing, payment or installation of such facility:

##### (1) Pollution Facility Setup and Pollutant Discharge Permit

POWER LOGIC TECH. INC. and SUN MAX mainly produce cooling fans and use plastic parts, circuit boards, silicon lamination, enamel wires, magnetic strips, metalclad, and wire as raw materials. The main process equipment includes injection machines, winding machines, pin inserting machines, tin furnaces, soldering irons, placement machines, oscilloscopes, pneumatic presses, etc. Pollutant Discharge and Environmental Impact Rating on Construction Projects and environmental Protection Application Form by Dongguan Environmental Protection Bureau (Changping Branch and Chiaotou Branch): No impact on surrounding environment and no industrial wastewater discharge with signatures affixed as confirmation. POWER LOGIC TEC. INC obtained the ISO14001 International environmental management Verification on June 11, 2007; SUN MAX obtained the certification in May 2018.

Since the processes cause no pollution, only waste disposal by a commissioned certified company according to provisions needs to be done. There is no need to apply for a pollution prevention and control certificate or set up pollution prevention and control facilities.

- A. Signed the Hazardous Waste Disposal Service Agreement with Lungshan Environmental Engineering Co., Ltd. And Baoan Environmental Solid Waste Treatment Plan (Power Logic Tech 2018/06/01~2019/05/31 for industrial waste (liquid) formed during the production processes of SUN MAX 2018/05/15~2019/05/14).
- B. Signed a miscellaneous industrial wastewater transfer agreement with Power Logic Tech. (Dongguan) Inc. 2018/06/01~2019/05/31, SUN MAX 2018/04/01~2020/03/31.

##### (2) Payable fees for anti-pollution treatment

1. On the setup of Power Logic Tech. Inc. in Tianwei Village, wastewater treatment fees were paid to the Tianwei Village Committee. In 2014, payments were instead paid to Guangdong GDH Water Company Limited. The basis of payment was computed by

tap water usage. In 2014, the payment totaling RMB 82,135.36; in 2015, the payment totaling RMB 45,174.44; in 2016 the payment totaling RMB 77,738.40; in 2017, the payment totaling RMB 71,570.4; in 2018, the payment totaling RMB 65,603.66. SUN MAX rendered RMB 124,442.39 in 2017 and RMB 171,886.65 in 2018.

2. Specify the investment in the major equipment of the Company for environmental protection and anti-pollution, the purpose and desired result: None.
3. The effort of the Company in the improvement of the environment from pollution in the last 2 years to the date this report was printed. If there is dispute concerning pollution, specify the process of responding to the situation: Not applicable.
4. Explain the damage (including indemnity) inflicted on the Company due to pollution of the environment and the total amount involved in the punishment. Disclose the plan (including corrective action plans) to cope with the situation, possible expenditures (including possible loss deriving from the failure to take appropriate response, the punishment, and the amount of indemnity. If estimation cannot be reasonable made, specify the fact that estimation cannot be reasonably made): None.
5. Describe the status of pollution and corrective action, and the influence on the earnings, competitive position, and capital expenditures of the Company, and the major capital expenditures for environmental protection projected in the 2 years ahead
  - (1) Current problem of pollution and the influence of the remedy to pollution on the earnings, competitive position, and capital expenditure of the Company  
In the recent two years and as of the annual report printing date, the Company has not incurred events related to pollution affective revenues, competitive status, and capital expenditure.
  - (2) Expected environmental protection capital expenditure in the next two years: None.

## V. Labor-Management Relations

### 1. Staff fringe benefits

Regarding welfare measures for employees of the Company's subsidiaries, in addition to National Health Insurance and Labor Insurance provisioned in Labor Standards Act of the Republic of China, employees are also insured with accident insurance and group insurance and are entitled to the following employee welfare measures: perfect attendance bonus, new year bonus, birthday cash gift, year-end bonus, bonus for three major holidays, incentive bonus, performance bonus, monthly birthday parties, year-end banquet, employee wedding cash gift, maternity allowance, funeral allowance, employee domestic (overseas) education grant, hospitalization consolation money for employees and family members, 2-day weekends, maternity leave for male employees, special leave, annual leave, employee retirement allocation, etc., which guarantee employee benefits.

For staff in the Dongguan Plant, in addition to social pension insurance, hospitalization, outpatient clinic medical insurance, unemployment insurance, industrial injury insurance, and maternity insurance insured by law, there are job promotion and salary raise opportunities every year to timely award employees with outstanding performance. Depending on the company operational performance and employment performance assessments, monthly bonuses and year-end bonuses are distributed. In collaboration with the Welfare Committee, achievement recognition activities are held during major holidays, and annual gatherings are held at the end of the year. The Company promotes proposal improvement activities. If a proposal effectively enhances efficiency or reduces costs, cash prizes are awarded as encouragement.

### 2. Education and Training Situation

The Company focuses on talent cultivation and employees' in-service education and

training, in the hope of enhancing employees' overall literacy and work skills.

(1) Pre-service Training

The Management Department shall commence pre-service training on incoming personnel based on job function and the condition of newcomers in order for them to understand the Company's development history, corporate culture, management rules, industrial safety, environmental management, production processes, quality control, regulatory and legal contents, concept training, etc.

(2) Pre-service Professional Training

Special and professional personnel and personnel of national regulated jobs involving higher risks/special tasks. Before officially commencing work and led by the Management Department, the Recruitment Department shall implement professional pre-service training or commissioned training. Employees may take up their job past after obtaining qualification. The Management Department shall retain and monitor the relevant job transfers, transfer training and qualification evaluation records.

(3) In-service Training (Including Senior Managers)

Commence training on company employees. The Management Department commences management training for management cadres of all levels through irregularly organized and external training or television education planning.

(4) Professional Skill Training

In-service development or facility management personnel shall maintain their mastery and ability to grasp appropriate basic skills, and training shall be implemented to ensure their ability to achieve or maintain relevant requirements in order to improve existing skill-based training.

(5) The 2018 staff advanced study and training

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
1	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	New listed company Internet business reporting operation seminar	2018/2/5	6	Chen Ying-Ju
2	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Summary and analysis of the latest updates to labor laws and regulations and internal control of recent malpractice	2018/2/6	6	CHOU, YI-HSIN
3	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Internal auditing practice and case analysis of the manufacturing industry's "material system"	2018/2/22	3	CHOU, YI-HSIN
4	External Training	Specialized Knowledge and Technical Training	Taipei Exchange	"Promoting Taiwan's Adopting the International Financial Reporting Standards" Seminar	2018/2/23	3	Tiao-wei Ho
5	External Training	Specialized Knowledge and Technical Training	Taipei Exchange	"Promoting Taiwan's Adopting the International Financial Reporting Standards" Seminar	2018/2/23	3	Lui Wan-Ling
6	External Training	Specialized Knowledge and Technical Training	Taipei Exchange	"Promoting Taiwan's Adopting the International Financial Reporting Standards" Seminar	2018/2/23	3	CHOU, YI-HSIN
7	External Training	Specialized Knowledge and Technical Training	Taipei Exchange	"Promoting Taiwan's Adopting the International Financial Reporting Standards" Seminar	2018/2/23	3	Lixang Zhang

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
8	External Training	Specialized Knowledge and Technical Training	Taipei Exchange	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	2018/2/23	3	Chen Hui-Ling
9	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	IFRS15 “Key practical issues”	2018/2/26	3	CHOU, YI-HSIN
10	External Training	Specialized Knowledge and Technical Training	New North City Government Labor Inspection Office	Revised Labor Standards Act Propaganda	2018/3/13	3	Yating Hou
11	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	2018/3/28	3	CHOU, YI-HSIN
12	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	2018/3/28	3	Hung Wei-Liang
13	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 Corporate Governance Evaluation Propaganda	2018/3/28	3	Chen Ying-Ju
14	External Training	Specialized Knowledge and Technical Training	National Taxation Bureau of the Northern Area, Ministry of Finance	Profit-Seeking Enterprise Income Tax Return	2018/4/19	3	Yujun Wang
15	External Training	Specialized Knowledge and Technical Training	National Taxation Bureau of the Northern Area, Ministry of Finance	Profit-Seeking Enterprise Income Tax Return	2018/4/19	3	Zixiu Huang
16	External Training	Specialized Knowledge and Technical Training	National Health Insurance Administration, MOHW	Health Insurance Practice Seminar	2018/4/20	3.5	Yating Hou
17	External Training	Specialized Knowledge and Technical Training	CTBC Bank	The impact on enterprises and analysis of global anti-tax avoidance and anti-money laundering efforts	2018/4/24	3	Peiling Wu
18	External Training	Specialized Knowledge and Technical Training	CTBC Bank	The impact on enterprises and analysis of global anti-tax avoidance and anti-money laundering efforts	2018/4/24	3	Lixang Zhang
19	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	The latest annual profit-seeking business income tax return practice seminar	2018/4/26	3	Lui Wan-Ling
20	External Training	Specialized Knowledge and Technical Training	Labor Insurance Bureau	New insured unit briefing	2018/4/26	3	Yating Hou
21	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	The latest annual profit-seeking business income tax return practice seminar	2018/4/26	3	Lixang Zhang
22	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	Lui Wan-Ling
23	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Lui Wan-Ling
24	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	LI, Yung-Yi
25	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	LI, Yung-Yi
26	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	CHOU, YI-HSIN
27	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the	2018/4/27	3	CHOU, YI-HSIN

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
				Board of Directors to corporate governance evaluation			
28	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	LIN, Chun-Yen
29	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	LIN, Chun-Yen
30	External Training	Specialized Knowledge and Technical Training	National Health Insurance Administration, MOHW	Underwriting E-working briefing	2018/4/27	3	Yating Hou
31	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	Hung Wei-Liang
32	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Hung Wei-Liang
33	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	HSU Wen-Faung
34	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	HSU Wen-Faung
35	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	Chen Ying-Ju
36	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Chen Ying-Ju
37	Internal Training	corporate governance	Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	2018/4/27	3	Chen Hui-Ling
38	Internal Training	corporate governance	Corporate Governance Association in Taiwan	The response and application of the Board of Directors to corporate governance evaluation	2018/4/27	3	Chen Hui-Ling
39	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Analysis of the income recognition issue subject to IFRS15 since 2018	2018/5/10	6	Shixian Pan
40	External Training	Specialized Knowledge and Technical Training	China Association of Personnel Officers	Employees' leave management and legal requirements	2018/5/17	6	Yating Hou
41	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Summary and analysis of the latest updates to labor laws and regulations and internal control of recent malpractice	2018/5/29	3	Shixian Pan
42	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Analysis of IFRS 16 "Leases"	2018/6/12	3	Shixian Pan
43	External Training	Specialized Knowledge and Technical Training	PricewaterhouseCoopers Legal Taiwan	"EU GDPR, Comparison with Taiwan's Personal Information Law and Response to Common Misunderstandings and Compliance" Workshop	2018/8/28	3	CHOU, YI-HSIN
44	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Listed company internal control business propaganda	2018/8/30	3	CHOU, YI-HSIN
45	External	Specialized Knowledge and Technical	Taiwan Securities	Listed company	2018/8/30	3	Shixian Pan

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
	Training	Training	Exchange Corporation	internal control business propaganda			
46	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Advanced study courses for the accounting officers of the securities issuers by the Taipei Stock Exchange	2018/9/13	3	Chen Hui-Ling
47	External Training	Specialized Knowledge and Technical Training	National Health Insurance Administration, MOHW	Supplementary insurance premium withholding and declaration and medical classification propaganda	2018/9/14	3	Yating Hou
48	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Advanced study courses for the accounting officers of the securities issuers by the Taipei Stock Exchange	2018/9/14	3	Chen Hui-Ling
49	External Training	Specialized Knowledge and Technical Training	Accuvally Inc.	Evaluate business performance and risks from TIMM	2018/9/27	3	CHOU, YI-HSIN
50	External Training	Specialized Knowledge and Technical Training	Accuvally Inc.	Evaluate business performance and risks from TIMM	2018/9/27	3	Hung Wei-Liang
51	External Training	Specialized Knowledge and Technical Training	Taipei Computer Association	Common labor dispute case handling practice	2018/10/17	3	Yating Hou
52	External Training	Specialized Knowledge and Technical Training	Taipei Computer Association	Common labor dispute case handling practice	2018/10/17	3	Hung Wei-Liang
53	External Training	Specialized Knowledge and Technical Training	PwC Taiwan	“Taiwanese manufacturers’ response to the China-US Trade War” Workshop	2018/10/19	3	CHOU, YI-HSIN
54	External Training	Specialized Knowledge and Technical Training	PwC Taiwan	“Taiwanese manufacturers’ response to the China-US Trade War” Workshop	2018/10/19	3	Shuhua Hsieh
55	External Training	Specialized Knowledge and Technical Training	Professional Actuary Management Consulting Co., Ltd.	Education and training – Professional Actuary Management Consulting Co., Ltd.	2018/10/23	3	Lixang Zhang
56	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Details in the latest amendment to the Company Act	2018/10/24	3	Lui Wan-Ling
57	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Promoting the adoption of Inline XBRL filing financial report by enterprises propaganda	2018/10/25	3	Zixiu Huang
58	External Training	Specialized Knowledge and Technical Training	Securities and Futures Institute	2018 Insider Trading Prevention Publicity Conference	2018/10/26	3	CHOU, YI-HSIN
59	External Training	Specialized Knowledge and Technical Training	Securities and Futures Institute	2018 Insider Trading Prevention Publicity Conference	2018/10/26	3	Hung Wei-Liang
60	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Listed company business propaganda	2018/10/30	3	Peiling Wu
61	External Training	Specialized Knowledge and Technical Training	Labor Inspection Office	Labor Dispute Prevention and Labor Standards Act	2018/10/30	3	Yating Hou
62	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Listed company business propaganda	2018/10/30	3	Chen Ying-Ju
63	External Training	Specialized Knowledge and Technical Training	Deloitte	Promoting Taiwan’s adoption of the International Financial Reporting Standards Workshop	2018/11/5	3	Shuhua Hsieh
64	External Training	Specialized Knowledge and Technical Training	ZOTECH Co., Ltd.	Veritas Backup Exec Backup Operations Course	2018/11/20	7	Zhihong Liao
65	External	Specialized Knowledge and Technical	Taiwan Securities	2018 listed companies	2018/11/26	3	Hung

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
	Training	Training	Exchange Corporation	prepare a corporate social responsibility report course in accordance with the GRI guidance			Wei-Liang
66	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	2018 listed companies prepare a corporate social responsibility report course in accordance with the GRI guidance	2018/11/26	3	Chen Ying-Ju
67	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Details in the latest amendment to the Company Act	2018/11/27	3	Lixang Zhang
68	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Investigate the cash flow ~ discover fraud	2018/11/28	3	Lui Wan-Ling
69	External Training	Specialized Knowledge and Technical Training	Hua Nan Securities	Analyzing the development of emerging industries	2018/12/3	3	Lui Wan-Ling
70	External Training	Specialized Knowledge and Technical Training	Hua Nan Securities	Analyzing the development of emerging industries	2018/12/3	3	Chen Ying-Ju
71	External Training	Specialized Knowledge and Technical Training	PwC Taiwan	Taiwan's virtual currency development and fiscal tax issues	2018/12/6	1.5	Tiao-wei Ho
72	External Training	Specialized Knowledge and Technical Training	Deloitte & Touche	Equity planning	2018/12/6	2	Tiao-wei Ho
73	External Training	Specialized Knowledge and Technical Training	NTU College of Law	Judging future business disputes, practicing in commercial courts with expert witnesses	2018/12/7	3	Hung Wei-Liang
74	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 listed company education and training	2018/12/19	3	Peiling Wu
75	External Training	Specialized Knowledge and Technical Training	Data Systems Consulting Co., Ltd.	Human capital new application trends and systems declaration seminar	2018/12/19	3	Yating Hou
76	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 listed company education and training	2018/12/19	3	Chen Ying-Ju
77	External Training	Specialized Knowledge and Technical Training	Data Systems Consulting Co., Ltd.	Human capital new application trends and systems declaration seminar	2018/12/19	3	Chen Hui-Ling
78	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2018 listed company education and training	2018/12/19	3	Shixian Pan
79	External Training	Specialized Knowledge and Technical Training	PwC Taiwan	Analysis of Key Financial Accounting Practice Issues in Enterprise Mergers and Acquisitions	2018/12/24	6	Lui Wan-Ling
80	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Analysis of corporate "securities fraud" violations and related legal responsibility	2018/12/25	3	Lui Wan-Ling

### 3. Retirement system and practice

The employees of the Company's subsidiary in Taiwan are all entitled to the new retirement plan and none of them are subject to the old retirement pension plan. An employee retirement system is stipulated according to the Labor Standards Act. The Company has an amount equivalent to 6% of the monthly salary appropriated on a monthly basis for future pension payment and this is deposited in the personal pension account of each employee.

The Company's main operating base is located in Dongguan City, Guangdong Province, China. Insurance premiums for each employee are appropriated on a monthly basis and paid to local social insurance bureau. After the employee reaches the

statutory retirement age, he/she can apply for a pension from the Social Insurance Bureau.

4. Agreement between labor and management and various employee benefit maintenance measures

According to Article 83 of the Labor Standards Act: The Company has established the labor and management meeting on March 29, 2018, such that for “coordinating labor-management relations, promoting labor-management cooperation, and improving work efficiency, business units should hold labor-management meetings.” The labor-management agreement related requirements shall be handled in accordance with the law and regulations. In addition, the Company attaches great importance to employee rights and interests; also, it adopts a positive attitude in communicating with employees and strives for humanized management in order to strengthen labor relations and enhance employee loyalty. Apart from setting up an appeal channel and a work team, employees can reflect their opinions at any time by e-mail or suggestion box. The labor and management communication channel is smooth and its implementation is in good condition.

5. Explain the losses suffered by the company due to labor disputes in the last two years and as of the annual report printing date, and disclose the current and future estimated amounts and corresponding measures. If it cannot be reasonably estimated, the facts as to why it cannot be reasonably estimated should be stated:

The Company practices labor policies in accordance with the law. Regarding the inconsistency in the recognition of labor rights and interests, it will be resolved according to consensus and statutory methods. There is no major dispute arising from labor relations. Therefore, there is no loss due to labor disputes.

6. Employee working environment and personal safety protection measures:

The company's Taiwan subsidiary office is used by offices and R&D units.

Item	Contents
Access Control Security Management	1. The office building has a 24-hour security and surveillance system.
	2. Personnel access control requires an access card.
Equipment maintenance and inspection	1. Inspection and maintenance of high and low voltage electrical equipment, air conditioning equipment and firefighting equipment.
	2. According to the provisions of the Fire Protection Law, the qualified Fire Company is entrusted with the maintenance declaration of fire safety equipment every year.
	3. Regular inspections are carried out every year in accordance with the safety inspection rules for dangerous machinery and equipment of Labor Safety Law.
	4. Maintain drinking water equipment regularly to ensure safe drinking water.
Disaster prevention measures and response actions	1. Cooperate with the management committee of the office building to perform various disaster evacuation and evacuation.
	2. Publicize knowledge on disaster prevention and control from time to time.



Dongguan Production Base

Protective measures and implementation for work environment and personal safety of employees	
Item	Specific implementation situation
Occupational Hazard	1. Occupational hazard
	1.1 Each year, the company entrusts professional third parties regularly to test the “Factors on Occupational Hazards in the Workplace” and issue test reports.
	1.2 Develop occupational disease emergency plans and conduct pre-planning exercises regularly to reduce hazards in the workplace.
Self-inspection of Safety Production	2. Self-inspection of safety production: The self-inspection of the unsafe factors that may be generated by employees in the face of different working environments, processes and operations, and the detection and improvement of potential hazards and effective control.
	2.1 Equipment operation: SOP is established for all equipment operation according to the process. The staff can operate according to the SOP after passing the training and issuing the work permits.
	2.2 Machine maintenance: The machine operator needs to maintain the machine daily, and the production department needs to maintain the machine regularly.
	2.3 Job training: Educate and train the employees in the workshop and special positions according to the annual training plan.
	2.4 Precautions: Devices are equipped with protective measures to reduce the chance of occupational injuries.
	2.5 False alarm incident: Improve the site where the environment may cause injury or harm.
Working Environment	3. Working Environment
	3.1 Fire safety: According to the fire laws and regulations, the factory entrusts a third party to carry out fire inspection each year and pass fire inspection.
	3.2 Fire equipment inspection: The security guards should check all firefighting equipment every month and repaired or replaced immediately if the equipment is out of date or out of order.
	3.3 Disaster prevention training: Conduct disaster response and firefighting drill every six months to ensure the safety of working environment.
	3.4 Environmental Testing: Waste water, waste gas and environmental noise are tested regularly every year.
Factory Safety	4. Factory Safety
	4.1 Security guards are stationed and patrolled in the factory 24 hours a day.
	4.2 There is a strict access monitoring system.

VI. Major contracts

(I) Credit and Guarantee Contracts

No.	Contract Party	Contract Counterpart	Contract Date / contract Period	Term of Agreement	Limitation Article
1.	Samoa Power Holdings Limited	Taishin International Bank Co., Ltd.	March 22, 2019 to March 31, 2020	1. The credit line provided by Taishin Bank is US\$ 6 million. 2. A foreign issuer acts as a joint guarantor.	None
2.	Samoa Power Holdings Limited	KGI Bank	May 10, 2018 to August 10, 2019	1. The credit line provided by KGI Bank is US\$ 3 million. 2. A foreign issuer acts as a joint guarantor.	None
3.	1. Samoa Power Holdings Co., Ltd. 2. Dongguan Power Holding CO., Ltd. 3. Dongguan Tai Yi	1. Citi Bank (Taiwan) 2. Citi Bank (China) 3. Citi Bank (China)	1. December 17, 2018 to September 15, 2019 2. January 2, 2019 to September 15, 2019 3. January 2, 2019 to September 15, 2019	1. The credit line provided by Citibank Bank (Taiwan) is US\$ 200,000. 2. The credit line provided by Citi Bank (China) is US\$ 300,000. 3. The credit line provided by Citi Bank (China) is US\$ 2.5 million. All of the above are lent by Citi Bank to related companies of the group Shared Loan Amount: US \$ 3 million, by foreign issuers as a guarantor.	None
4.	DongGuan Tai Yi Electronics Co., Ltd.	Chinatrust Commercial Bank	January 16, 2019 to December 31, 2019	1. The credit line provided by China Trust Bank is RMB 12 million. 2. A foreign issuer acts as a joint guarantor.	None
5.	Taiwan subsidiary (New Energy Technology Co., Ltd.)	Taishin International Bank Co., Ltd.	May 2, 2017 (interim guarantee loan) expires on May 24, 2020.	1. Medium-term guaranteed loan quota: NT\$ 41,900,000. 2. Collateral: 5th Floor, No. 16 Jianba Road, Zhonghe District, New North City, 5th Floor, No. 162, Jianyi Road (Region: 1159-0000, Health Section, Zhonghe District, New Taipei City, No.: Health Section of Zhonghe District, New Taipei City 02737-000, 02610-000) of real estate.	None
6.	British Virgin Islands Business Mobility Technology Taiwan Branch	Taishin International Bank Co., Ltd.	March 22, 2019 to March 31, 2020	1. The credit line provided by Taishin Bank is US\$ 2 million. 2. A foreign issuer acts as a joint guarantor.	None

(II) Sales Contract

No.	Contract Party	Contract Counterpart	Contract Date / contract Period	Term of Agreement	Limitation Article
1.	DONG GUAN DONG LI DIAN ZI CO. LTD	Auras Electronic Science and Technology Industrial (Kunshan) Co., Ltd.	Effective from January 22, 2016	AURAST Technology (Kunshan) Co., Ltd purchases various products from Dongguan Power Holding CO., Ltd; Dongguan Power Holding CO., Ltd is required to undertake the production or delivery of various products to AURAST Technology (Kunshan) Co., Ltd according to the orders.	None
2.	Power Logic Holdings INC.	Auras Electronic Science and Technology Industrial (Kunshan) Co., Ltd.	Effective from January 13, 2016	AURAST Technology (Kunshan) Co., Ltd purchases various products from Dongguan Power Holding CO., Ltd; Dongguan Power Holding CO., Ltd is required to undertake the production or delivery of various products to AURAST Technology (Kunshan) Co., Ltd according to the orders.	None

(III) Lease Contract

No.	Contract Party	Contract Counterpart (Lessor)	Contract Date / contract Period	Term of Agreement	Limitation Article
1.	Dongguan Power Holding CO., Ltd	Zheng Lihong	September 1, 2015 to December 31, 2023	Lease the factory and dormitory located in Dongguan City, Chang Ping Town. 2015.9.1~2016.1.31 RMB 1,911,616.08 per year; 2016.2.1~2017.9.30 RMB 2,239,094.4 per year; 2017.10.1 per year from RMB 2,609,259.36	None
2.	DongGuan Tai Yi Electronics Co., Ltd.	Dongguan Qiaotou Wanjin enterprise investment effective company	December 1, 2016 to November 30, 2026	Lease Building 2nd, No. 3rd, New West Second Road, Dongguan Qiaotou Town Continental district. From the first year to the fourth year of the lease term, RMB 4,524,300 per year; the fifth to eighth year of the lease term, RMB 4,976,730 per year; the lease term from the 9th to the 10th year, RMB 5,474,400 per year.	None

## (IV) Insurance contract

No.	Contract Party	Contract Counterpart	Contract Date / contract Period	Term of Agreement	Limitation Article
1.	Dongguan Power Holding CO., Ltd	China Life Insurance Company Limited	September 8, 2018 to August 15, 2019	The insured item: 1. Buildings and Renovations: RMB 13 million 2. Machinery equipment and office supplies: RMB 10 million. 3. Raw materials, finished products and semi-finished products: RMB 10 million.	None
2	Dong Guan Tai Yi Electronics Co., Ltd.	China Life Insurance Company Limited	August 16, 2018 to August 15, 2019	The insured item: 1. Machinery equipment and office equipment: RMB 20,000,000. 2. Inventories (raw materials, finished products and semi-finished products): RMB 20,000,000	None

## (V) Other Contracts

No.	Contract Party	Contract Counterpart	Contract Date / contract Period	Term of Agreement	Limitation Article
1.	Taiwan Branch	BU IC Electronics Co.	January 1, 2016 to December 31, 2016 Neither party is not before the expiry of two months written notice to the other party not to renew, the automatic extension of about one year, thereafter likewise.	BU IC Electronics Co. provides marketing, after-sales services and supports for Thermal products in South Korea.	None

## Six. Financial summary

### I. Summary balance sheet and comprehensive income statement for the last 5 years

#### 1. Brief balance sheets (International Accounting Standards Board)

Unit: NT\$ thousands

Item	Year	Financial information for the last five year					Ended March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		487,759	540,757	812,067	1,227,447	1,136,718	1,282,798
Property, plant, and equipment		85,007	78,746	168,455	198,393	212,937	211,262
Right-of-use asset							171,089
Intangible assets		4,000	10,618	9,940	7,996	8,667	7,989
Other assets		13,200	21,784	16,347	21,327	28,138	27,052
Total assets		589,966	651,905	1,006,809	1,455,163	1,386,460	1,700,190
Current liabilities	Before Distribution	412,884	379,393	402,179	440,081	247,087	313,019
	After Distribution	412,884	379,393	429,659	(Notes)	(Notes)	(Notes)
Non-current liabilities		67,212	64,019	93,522	126,561	253,475	406,726
Total liabilities	Before Distribution	480,096	443,412	495,701	566,642	500,562	719,745
	After Distribution	480,096	443,412	523,181	(Notes)	(Notes)	(Notes)
Equity of the parent company		109,870	208,493	511,108	888,521	885,898	980,445
Capital stock		59,999	76,422	161,200	237,030	237,030	262,030
Capital surplus		26,487	26,487	171,009	449,000	449,000	509,964
Retained earnings	Before Distribution	1,315	86,498	196,558	228,020	253,058	245,723
	After Distribution	1,315	49,298	141,598	(Notes)	(Notes)	(Notes)
Other equity		22,069	19,086	(17,659)	(25,529)	(37,903)	(21,985)
Treasury stock		0	0	0	0	(15,287)	(15,287)
Non-controlling interest		0	0	0	0	0	0
Total equity	Before Distribution	109,870	208,493	511,108	888,521	885,898	980,445
	After Distribution	109,870	208,493	483,628	(Notes)	(Notes)	(Notes)

Source: Consolidated financial reports of visas audited or reviewed by an accountant in each year or period.

Note: The 2018 annual earnings distribution shall be decided by the board of directors and subject to the resolution of the general meeting of shareholders' meeting.

## 2. Brief Income Statement-(International Accounting Standards Board)

Unit: NT\$ 1,000 in addition to earnings per share

Item \ Year	Financial information for the last five year					
	2014	2015	2016	2017	2018	Ended March 31, 2019
Operating revenue	732,564	841,107	1,173,895	1,291,947	1,217,595	273,441
Gross profit	167,211	215,142	372,306	345,621	240,877	57,967
Operating gains and losses	68,334	129,810	214,572	164,296	83,778	22,096
Non-operating revenues and expenses	(23,427)	5,311	13,655	(26,981)	24,160	(2,326)
Net profit before taxation	44,907	135,121	228,227	137,315	107,938	19,770
Current year profit of continuing business units	1,700	85,183	147,260	86,422	73,777	11,333
gain(loss) from discontinued operations	0	0	0	0	0	0
Net income or loss for current period	1,700	85,183	147,260	86,422	73,777	11,333
Current period other comprehensive income (net, after tax)	10,543	(2,983)	(36,745)	(7,870)	(12,886)	15,918
Current period other comprehensive income (Gross)	12,243	82,200	110,515	78,552	60,891	27,251
Net profit attributable to parent company	1,700	85,183	147,260	86,422	73,777	11,333
Net profit attributable to non-controlling interest	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	12,243	82,200	110,515	78,552	60,891	27,251
Comprehensive income, gross, attributable to non-controlling interest	0	0	0	0	0	0
Earnings per share	0.26	9.78	10.19	4.26	3.12	0.45

Source: Consolidated financial reports of visas reviewed or reviewed by accountants in each year or period

## 3. Names of financial statement auditors in the last 5 years, and their audit opinions

Year	Certified CPA	Name of the affiliated unit	Audit opinions
2014	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2015	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2016	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2017	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2018	Yang Chengxiu, Lin Wangsheng	Deloitte & Touche	Unqualified opinion

## II. Financial ratio analysis

Analytical items		Year	Financial Analysis for the most recent five years				
		2014	2015	2016	2017	2018	Ended March 31, 2019
Financial structure	Debt to assets ratio (%)	81.38	68.02	49.24	38.94	36.10	42.33
	Ratio of long-term capital to property, plant and equipment (%)	208.31	346.06	358.93	511.65	535.08	656.61
Solvency	Current ratio (%)	118.13	142.53	201.92	278.91	460.05	409.82
	Liquid ratio (%)	95.13	119.57	174.75	239.38	381.56	347.17
	Interest coverage ratio (times)	6.80	29.24	108.35	119.69	143.78	6.87
Operating ability	Account receivable turnover (times)	2.76	2.84	2.82	2.23	2.44	3.06
	Days sales in account receivable	132.26	128.36	129.38	163.67	149.59	119.45
	Inventory turnover (times)	6.71	7.25	8.66	7.01	5.60	4.62
	Average days in sales	54.37	50.33	42.15	52.04	65.17	78.99
	Account payable turnover (times)	4.48	4.86	5.38	4.67	5.90	7.65
	Property, plant, and equipment turnover (times)	8.41	10.27	9.50	7.04	5.92	5.16
	Total assets turnover (times)	1.35	1.35	1.42	1.05	0.86	0.71
Profitability	ROA (%)	1.71	14.47	18.00	7.10	5.24	3.64
	Return on equity (%)	1.56	53.51	40.93	12.35	8.32	4.86
	Percentage of net profit before tax to the paid-in capital (%)	74.85	176.81	141.58	57.93	45.54	30.18
	Net profit rate (%)	0.23	10.13	12.54	6.69	6.06	4.14
	Earnings per share (NT\$)	0.26	9.78	10.19	4.26	3.12	0.45
Cash flows	Cash flow ratio (%)	10.17	35.67	(0.97)	6.37	46.55	90.36
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note 1	Note 1	0.72	1.18
	Cash flow reinvestment ratio (%)	13.94	33.49	(0.55)	0.05	5.41	21.18
Leverage	Operating leverage	1.30	1.08	1.06	1.11	1.31	1.62
	Financial leverage	1.13	1.04	1.01	1.01	1.01	1.18

Please describe the reasons for the changes in the financial ratios over the last two years (If the increase or decrease is less than 20 %, the analysis may be exempted from analysis.) Cash flow rate:

**2018-2017 increase (decrease)**

- (1) Interest coverage ratio: The main pre-tax net profit in 2018 was 21.39% lower than that in 2017.
- (2) Inventory turnover rate (times): The main inventory level of the main system is 2018
- (3) Average sales days: The inventory turnover rate is reduced, and the sales days are high.
- (4) Payables turnover rate (times): The main base account payable at the beginning of 2018 is higher, which makes the average payables in 2018 lower than that in 2017, resulting in an increase in the payable turnover rate in 2018.
- (5) Return on assets: The main net profit after tax for the period was reduced by 12,645,000 from the previous period.
- (6) Return on shareholders' equity: The main net profit after tax for the period was 12,645,000 compared with the previous period and the average return on equity for 2018 was higher than the previous period.
- (7) Pre-tax profit to paid-in capital ratio: host system net tax reduction of 29,377 thousand Yuan over the previous period.
- (8) Earnings per share: Mainly due to the decrease in net profit after tax for the current period of 12,645,000 and the increase in the weighted average number of issued shares.
- (9) Cash flow ratio: The increase in main accounts The net cash flow affecting business activities is increased by 87,006,000 compared with the previous period, resulting in an increase in the current cash flow ratio.
- (10) Cash reinvestment ratio: The net cash flow from operating activities of the main system increased by 87,006,000 compared with the previous period, resulting in an increase in the ratio of cash reinvestment in the current period.

Source: Consolidated financial reports of visas audited or reviewed by accountants in each year or period, and the financial report for the year 2013 is inhibitive consolidated financial report.

Note 1: The company was established on November 28, 2013. The consolidated financial report of the proposed IFRSs was prepared in 2013, so no cash flow information for the last five years is available for calculation.

*The financial analysis formulas are as follows:*

1. Financial structure

- (1) The ratio of total liabilities to total assets = total liabilities / total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventories - prepaid expense) / current liabilities
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating ability

- (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory value
- (4) Average days in sales = 365 / Inventory turnover
- (5) Payable (including accounts payable and notes payable arising from business operation)



Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance

- (6) Property, plant and equipment turnover rate = Net sales / Net average property, plant and equipment
- (7) Total assets turnover = Net sales / Total assets

#### 4. Profitability

- (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
- (2) ROE = Income after taxation / Average net equity
- (3) Pre-tax net profit as a percentage of paid-in capital ratio = pre-tax net profit / period-end paid-in capital
- (4) Profit ratio = net income / net sales
- (5) Earnings Per Share after taxation = (Income attributable to parent company – dividends from preferred shares) / weighed average quantity of outstanding shares.

#### 5. Cash flow

- (1) Net cash flow ratio = Net cash flow from operating activities / Current liability
- (3) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital)

#### 6. Leverage:

- (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / Operating profit
- (2) Financial leverage = Operating profit / (Operating profit - Interest expense)

### III. Audit report on the most recent year financial statements by the audit committee

#### The Agreed Report of the Audit Committee

The Audit Committee agreed and the Company's 2018 financial reports, business report, and earnings distribution proposal were resolved by the Board of Directors. The Company's 2018 financial reports were audited by CPA, Cheng-Hsiou Yang and CPA, Wang-Sheng Lin from Deloitte & Touche, and an audit report with unqualified opinions has been provided.

The Audit Committee is responsible for overseeing the financial reporting process of the Company.

The auditor certifies the Company's 2018 financial reports and communicates with the Audit Committee on the following matters:

1. There is no major discovery in the auditing within the scope and time arranged by the auditor.
2. The auditor has provided the Audit Committee with a statement that the persons subject to the independence of the accounting firm have followed the independence of the accountant's professional ethics, and has not found other relationships that may be considered to affect the independence of the accountant and other matters.
3. In the decision from the communication between the auditor and the Audit Committee regarding the key auditing matters, there were not key auditing matters that shall be communicated on in the audit report.

The Audit Committee has agreed on the Company's 2018 financial reports, business report, and earnings distribution proposals, which were resolved by the Board of Directors in compliance with relevant laws and regulations, and are reported as above in accordance with Article 219 of the Company Act.

Presented as above.

To:

SUN MAX TECH LIMITED 2019 Shareholders' Meeting  
SUN MAX TECH LIMITED  
Convener of Audit Committee: HSIEH, Yu-Tien

March 22, 2019

- . Recent consolidated annual financial report and the accountant verification report

**SUN MAX TECH LIMITED**  
**And its subsidiaries**

**Consolidated financial statements and Auditor's Report**  
**2018 and 2017**

Address: The Grand Pavilion Commercial Centre Oleander Way,802 West Bay Road P.O.  
Box32052,Grand Cayman KY1-1208 Cayman Islands  
Tel.: (02)82263300

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail

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## **Auditor’s Report**

To: SUN MAX TECH LIMITED:

### **Audit opinions**

We have audited the accompanying consolidated financial statements of SUN MAX TECH LIMITED and its subsidiaries (hereinafter, “SUN MAX Group”) which comprise the balance sheets as of December 31, 2018 and 2017 and the related consolidated statements comprehensive of income, changes in shareholders’ equity and cash flows for the years then ended and the notes to consolidated financial statement (including a summary of significant accounting policies).

In our opinion, the accompany consolidated financial statements present fairly, in all material respects, the financial position of SUN MAX Group and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuer,” and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and SIC Interpretations\*.

### **The basis for opinions**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors’ responsibilities for the audit of the consolidated financial statements section of our report. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of SUN MAX Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and with other responsibilities of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China performed. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matter**

The “key audit matters” means that the independent auditor has used their professional judgment to audit the most important matters on the 2018 consolidated financial statements of SUN MAX Group. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The key audit matters to be performed on the 2018 consolidated financial statements of SUN MAX TECH LIMITED follows:

#### Recognition of revenue

The operating revenue of Group is mainly from cooling fans sales. The first three customers account for 60% of total operating revenue in FY2018. We (the CPA) consider the industry highly competitive and the management might exit target achievement pressure, so there might be higher risk on revenue recognition. Thus, we determine the key audit matters of the year to be the revenue recognition existence of the first three customers. Please refer to Note 4(11) for revenue recognition policy.

The audit procedure for potential misstatement risk of revenue recognition is as below:

1. Understand and test the design and executive effectiveness of internal control related to sales revenue recognition.
2. Ascertain if there are changes of the first three customers. If there are new customers, except review the basic data and credit valuation statement of customers, test the transaction content to understand if any exceptional situation exists.
3. For the first three customers, audit the sampling of related transaction documents to ascertain the authenticity of sales, timing of revenue recognition and receivable collection situation.

#### Evaluation on inventory

The inventory of Group as of December 31, 2018 is NT\$184,874 thousand measured at the lower of cost or net value method. Because of the rapid changes in product technology the risks of inventory becoming inactive or obsolete increase. Thus, the inventory value might be lower than its book value and the potential misstatement risk might exist in the consolidated financial statements. Accounting policy, significant accounting judgement, estimate and related information disclosure, please refer to Note 4(6) & 9 of the consolidated financial statements.

The audit procedure for potential misstatement risk of inventory valuation is as below,

1. Understand and test the design and executive effectiveness of internal control related to allowance for inventory valuation losses.
2. Select sample from inventory ending balance details, inspect the rationality and consistency of data used for loss allowance on inventory valuation calculation, recalculate the loss allowance on inventory amount and ascertain if the inventory is valued at the lower of cost or net value method.
3. Obtain and compare the data of ending inventory quantity and physical inventory count of the year to verify the existence and completeness of inventory per book. Get involved and observe the fiscal physical inventory count to assess the inventory situation to evaluate the adequacy of loss allowance on inventory valuation loss for obsolete inventory.

#### **Responsibilities of Management and Those in Charge with Governance of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reports Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of SUN MAX Group.

### **Auditor's Responsibilities for the Audit of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in SUN MAX Group.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SUN MAX Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause SUN MAX Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and



implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

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

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

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

Deloitte & Touche

CPA Cheng-Hsiu Yang

CPA Wang-Sheng Lin

Financial Supervisory Commission approval no.

Chin-Kuan-Cheng-Shen-Zi No. 0980032818

Financial Supervisory Commission approval no.

Jin-Guan-Cheng-Shen-Zi No.: 1060023872

March 22, 2019

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2018 and 2017

Unit: NT\$ thousand

Code	Assets	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 541,407	39	\$ 408,245	28
1170	Net notes receivable and accounts receivable (Note 4 and 8)	373,392	27	623,371	43
1200	Other receivables	4,880	1	2,997	-
1220	Current income tax asset (Note 4 and 20)	4,508	-	1,452	-
130X	Inventories (Note 4 and 9)	184,874	13	164,063	11
1479	Other current assets (Note 11)	27,657	2	27,319	2
11XX	Total current assets	<u>1,136,718</u>	<u>82</u>	<u>1,227,447</u>	<u>84</u>
	<b>Non-current assets</b>				
1517	Financial assets at fair value through other comprehensive income non-current (Note 4 and 7)	1,640	-	-	-
1600	Property, plant and equipment (Note 4, 13 and 25)	212,937	15	198,393	14
1780	Intangible assets (Note 4 and 14)	8,667	1	7,996	1
1543	Other financial assets- non-current (Note 4 and 10)	-	-	700	-
1900	Other non-current assets (Note 11)	26,498	2	20,627	1
15XX	Total non-current assets	<u>249,742</u>	<u>18</u>	<u>227,716</u>	<u>16</u>
1XXX	Total assets	<u>\$ 1,386,460</u>	<u>100</u>	<u>\$ 1,455,163</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2170	Notes and account payables	\$ 99,572	7	\$ 231,270	16
2200	Other payables (Note 16)	124,831	9	185,754	13
2230	Current income tax liabilities (Note 4 and 20)	10,079	1	11,309	1
2320	Current portion of long-term borrowings and bonds payable (Note 15)	6,020	-	4,440	-
2399	Other current liabilities	6,585	1	7,308	-
21XX	Total current liability	<u>247,087</u>	<u>18</u>	<u>440,081</u>	<u>30</u>
	<b>Non-current liabilities</b>				
2540	Long-term borrowings (Note 15 and 25)	33,650	2	48,670	4
2570	Deferred income tax liabilities (Note 4 and 20)	70,292	5	77,647	5
2600	Other non-current liabilities (Note 26)	149,533	11	244	-
25XX	Total non-current liability	<u>253,475</u>	<u>18</u>	<u>126,561</u>	<u>9</u>
2XXX	Total liabilities	<u>500,562</u>	<u>36</u>	<u>566,642</u>	<u>39</u>
	<b>Equity Attributable to Owners of the company (Note 4 and 18)</b>				
3100	Common stock capital	237,030	17	237,030	16
3200	Capital surplus	449,000	33	449,000	31
	Retained earnings				
3310	Legal reserve	23,368	1	14,726	1
3320	Special reserve	25,530	2	17,660	1
3350	Unappropriated earnings	204,160	15	195,634	14
3300	Total retained earnings	<u>253,058</u>	<u>18</u>	<u>228,020</u>	<u>16</u>
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	( 38,843 )	( 3 )	( 25,529 )	( 2 )
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	940	-	-	-
3400	Total other equity	<u>( 37,903 )</u>	<u>( 3 )</u>	<u>( 25,529 )</u>	<u>( 2 )</u>
3500	Treasury shares	( 15,287 )	( 1 )	-	-
31XX	Total equity attribute to owners of the company	<u>885,898</u>	<u>64</u>	<u>888,521</u>	<u>61</u>
3XXX	Total equity	<u>885,898</u>	<u>64</u>	<u>888,521</u>	<u>61</u>
	<b>Total Liabilities and Equity</b>	<u>\$ 1,386,460</u>	<u>100</u>	<u>\$ 1,455,163</u>	<u>100</u>

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

Chairman: Wen-Fang Hsu

Manager: Wen-Fang Hsu

Accounting Supervisor: Hui-Ling Chen

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and its subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousands, except Earnings Per Share (NT\$)

Code		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue	\$ 1,217,595	100	\$ 1,291,947	100
5000	Operating cost (Note 9 and 19)	( 976,718)	( 80)	( 946,326)	( 73)
5900	Gross profit	<u>240,877</u>	<u>20</u>	<u>345,621</u>	<u>27</u>
	Operating expenses (Note 19)				
6100	Selling and Marketing expense	( 25,524)	( 2)	( 29,407)	( 2)
6200	General and administrative expenses	( 100,512)	( 8)	( 126,593)	( 10)
6300	Research and development expenses	( 31,063)	( 3)	( 25,325)	( 2)
6000	Total operating expenses	( 157,099)	( 13)	( 181,325)	( 14)
6900	Profit from operations	<u>83,778</u>	<u>7</u>	<u>164,296</u>	<u>13</u>
	Non-operating income and expenses (Note 19)				
7010	Other income	4,539	-	2,720	-
7050	Financial cost	( 756)	-	( 1,157)	-
7020	Other gains and losses	<u>20,377</u>	<u>2</u>	( 28,544)	( 2)
7000	Total non-operating income and expenses	<u>24,160</u>	<u>2</u>	( 26,981)	( 2)
7900	Net profit before tax	107,938	9	137,315	11
7950	Income tax expense (Note 4 and 20)	<u>34,161</u>	<u>3</u>	<u>50,893</u>	<u>4</u>
8200	Net profit for the year in current year	<u>73,777</u>	<u>6</u>	<u>86,422</u>	<u>7</u>

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Code		2018		2017	
		Amount	%	Amount	%
	Other comprehensive income (Note 4 and 18)				
	Titles not reclassified as profit and loss accounts:				
8316	Unrealized valuation gains and losses on Investment in equity instruments at fair value through other comprehensive income	\$ 428	-	\$ -	-
8310		<u>428</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	Titles that could be reclassified as profits and loss accounts in the future				
8361	Exchange differences on translating of foreign operations	( 13,314)	( 1)	( 7,870)	( 1)
8300	Total other comprehensive income or loss	<u>( 12,886)</u>	<u>( 1)</u>	<u>( 7,870)</u>	<u>( 1)</u>
8500	Total Comprehensive Income for the year	<u>\$ 60,891</u>	<u>5</u>	<u>\$ 78,552</u>	<u>6</u>
	Net profit attributable to:				
8610	Owners of parent	\$ 73,777	6	\$ 86,422	7
8620	Non-controlling interest	-	-	-	-
8600		<u>\$ 73,777</u>	<u>6</u>	<u>\$ 86,422</u>	<u>7</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 60,891	5	\$ 78,552	6
8720	Non-controlling interest	-	-	-	-
8700		<u>\$ 60,891</u>	<u>5</u>	<u>\$ 78,552</u>	<u>6</u>
	Earnings per share (Note 21)				
9710	Basic	<u>\$ 3.12</u>		<u>\$ 4.26</u>	
9810	Diluted	<u>\$ 3.11</u>		<u>\$ 4.25</u>	

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

Chairman: Wen-Fang Hsu    Manager: Wen-Fang Hsu    Accounting Supervisor: Hui-Ling Chen

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and its subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

Code		Share Capital	Capital surplus	Retained earnings			Other equity		Treasury stock	Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on Translating the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss		
A1	Balance at January 01, 2017	\$ 161,200	\$ 171,009	\$ -	\$ -	\$ 196,558	( \$ 17,659 )	\$ -	\$ -	\$ 511,108
E1	Issuance of common stock for cash	48,350	275,350	-	-	-	-	-	-	323,700
N1	Issuance of ordinary shares under employee share options	-	2,641	-	-	-	-	-	-	2,641
	Appropriation of 2016 earnings									
B1	Legal reserve	-	-	14,726	-	( 14,726 )	-	-	-	-
B3	Special reserve	-	-	-	17,660	( 17,660 )	-	-	-	-
B5	Cash dividends	-	-	-	-	( 27,480 )	-	-	-	( 27,480 )
B9	Share dividends	27,480	-	-	-	( 27,480 )	-	-	-	-
D1	Net profit for the year ended December 31, 2017	-	-	-	-	86,422	-	-	-	86,422
D3	Other comprehensive income in 2017	-	-	-	-	-	( 7,870 )	-	-	( 7,870 )
D5	Total Comprehensive profit or loss in 2017	-	-	-	-	86,422	( 7,870 )	-	-	78,552
Z1	Balance at December 31, 2017	237,030	449,000	14,726	17,660	195,634	( 25,529 )	-	-	888,521
A3	Effect of retroactive application and retrospective restatement	-	-	-	-	( 1,333 )	-	512	-	( 821 )
A5	Balance at January 1, 2018 after recompilation	237,030	449,000	14,726	17,660	194,301	( 25,529 )	512	-	887,700
	Appropriation of 2017 earnings									
B1	Legal reserve	-	-	8,642	-	( 8,642 )	-	-	-	-
B3	Special reserve	-	-	-	7,870	( 7,870 )	-	-	-	-
B5	Cash dividends	-	-	-	-	( 47,406 )	-	-	-	( 47,406 )
D1	Net income for the year ended December 31, 2018	-	-	-	-	73,777	-	-	-	73,777
D3	Other comprehensive income in 2018	-	-	-	-	-	( 13,314 )	428	-	( 12,886 )
D5	Total Comprehensive income in 2018	-	-	-	-	73,777	( 13,314 )	428	-	60,891
L1	Buy-back of ordinary Shares	-	-	-	-	-	-	-	( 15,287 )	( 15,287 )
Z1	Balance at December 31, 2018	\$ 237,030	\$ 449,000	\$ 23,368	\$ 25,530	\$ 204,160	( \$ 38,843 )	\$ 940	( \$ 15,287 )	\$ 885,898

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

Chairman: Wen-Fang Hsu

Manager: Wen-Fang Hsu

Accounting Supervisor: Hui-Ling Chen

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and its subsidiaries  
Consolidated Statements of Cash Flow  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

Code		2018	2017
	Cash flow from operating activities		
A10000	Uncome before income tax	\$ 107,938	\$ 137,315
A20010	Adjustments for:		
A20100	Depreciation expenses	23,351	16,403
A20200	Amortization expenses	2,863	2,352
A20400	Expected credit loss recognized on receivables	966	-
A20300	Bad debt expenses	-	12
A20900	Financial cost	756	1,157
A21200	Interest revenue	( 4,017)	( 2,323)
A21300	Dividend income	( 239)	( 197)
A21900	Compensation cost of employee share option	-	2,641
A22500	(Gain) loss on disposal of property, plant and equipment	( 12)	343
A23700	Write-downs of inventories and loss of idle inventory	4,776	7,844
A29900	Reversal of provision	( 35)	( 109)
	Net change in operating assets and liabilities		
A31130	(Increase) / decrease in (Increase) in Notes receivable	673	972
A31150	Accounts receivable	247,009	( 89,073)
A31180	(Increase) / decrease in (Increase) in Other receivables	( 1,653)	( 1,529)
A31200	(Increase) / decrease in (Increase) in Inventores	( 25,587)	( 66,137)
A31240	(Increase) / decrease in (Increase) in Other current assets	( 338)	( 17,853)
A32150	(Decrease) / increase in (Increase) in Accounts payable	( 131,698)	57,047
A32180	(Decrease) / increase in (Increase) in Other payables	( 61,201)	35,859
A32230	(Decrease) / increase in (Increase) in Other current liabilities	( 726)	687
A32990	(Decrease) / increase in (Increase) in Other non-current liabilities	627	31

A33000	Cash generated fpr operations	163,453	85,442
A33100	Interest received	3,787	2,004
A33200	Dividends received	239	197
A33300	Interest paid	( 768)	( 1,176)
A33500	Income tax paid	( 51,689)	( 58,451)
AAAA	Net cash inflow generated from operating activities	<u>115,022</u>	<u>28,016</u>

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Code		2018	2017
	Cash payments for investing activities		
B02700	Purchase of property, plant, and equipment	(\$ 39,776)	(\$ 47,459)
B02800	Proceeds from disposition of real property, plants, and equipment	38	98
B03700	Decrease (increase) in refundable deposits	287	( 2,663)
B04500	Payments for Intangible assets	( 3,628)	( 572)
B07100	Decrease (increase) in prepayments for equipment	<u>292</u>	<u>( 2,870)</u>
BBBB	Net cash used in from investing activities	<u>( 42,787)</u>	<u>( 53,466)</u>
	Cash flow from financing activities		
C00200	Repayments of short-term loans	-	( 58,650)
C01600	Proceeds from Long-term borrowings	-	42,650
C01700	Repayments of proceeds from long-term loans	( 13,440)	( 4,440)
C04300	Convertible bond	148,700	-
C04500	Cash dividend paid	( 47,406)	( 27,480)
C04600	Proceeds from issuance of ordinary shares	-	329,700
C04900	Payments for buy-back of ordinary shares	<u>( 15,287)</u>	<u>-</u>
CCCC	Net cash generated from financing activities	<u>72,567</u>	<u>281,780</u>
DDDD	Effects of exchange rate changes on the balance of Cash held in foreign currencies	<u>( 11,640)</u>	<u>( 7,956)</u>
EEEE	Net increase in cash and cash equivalents	133,162	248,374
E00100	Cash and cash equivalents at the beginning of the year	<u>408,245</u>	<u>159,871</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 541,407</u>	<u>\$ 408,245</u>

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

Chairman: Wen-Fang Hsu

Manager: Wen-Fang Hsu

Accounting Supervisor: Hui-Ling Chen



SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and its subsidiaries  
Consolidated Notes to financial statements  
January 1 to December 31, 2018 and 2017  
(Unless otherwise provided, Unit: NT\$ Thousand)

1. Organization and operations

Sun Max Tech Limited (the Company) was established in the Cayman Islands in November 2013 and mainly for DONG GUAN DONG LI DIAN ZI CO. LTD, POWER LOGIC TECH (TAI YI) CO., LTD, POWER LOGIC TECH. INC and the affiliates' business structure adjustment under organization restructure. The Company became the holding company of Group. Respectively established Sunny Sharp International Limited Taiwan branch and POWER LOGIC (YI QUAN) CO., LTD. in December 2015 and March 2017. The main operating business of the combined company is the production, wholesale, retail and international trade of cooling fans. The Company was approved by the Republic of China Securities Counter Trading Center on November 30, 2016 to trade at OTC, and the Taiwan Stock Exchange to go public on December 28, 2017.

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

2. Financial reporting date and procedures

The consolidated financial statements were approved by the Board of Directors on March 22, 2019.

3. Application of new and revised standards and interpretation

- (1) The amended Regulations Governing the Preparation of Financial Reports by Securities Issuers for the first-time adoption and IFRS, IAS, IFRIC and SIC (hereinafter collectively known as "IFRSs") that have been recognized and approved by the Financial Supervisory Commission (FSC)

Apart from the following descriptions, the application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs that have been approved and proclaimed and entered into effect by the Financial Supervisory Commission (FSC) will not cause material changes on the accounting policy of the consolidated company:

## IFRS 9 “Financial Instruments” and related amendment

IFRS 9, “Financial Instruments” replaced IAS 39, “Financial Statements: Recognition and Measurement,” and was adopted in conjunction with other standards such as the amended IFRS 7, “Financial Instruments: Disclosure.” The new rules in IFRS 9 covered the classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for further information on accounting principles.

### Classification, measurement and impairment of financial assets

The consolidated company evaluated the classification of financial assets effective on January 1, 2018 for retroactive adjustment on the basis of the reality and circumstances of the day and elected not to recompile the statements for comparison. As of January 1, 2018, the categories and book value of financial assets to be measured under IAS 39 and IFRS 9 and the changes therein are specified below:

Category of financial assets	Classification of measurement			Book value		Remark	
	IAS 39	IFRS 9		IAS 39	IFRS 9		
Stock investment	Financial assets at cost	Investment of equity instruments at fair value through other comprehensive income		\$ 700	\$ 1,212	(1)	
Accounts receivable	Loans and accounts receivable	Measured on the basis of cost after amortization		623,371	622,038	(2)	
	Book value as of January 1, 2018 (IAS 39)	Reclassification	Reevaluation	Book value as of January 1, 2018 (IFRS 9)	Effect on retained earnings as of January 1, 2018	Effect on other equity as of January 1, 2018	Remark
Financial assets at fair value through other comprehensive profit or loss							
-Equity instruments							
Add: Reclassification of financial assets on the basis of cost (IAS 39)	\$ 700	\$ -	\$ 512	\$ 1,212	\$ -	\$ 512	(1)
Financial assets based on cost after amortization							
Add: Reclassification of receivables (IAS 39)	623,371	-	(1,333)	622,038	(1,333)	-	(2)
Total	\$ 624,071	\$ -	(\$ 821)	\$ 623,250	(\$ 1,333)	\$ 512	

- (1) The investment in non-public stock measured at cost per IAS 39 is reclassified to other comprehensive income measured at fair value per IFRS 9 and should be re-measured at fair value. Hence, the adjustments to financial assets and other equity through other comprehensive income measured at fair value-un-realized gain or loss of financial assets through other comprehensive income measured at fair value increase NT\$512 thousand respectively.
- (2) Receivables were previously classified as loans and receivables under IAS 39, and were classified as financial assets measured on the basis of cost after amortization with evaluation of anticipated credit impairment under IFRS 9. For retrospective adjustment, the loss allowance is adjusted and increased by NT\$1,333 thousand and the retained earnings decrease by NT\$1,333 thousand on January 1, 2018.

- (2) Regulations Governing the Preparation of Financial Reports by Securities Issuers applicable in 2019 and the IFRSs recognized by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
“The annual improvement plan for the periods of 2015-2017”	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 Interest in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty under Income Tax Treatments”	January 1, 2019

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: FSC permitted the consolidated company adoption of this amendment before January 1, 2018.

Note 3: The plan amendment, curtailment, or settlement after January 1, 2019 apply to this amendment.

1. IFRS 16 “Leases”

The lease agreement identification and accounting treatment of leaser and lease stipulated by IFRS 16. This standard replaces IAS17 “Lease” and IFRIC 4 “To determine if an arrangement is lease included” and related explanations.

Definition of lease

At the adoption of IFRS 16 for the first time, the consolidated company only assesses the contracts signed (or changed) beyond January 1, 2019, to determine if they are (or included) lease on the basis of IFRS 16, and does not reassess contracts determined as lease under IAS 17 and IFRIC 4, and treated these contracts in accordance with the transitional requirement of IFRS 16.

The consolidated company is the lessee

At the adoption of IFRS 16 for the first time, all leases were recognized as tenancy right assets and leasehold liability except low value target of leases and short-term leases of which the expenses incurred were recognized under the straight-line method. The consolidated comprehensive income statement shall present the interest expenses incurred from the depreciations of the utilization of equity assets and leasehold liability under effective interest method. In the consolidated cash flow statement, the principal amount of the lease liability payment is classified as a financing activity and the interest payment is classified as an operating activity. Contracts classified as operation lease before the application of IFRS 16 was based on the straight-line method for recognition of expenses. Cash flows from operation lease were presented as operating activities in the consolidated statement of cash flows. Contracts classified as financing

lease were recognized as leasehold assets and payable lease payment in the consolidated balance sheet.

The consolidated company elected to adjust the accumulated influence under IFRS 16 in retrospect as retained earnings on January 1, 2019, and does not recompile comparative information.

The lease agreement per IAS 17 operating lease and its' lease liability measurement on January 1, 2019 will be paid according to the residual lease value discounted at the lessee's incremental borrowing rate of Interest. All right-of-use assets are measured at interest rate previously mentioned and adapted to IFRS 16 as started from the lease date. Except the expediency (II) below, all right-of-use assets are adapted to impairment loss valuation under IAS 36.

The following expedient methods are expected to be applicable to the consolidated company:

- (1) Apply a single discount rate for the measurement of specific leasehold combinations with reasonable similarity.
- (2) The recognized provision for onerous lease contract liability at the end of 2018 will be adjusted in right-of-use asset on January 1, 2019 and not valuated impairment loss under IAS 36.
- (3) Lease to expire on or before December 31, 2019 will be treated as short-term lease.
- (4) The initial cost will not be included in the measurement of tenancy right assets on January 1, 2019.
- (5) Measuring leasehold liability, such as the determination of the term of leases, will be treated from hindsight.

The lease classified as financing assets per IAS 17, the book value of lease asset and liability as of December 31, 2018 will be listed as book value of right-of-use asset and lease liability on January 1, 2019.

The consolidated company is the lessor

Except sub-lease, there is no adjustment to lease during the transition period and will be adapted to IFRS 16 from January 1, 2019.

Expected effects on asset, liability and equity as of January 1, 2019.

	Book value as of December 31, 2018	Adjustment of first use	Adjustment of book value as of January 1, 2019
Property, plant, and equipment	\$ 212,937	(\$ 949)	\$ 211,988
Right-of-use asset	<u>-</u>	<u>173,932</u>	<u>173,932</u>
Effect of assets	<u>\$ 212,937</u>	<u>\$ 172,983</u>	<u>\$ 385,920</u>
Leasehold liability-current	\$ -	\$ 31,571	\$ 31,571
Leasehold liability-non-current	-	160,707	160,707
Other non-current liabilities	<u>149,533</u>	<u>( 627)</u>	<u>148,906</u>
Effect of liabilities	<u>\$ 149,533</u>	<u>\$ 191,651</u>	<u>\$ 341,184</u>
Retained earnings		(\$ 18,668)	
Effect of equity		<u>( \$ 18,668)</u>	

2. IFRIC 23 “Uncertainty under Income Tax Treatments”

IFRIC 23 clarified that if there is uncertainty in handling income tax, the combined business must assume that the taxation authorities could retrieve all information for review. If the tax treatment as declared may possibly be accepted by the taxation authorities, the taxable income, taxation basis, the unconsumed taxable loss, unconsumed tax deduction, and determination of tax rate shall be congruent with the tax treatment adopted at the time of income tax declaration. If the taxation authorities are unlikely to accept the tax treatment in the declaration, the combined business shall adopt the most possible amount or anticipated value (adopt the method that could more likely forecast the ultimate result under uncertainty between the two) in evaluation. In case of change in reality and circumstance, the combined business shall reevaluate its judgment and evaluation.

Further to the above effects, the assessment of consolidated company on other IFRSs as of the day this consolidated financial statement was approved for release did not cause significant influence on the consolidated financial position and consolidated financial performance.

(3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to “Definition of a business” in IFRS 3	January 1, 2020 (Note 2)
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates”.	Undefined
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Materiality”	January 1, 2020 (Note 3)

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: The amendment should be applied to the acquisition day in the reporting period for corporate mergers after January 1, 2020 and the acquisition of assets beyond that date.

Note 3: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

Further to the aforementioned influence, the companies in the consolidated financial statements will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the companies in the consolidated financial statements to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

#### 4. Summary of significant accounting policies

##### (1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and published by the FSC.

##### (2) Basis of preparation

Further to financial instruments measured at fair value, the content contained in this consolidated financial statement is compiled based on historical data.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

##### (3) Standards in differentiating current and non-current assets and liabilities.

Current assets including:

1. Available-for-trade assets;
2. Assets expected to be realized within 12 months after the balance sheet date, and
3. Cash and cash equivalents (but excluding cash and cash equivalent with limitations from exchanging or repaying liabilities after 12 months of the day on the balance sheet).

Current liabilities including:

1. Available-for-trade liabilities;
2. Liabilities expected to be liquidated within 12 months after the balance sheet date, and
3. Liabilities that cannot be deferred for liquidation for at least 12 months after the balance sheet date.

Items other than the aforementioned current assets or liabilities are classified as noncurrent assets or noncurrent liabilities.

(4) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the company and its controlled entities (subsidiaries). The Consolidated Statement Of Comprehensive Income already covered the operating profit and/or loss of the subsidiaries, which have been acquired or disposed of the current term, from the date of acquisition until the date of disposal. The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the consolidated company. In preparing these consolidated financial statements, the transactions, account balances, incomes and loss and expenses among the individual entities are written off in full amount. The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

When the changes of interest of the subsidiaries' ownership by the Consolidated Company do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Consolidated Company and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

For details of subsidiaries, share-holding percentage, and operation items, please refer to Note 12 and accompanied statement 5.

(5) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the individual financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the consolidated financial statements, the assets and liabilities of the consolidated company's foreign operations should be translated into New Taiwan dollars in accordance with the exchange rate on the balance sheet date. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

If disposal on ownership of foreign operations for business combination, or disposal on partial ownership of foreign operation and loss control, or the retained equity is the financial asset and treated according to financial instrument accounting policy from disposal on joint agreement or associate of foreign operation, all accumulated exchange difference will be reclassified to profit or loss related to foreign operation.

If the controlling interest is not lost while disposing foreign operation subsidiary, the accumulated exchange difference is reclassified to non-controlling interest of the subsidiary per proportion, not recognized as profit or loss. For any disposition of foreign operation, the accumulated exchange difference is reclassified to profit and loss per disposition proportion.

(6) Inventory

Inventories include raw materials, materials, finished goods and work-in-process goods. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. The net cash value is the estimated selling price net of the cost needed to have the remaining work completed and the estimated cost needed to complete the sale under normal circumstance. The cost of inventory is calculated using the weighted average method.

(7) Property, plant, and equipment

Property, plant and equipment (including assets held under financial lease) are recognized at cost and measured at the amount after cost deducted accumulated depreciation and impairment loss.

Property, plant and equipment construction in progress is recognized at cost net of the accumulated impairment loss. These assets are classified to the respective property, plant and equipment upon completion and ready for use with depreciation appropriated.

Property, plant, and equipment are depreciated in accordance with the straight-line method in the expected useful lives. Depreciation of each major part is appropriated separately. If the lease term is shorter than the durable years, accumulation shall be recognized during the lease term. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

When real estate, plants and equipment are de-recognized, the differential between the net disposal amount and the book value of such assets shall be recognized as income.



(8) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Acquired through business combination

The intangible asset acquired through business combination and recognized at fair value at acquisition date. There is no goodwill recognized separately. The measurement method is the same as intangible asset obtained separately.

3. De-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) Impairment of tangible and intangible assets (except for goodwill).

The consolidated company at each balance sheet date is to assess whether there is any indication of the impairment occurring to the tangible and intangible assets (except for goodwill). If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

The customer contract adapted to IFRS 15, the impairment loss is recognized according to inventory impairment loss regulations and previously mentioned rules for contact recognized inventory, real estate, plant, equipment and intangible assets first. Secondly, the impairment loss is recognized after the book value of the contract cost related asset, which is over the expected residual proceed from related goods or services deducted related cost. Lastly, to evaluate the impairment loss from the cash generating unit, calculate the book value of the contract cost related assets to cash generating unit.

While reversal of impairment loss, the book value of asset, cash generating unit or contract cost related asset adjusted amended collectible amount. However, the adjusted book value does not exceed the designated book value (deducted amortization or depreciation) before recognized impairment loss in previous years of assets, cash

generating unit or contract cost related asset. The reversed impairment loss is recognized in the profit or loss.

(10) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The financial assets transaction are recognized and de-recognized in accordance with the trade date accounting.

(1) Classification of measurement

2018

The financial asset category held by the consolidated company include the financial asset measured at amortized cost and equity instrument measured at fair value through other comprehensive income.

A. Financial assets based on cost after amortization

If the financial assets of the consolidated company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents, and accounts receivable on the basis of cost after amortization and other financial assets) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

B. Investment of equity instruments at fair value through other comprehensive income

The consolidated company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the consolidated company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

2017

The financial assets held by the companies in the consolidated statements are financial assets at fair value through profit and loss, financial assets available for sale, and loans and receivables.

A. Loans and accounts receivable

Loans and receivables (including accounts receivable, cash and cash equivalents, and other receivables and other financial assets) are measured at the amortized cost after deducting the impairment losses in accordance with the effective interest method, except for the interest of short-term accounts receivable that is insignificant.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

## B. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets measured at fair value through profit or loss.

The dividend of available-for-sale equity investments is recognized when the right to collection of the consolidated company is established.

If the available-for-sale financial asset is an equity investment no open market price and the fair value cannot be reliably measured and the derivatives that are linked to the equity instrument without a market quote and the settlement must be completed with the equity instrument delivered, it is measured subsequently at cost, net of impairment loss, and it is individually booked as "Financial assets measured at cost." If such financial assets could be subsequently measured at fair value, measure based on fair value and the difference between the book value and the fair value shall be recognized under other comprehensive income. In case of impairment, recognize as profit or loss.

### (2) Impairment of financial assets

#### 2018

The consolidated company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of anticipated credit loss (including accounts receivable), the investment of debt instruments at fair value through other comprehensive income, and loss from receivable rents and impairment of contract assets.

Accounts receivable and receivable rents shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

#### 2017

Except for the financial assets measured at fair value through profit or loss, the consolidated company examines whether there is an evidence of impairment occurring on the other financial assets at each balance sheet date. When there is objective evidence of one or more events occurring after the initial recognition of financial assets with a resulting loss to the future cash flow of the financial asset, the impairment of financial assets had already occurred.

Amortized cost listed as financial assets, such as account receivable and others, the group impairment loss valuation required if no objective impairment loss exists after individual valuation. The objective evidence of the collective impairment occurred to accounts receivable may include the consolidated company's experience of collection, the increase of the overall delay in payment for over 120-day average credit period, as well as the observable changes in national or regional economic conditions relevant to the receivables arrearage.

The impairment amount of the financial assets measured at amortized cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's original effective interest rate.

If the impairment loss amount of the financial assets recognized at the amortized cost is reduced in the subsequent periods and it is determined objectively that the impairment reduction is related to the events that occurred after recognizing impairment, the previously recognized impairment loss is directly or, by adjusting the allowance account, reversed and recognized as profit or loss. However, the reversal should not cause the book value of the financial asset exceeding the amortized cost on the reversal date before recognizing impairment

The impairment amount of the financial assets measured at cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's current market rate of return. The said impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is deducted directly from the book value of the financial assets; however, the book value of the accounts receivable is reduced by adjusting the allowance account. When the accounts receivable is determined to be uncollectible, it is to be written off against the allowance account. The amount previously written off and collected subsequently is credited to the allowance account. Except for writing off the uncollectible accounts receivable against the allowance

account, the change in the book value of the allowance account is recognized as profit or loss.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

On the before 2017 (inclusive), when de-recognizing a financial asset, the difference between the book amount and the consideration received plus any cumulative profit or loss recognized in the other comprehensive profit or loss is recognized in the profit or loss. Since the 2018, when particular entry of financial assets measured on the basis of cost after amortization is removed, the difference between its book value and consideration shall be recognized as income. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(11) Recognition of revenue

2018

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

For contract of goods transferred or service performed and proceed collected within one year, the significant financial component is not trade price adjusted.

Commodity sales revenue

Good sales revenue is from the sales of cooling fans. As the customers own the right for pricing and use, take the main responsibility for re-sell and take obsolete risk at the point of shipping, the consolidated company recognized sales revenue and account receivable at that point.

2017

The revenue was recognized based on the consideration receivable or having been received, measured at fair values, deducted with estimated refunds, discounts claimed by customers or other similar allowances. Sales returns are appropriated reasonably in accordance with past experience and other factors.

1. Sales of goods

The sale of goods is recognized as income at the time when the following conditions are fully fulfilled:

- (1) The consolidated company has the significant risks and returns of the instruments transferred to the buyer.
- (2) The consolidated company does not involve in the management of the instruments sold nor maintain effective control.
- (3) The amount of income can be measured reliably.
- (4) The transaction-related economic benefits is likely to flow to the consolidated company; and
- (5) The transaction-related cost incurred or to be incurred can be measured reliably.

2. Dividend revenues and interest revenues

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the preconditions that the economic benefits associated with the transaction system are likely to flow into the consolidated company and the amount of revenues can be measured reliably.

The interest income generated from financial assets is recognized when the economic benefit is likely to flow to the consolidated company and the amount of income can be reliably measured. Interest income is accrued in accordance with the outstanding principal and the effective interest rate applicable over the time lapsed.

(12) Lease

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

1. The consolidated company is the lessee

Financing lease cost is recognized at the lower of total present value of lease payment or fair value of leased asset at the lease start date and as lease obligations payable.

The implicit interest of the lease payment in each period is recognized as a financial expense for the current period. It can be capitalized if it can be directly classified into an asset that satisfies certain criteria.

Operating leases payments are recognized as expenses on the linear basis during the lease term.

Lease incentives obtained from operating leases are recognized as liabilities. The total amount of incentive benefits are recognized on the linear basis as the deduction of lease expenses. Lease incentives obtained from financial leases serve as the deduction of the minimum lease payment.

2. Land and building under lease

When the lease includes land and buildings, the consolidated company categorizes it to financing lease or operation lease by verifying if the risk and remuneration ownership transferred to the lessee. The lowest lease payment is allocated to land and building per land and building lease equity fair value proportion at the lease start date.

If the lease payment is allocated to these two elements reliably, each item is treated applicable lease category. If the lease payment is not allocated to these two elements reliably, classify the whole lease to financing lease. If these two elements qualified the operation lease standard significantly, classify the whole lease to operation lease.



(13) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

If specific borrowings are temporarily used for investment before the occurrence of capital expenses that meet the requirements, the investment revenues earned will be deducted from the borrowing costs that meet the capitalization conditions.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(14) Employee benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are valued by the non-discounted amount of expected payment exchanging for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

(15) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

According to the Income Tax Law, an additional tax of un-appropriated earnings is recognized as income tax in the year of the stockholders meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductible temporary differences and tax loss carryforwards.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the consolidated company can control the timing of reversal of the temporary differences and that the temporary differences are unlikely to be reversed in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The consolidated company at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

Impairment of inventory

The net realizable value of inventories is measured in accordance with the estimated selling price in the normal course of business net of the estimated cost needed to complete the project and the estimated cost needed to complete the sale. These estimates are assessed in accordance with the current market conditions and historical sales of similar products. Changes in market conditions could materially affect the estimate results.

6. Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and petty cash	\$ 1,125	\$ 593
Bank checks and demand deposits	280,984	200,820
Time deposits	<u>259,298</u>	<u>206,832</u>
	<u>\$541,407</u>	<u>\$408,245</u>

The interest rate range of time deposit as of balance sheet date listed below:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Time deposits	2.12%~3.00%	1.40%~1.65%

7. Financial assets at fair value through other comprehensive profit or loss-2018

Investment of equity instruments at fair value through other comprehensive income

	<u>December 31, 2018</u>
<u>Non-current</u>	
Investment in domestic	
Unlisted/OTC	<u>\$ 1,640</u>

The consolidated company invested in Song Jye Technology Co., Ltd. common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the consolidated company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income. Under the classification of IAS 39, these assets are classified as financial assets based on cost. The detail of reclassification and information for 2017 was specified in Note 3 and Note 10.

8. Notes and accounts receivable, net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 1,267	\$ 1,940
Receivable accounts- based on cost		
after amortization	374,436	621,445
Less: Allowance for losses	( <u>2,311</u> )	( <u>14</u> )
	<u>\$373,392</u>	<u>\$623,371</u>

2018

The consolidated company adopts the simplified method in IFRS 9 to recognize the allowance for loss of the accounts receivable according to the expected credit losses of the given duration. Credit loss of duration is calculated by provision matrix with consideration of past default record, industry economic trend, GDP predication and industry forecast. There is no significant difference of loss type to various customer groups from the credit loss history of business combination.

The consolidated company's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2018

	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue over 60 days</u>	<u>Total</u>
Expected credit loss rate	0.02%~0.45%	3.04%~6.84%	21.91%~34.10%	100%	-
Total book value	\$ 369,431	\$ 3,995	\$ 87	\$ 923	\$ 374,436
Allowance for loss (expected credit loss of the given duration)	( <u>312</u> )	( <u>143</u> )	( <u>28</u> )	( <u>923</u> )	( <u>1,406</u> ) Note
Cost after amortization	<u>\$ 369,119</u>	<u>\$ 3,852</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 373,030</u>

Note: The previous loss allowance is from the valuation of account receivable as of December 31, 2018. The difference with the book value is from the decision not to reverse the loss allowance.

2017

The credit policy of the consolidated company in 2018 is the same as 2017 described previously. For bad debt allowance on account receivable valuation, the account receivable over 365 days is uncollectible from history experience. The consolidated company recognizes 100% bad debt allowance on account receivable with aging over 365 days. For account receivable with aging between 120 and 365 days, the uncollectible estimate for bad debts is calculated with arrears record and financial situation reference.

For an accounts receivable overdue on the balance sheet date that is without the allowance for bad debt appropriated, if the credit quality is without a significant change and the consolidated company's management believes that the amount can still be recovered, the consolidated company does not have any collateral held or any credit enhancement protection acquired for the said accounts receivable.

The age analysis of accounts receivables is as follows:

	<u>December 31, 2017</u>
Not overdue	\$606,843
1 ~ 120 days	14,541
121 ~ 180 days	13
181 ~ 365 days	46
Over 365 days	<u>2</u>
Total	<u>\$621,445</u>

The aforementioned aging analysis is based on the days of overdue.

The aging analysis of the accounts receivable overdue but without impairment is as follows:

	<u>December 31, 2017</u>
1 ~ 120 days	\$ 14,541
121 ~ 180 days	-
181 ~ 365 days	<u>23</u>
Total	<u>\$ 14,564</u>

The aforementioned aging analysis is based on the days of overdue.

The changes of loss allowance on account receivable of consolidated company is as below:

	<u>2018</u>	<u>2017</u>
	Accounts receivable	Accounts receivable
Balance, beginning of year (IAS 39)	\$ 14	\$ 2
Retroactive application of IFRS 9 adjustments	<u>1,333</u>	<u>-</u>
Balance, beginning of year (IFRS 9)	1,347	2
Add: provision for impairment loss for the year	966	12
Foreign currency translation differences	<u>( 2 )</u>	<u>-</u>
Balance, end of year	<u>\$ 2,311</u>	<u>\$ 14</u>

#### 9. Inventory

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Finished goods	\$ 71,620	\$ 42,741
Work-in-process goods	41,121	77,023
Raw materials	<u>72,133</u>	<u>44,299</u>
	<u>\$184,874</u>	<u>\$164,063</u>

The loss allowance on inventory valuation is NT\$47,329 and NT\$42,553 thousand on December 31, 2018 and 2017 respectively.

The inventory related cost of goods sold is NT\$976,718 and NT\$946,326 thousand in 2018 and 2017 respectively. Cost of goods sold including loss on net realizable value of inventory for NT\$4,776 and NT\$7,844 thousand.

#### 10. Other financial assets -non-current - 2017

	<u>December 31, 2017</u>
Financial assets at cost	
Non-listed (OTC) stocks	<u>\$ 700</u>

The unlisted/OTC equity investment referred to above of the consolidated company is measured at cost less impairment losses on the balance sheet date, because a reasonable estimate of the fair value range is significant and the probability of a variety of estimates cannot be reasonably assessed, causing the consolidated company's management to believe that the fair value cannot be reliably measured.

11. Other assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Prepaid expenses	\$ 9,049	\$ 9,932
Prepayment for Purchases	311	839
Excess business tax paid	<u>18,297</u>	<u>16,548</u>
	<u>27,657</u>	<u>27,319</u>
<u>Non-current</u>		
Deferred income tax assets	9,339	2,889
Refundable deposits	12,916	13,203
Prepayments for equipment	<u>4,243</u>	<u>4,535</u>
	<u>26,498</u>	<u>20,627</u>
	<u>\$ 54,155</u>	<u>\$ 47,946</u>

12. Subsidiaries

Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

<u>Investor</u>	<u>Subsidiary name</u>	<u>Nature of the operation</u>	<u>The share-holding percentage as of December 31, 2018</u>	<u>The share-holding percentage as of December 31, 2017</u>
The company	Power Logic Holdings Inc.	Investment in holding company and sales of cooling fans	100%	100%
The company	United Strategy Inc.	Investment in holding company	100%	100%
The company	POWER LOGIC TECH. INC	Sales of cooling fans	100%	100%
The company	Sunny Sharp International Limited (including Taiwan branch)	Investment in holding company and sales of cooling fans	100%	100%
The company	Sunny Faith Investments Limited	Investment in holding company	100%	100%
United Strategy Inc.	DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fans	100%	100%
Power Logic Holdings Inc.	POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fans	100%	100%
Sunny Faith Investments Limited.	POWER LOGIC (YI QUAN) CO., LTD	Sales of cooling fans	100%	100%

### 13. Property, plant, and equipment

	2018						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
<u>Cost</u>							
Balance, beginning of year	\$ 56,172	\$ 67,579	\$ 114,586	\$ 3,634	\$ 21,024	\$ 35,501	\$ 298,496
Increase in current period	-	155	25,640	1,279	109	12,593	39,776
Disposal for the year	-	( 48 )	( 616 )	-	( 268 )	( 125 )	( 1,057 )
Reclassification	-	-	1,186	-	-	( 1,186 )	-
Net exchange differences	-	( 249 )	( 1,958 )	( 87 )	( 52 )	( 647 )	( 2,993 )
Balance, end of year	<u>\$ 56,172</u>	<u>\$ 67,437</u>	<u>\$ 138,838</u>	<u>\$ 4,826</u>	<u>\$ 20,813</u>	<u>\$ 46,136</u>	<u>\$ 334,222</u>
<u>Accumulated depreciation</u>							
Balance, beginning of year	\$ -	\$ 14,492	\$ 49,272	\$ 3,271	\$ 16,188	\$ 16,880	\$ 100,103
Increase in current period	-	5,253	12,427	312	1,298	4,061	23,351
Disposal for the year	-	( 48 )	( 591 )	-	( 267 )	( 125 )	( 1,031 )
Net exchange differences	-	( 78 )	( 742 )	( 63 )	( 22 )	( 233 )	( 1,138 )
Balance, end of year	<u>\$ -</u>	<u>\$ 19,619</u>	<u>\$ 60,366</u>	<u>\$ 3,520</u>	<u>\$ 17,197</u>	<u>\$ 20,583</u>	<u>\$ 121,285</u>
Net amount at the end of the year	<u>\$ 56,172</u>	<u>\$ 47,818</u>	<u>\$ 78,472</u>	<u>\$ 1,306</u>	<u>\$ 3,616</u>	<u>\$ 25,553</u>	<u>\$ 212,937</u>
	2017						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
<u>Cost</u>							
Balance, beginning of year	\$ 56,172	\$ 53,436	\$ 115,567	\$ 4,369	\$ 31,150	\$ 21,330	\$ 282,024
Increase in current period	-	14,158	18,013	-	2,331	12,957	47,459
Disposal for the year	-	( 170 )	( 13,408 )	( 647 )	( 12,466 )	( 2,856 )	( 29,547 )
Reclassification	-	-	( 4,010 )	-	-	4,010	-
Net exchange differences	-	155	( 1,576 )	( 88 )	9	60	( 1,440 )
Balance, end of year	<u>\$ 56,172</u>	<u>\$ 67,579</u>	<u>\$ 114,586</u>	<u>\$ 3,634</u>	<u>\$ 21,024</u>	<u>\$ 35,501</u>	<u>\$ 298,496</u>
<u>Accumulated depreciation</u>							
Balance, beginning of year	\$ -	\$ 10,875	\$ 58,199	\$ 3,907	\$ 27,399	\$ 13,189	\$ 113,569
Increase in current period	-	3,772	9,002	49	1,248	2,332	16,403
Disposal for the year	-	( 170 )	( 13,063 )	( 607 )	( 12,454 )	( 2,812 )	( 29,106 )
Reclassification	-	-	( 4,170 )	-	-	4,170	-
Net exchange differences	-	15	( 696 )	( 78 )	( 5 )	1	( 763 )
Balance, end of year	<u>\$ -</u>	<u>\$ 14,492</u>	<u>\$ 49,272</u>	<u>\$ 3,271</u>	<u>\$ 16,188</u>	<u>\$ 16,880</u>	<u>\$ 100,103</u>
Net amount at the end of the year	<u>\$ 56,172</u>	<u>\$ 53,087</u>	<u>\$ 65,314</u>	<u>\$ 363</u>	<u>\$ 4,836</u>	<u>\$ 18,621</u>	<u>\$ 198,393</u>

The depreciation expense is calculated under straight-line method by useful life:

Buildings	5 to 39 years
Leasehold improvement	5 to 10 years
Machinery equipment	1 to 10 years
Transportation equipment	5 to 10 years
Furniture and fixtures	2 to 10 years
Other equipment	2 to 10 years

For the amount of real estate, plant and equipment registered for secured loan, please refer to Note 25.

### 14. Intangible assets

	2018	2017
<u>Cost</u>		
Balance, beginning of year	\$ 14,125	\$ 13,760
Increase in current period	3,628	572

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	<u>2018</u>	<u>2017</u>
Decrease for the year	(\$ 98)	\$ -
Net exchange differences	( 195)	( 207)
Balance, end of year	<u>\$ 17,460</u>	<u>\$ 14,125</u>
<u>Accumulated amortization</u>		
Balance, beginning of year	\$ 6,129	\$ 3,820
Amortized in current period	2,863	2,352
Decrease for the year	( 98)	-
Net exchange differences	( 101)	( 43)
Balance, end of year	<u>\$ 8,793</u>	<u>\$ 6,129</u>
Net amount at the end of the year	<u>\$ 8,667</u>	<u>\$ 7,996</u>

Intangible assets were composed mainly of computer software and amortized over 3-10 years of useful life.

15. Loans

Long-term debt

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Secured loan (Note 25)		
Bank's debt	\$ 39,670	\$ 53,110
Less: Amount due in one year	( 6,020)	( 4,440)
Long-term debt	<u>\$ 33,650</u>	<u>\$ 48,670</u>

(1) The company borrowing rate was 1.70%-1.80% on December 31, 2018 and 2017.

(2) For the information of consolidated company registered as mortgage for secured loan, please refer to Note 25.

For the information of endorsement guarantee provided by consolidated company, please refer to Note 28.

16. Other payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Salaries payable	\$ 30,292	\$ 48,086
Insurance and housing fund payable	32,378	37,832
Processing expenses payable	11,083	25,263
Temporary employee service payable	4,363	16,465
Commission and marketing expense	3,294	2,987
Other payable	39,472	40,063
Other payables	<u>3,949</u>	<u>15,058</u>
	<u>\$124,831</u>	<u>\$185,754</u>



17. Retirement benefits plan

The pension system of the “Labor Pension Act” that is applicable to the Consolidated Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance. The defined contributed pension cost recognized in 2018 and 2017 is NT\$1,531 and NT\$1,356 thousand by the consolidated company.

The subsidiaries registered in P.R.C contribute 13% of the total salary to endowment insurance in accordance with local endowment insurance plans. The pension fund management is the responsibility of management. The company’s responsibility is monthly contribution without further obligations. The defined contributed pension cost recognized in 2018 and 2017 is NT\$15,397 and NT\$18,643 thousand per the previous pension plan.

18. Equity

(1) Capital stock

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Authorized number of shares (thousand shares)	<u>100,000</u>	<u>100,000</u>
Authorized capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>23,703</u>	<u>23,703</u>
Outstanding capital	<u>\$ 237,030</u>	<u>\$ 237,030</u>

The Company decided to issue new stocks of 2,200 and 2,635 thousand stocks for capital increased by cash approved by the Board of Directors on March 17 and October 28, 2017 respectively. The issue at premium for NT\$78 and NT\$60 each stock with par for NT\$10. The paid-in capital is NT\$237,030 thousand after the capital increase.

The Company approved to transfer earnings to capital for 2,748 thousand stocks new issuance on June 28, 2017 at the shareholders’ meeting. The par value is NT\$10 per stock and the record date is August 8.

The Board of Directors approved to issue 2,500 thousand new stocks for capital increased by cash on October 29, 2018 with NT\$10 each as par value. 250 thousand stocks among them are reserved for employee subscription and the Board of directors approved to issue at premium for NT\$32 each on December 22, 2018. The capital increase has been approved by the Authority and the record date is January 21, 2019.

(2) Capital surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other capital surplus of shares	<u>\$449,000</u>	<u>\$449,000</u>

The previous (1) mentioned decisions made by the Board of Directors on March 17 and October 28, 2017 to issue 2,200 and 2,635 thousand stocks at par value of NT\$10 and premium NT\$78 and NT\$60 each and generated additional paid-in capital of NT\$149,600 thousand and NT\$131,750 thousand respectively. The NT\$6,000 thousand underwriting fee is treated as a deduction from the additional paid-in capital of premium.

The additional paid-in capital from the premium on stock issuance can be used to offset deficit. When the Corporation incurs no loss the additional paid-in capital may be transferred to capital or distributed in cash, but the transfer to capital is limited to designated portions of paid-in capital.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation, provided that earnings, if any, after closing account every year, except to those be used to offset accumulated deficits, the Board of Directors will approve to retain or distribute it.

The general stockholders' meeting approved to amend the Articles of Incorporation on April 30, 2016. According to the amended Articles of Incorporation, based on the capital expenditure, business expanding, improved financial plan and sustainable development requirements as the Company is at the growing phase, the dividend policy is to distribute cash or stock dividends based on capital expenditure budget and capital requirement.

Except restricted by public company related laws, the earnings, if any, after closing account every year, the Board of Directors should propose an earning distribution plan to the shareholders' meeting as method and priority below:

- (a) Payment of tax and duty;
- (b) Covering of accumulated loss of prior years (if any);
- (c) Set aside 10% as the legal reserve per public company related laws, unless the legal reserve has achieved the Corporation's paid-in capital.
- (d) Set the special reserve per public company related laws or Authority's request;
- (e) The earnings of the year after deducting item (a) to (d) previously mentioned, adding the accumulated undistributed earnings of the prior year is the distributable earnings. The earnings shall be distributed after the plan proposed by the Board of directors and approved by the stockholders' meeting. The dividend can be distributed in cash or stock. To be consistent with Cayman Islands laws, the minimum dividend should be 10% of earnings of the year after deducting item (a) to (d) previously mentioned, and the cash dividend percentage is no lower than 10% of the total stockholders' dividend and the upper limit is 100%.

The Company shall recognize and reverse special reserve in accordance with FSC Letter Jin-Guan-Cheng-Zi No. 1010012865, and the “FAQ on the applicability of the recognition of special reserve after the adoption of IFRSs” by the Company.

The Company had the earnings distribution of 2017 and 2016 resolved in the shareholders’ meeting held on June 22, 2018 and June 28, 2017, respectively, as follows:

	Distribution of retained earnings	
	2017	2016
Legal reserve	\$ 8,642	\$ 14,726
Special reserve	7,870	17,660
Cash dividends	47,406	27,480
Stock dividends	-	27,480

The Company had resolved in the board meeting the earnings distribution of 2018 on March 22, 2019 as follows:

	Distribution of retained earnings
Legal reserve	\$ 7,378
Special reserve	12,374
Cash dividends	38,960

The proposal for the distribution of earnings in 2018 is pending on the resolution of the General Meeting of shareholders scheduled to be held in 2019.

(4) Other equity

- Exchange differences from the translation of financial statements of foreign operations

	2018	2017
Balance, beginning of year	(\$ 25,529)	(\$ 17,659)
Exchange differences from financial statements of foreign operating entities	( 13,314)	( 7,870)
Balance, end of year	(\$ 38,843)	(\$ 25,529)

- Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2018
Balance, beginning of year (IAS 39)	\$ -
Effect of retroactive applicability of IFRS 9	512
Balance, beginning of year (IFRS 9)	512
Unrealized gain or loss of equity instrument of the period	428
Balance, end of year	\$ 940

(5) Treasury stock

	<u>2018</u>
Thousand shares as of January 1, 2018	-
Increase in current period	<u>230</u>
Thousand shares as of December 31, 2018	<u><u>230</u></u>

The Board of Directors approved to purchase the Company's stock from the public market on August 8, 2018 to transfer to employees. The duration for purchase is from August 10 to October 8, 2018 for a total of 230 thousand treasury stocks with cost for NT\$15,287 thousand.

The company's Treasury stock may not be pledged in accordance with the Securities and Exchange Act; moreover, it is without the privilege of dividend and voting right.

19. Consolidated net income

(1) Other income

	<u>2018</u>	<u>2017</u>
Interest revenue	\$ 4,017	\$ 2,323
Dividend income	239	197
Other Revenue- other	<u>283</u>	<u>200</u>
	<u>\$ 4,539</u>	<u>\$ 2,720</u>

(2) Other profits and losses

	<u>2018</u>	<u>2017</u>
Net (loss) gain on disposal and obsolescence of property, plant and equipment	\$ 12	(\$ 343)
Foreign exchange gain or loss	20,430	( 28,184)
Others	( <u>65</u> )	( <u>17</u> )
	<u>\$ 20,377</u>	<u>(\$ 28,544)</u>

(3) Financial cost

	<u>2018</u>	<u>2017</u>
Bank's debt	<u>\$ 756</u>	<u>\$ 1,157</u>

(4) Depreciation, and amortization

	<u>2018</u>	<u>2017</u>
Property, plant, and equipment	\$ 23,351	\$ 16,403
Intangible assets	<u>2,863</u>	<u>2,352</u>
Total	<u>\$ 26,214</u>	<u>\$ 18,755</u>
Depreciation expense summary by function		
Operating cost	\$ 10,977	\$ 7,494
Operating expenses	<u>12,374</u>	<u>8,909</u>
	<u>\$ 23,351</u>	<u>\$ 16,403</u>
Amortization expense summary by function		
Operating cost	\$ 1,004	\$ 990
Operating expenses	<u>1,859</u>	<u>1,362</u>
	<u>\$ 2,863</u>	<u>\$ 2,352</u>

(5) Employee benefits expenses

	<u>2018</u>	<u>2017</u>
Short-term employee benefits		
Salaries and wages	\$368,470	\$374,996
Labor insurance and national health insurance	7,355	8,381
Share-based payment transaction - equity-settled	-	2,641
Retirement benefits	16,928	19,999
Other employee benefits	<u>8,945</u>	<u>10,246</u>
Total employee benefits expenses	<u>\$401,698</u>	<u>\$416,263</u>
Summary by function		
Operating cost	\$338,198	\$332,158
Operating expenses	<u>63,500</u>	<u>84,105</u>
	<u>\$401,698</u>	<u>\$416,263</u>

The Board of Directors approved to issue new stocks for capital increase by cash on March 17 and October 28, 2017 and reserve 10% for employees' subscription.

In 2017 the capital increase by cash reserved for employees' subscription recognized as remuneration to employees at a cost of NT\$2,641 thousand.

(6) Remuneration to employees, Directors and Supervisors

According to the Articles of Incorporation, the remuneration to employees and Directors is calculated by the income before tax and the remuneration to employees and Directors with rate no lower than 1.5% and higher than 2%. The estimated remuneration to employees and Directors and Supervisors in the 2018 and 2017, are specified below:

Estimate on ratio

	<u>2018</u>	<u>2017</u>
Remuneration to employees	2.5%	2.5%
Remuneration to directors/supervisors	2.0%	2.0%

Amount

	<u>2018</u>	<u>2017</u>
Remuneration to employees	<u>\$ 2,162</u>	<u>\$ 2,272</u>
Remuneration to directors/supervisors	<u>\$ 1,730</u>	<u>\$ 1,818</u>

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

The actual amount for remuneration to employees and Directors and Supervisors in 2017 and 2016 did not vary from the amount recognized in the consolidated financial statements of 2017 and 2016.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Consolidated Company in 2019 and 2018, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

20. Income tax

- (1) The main composition items recognized as income tax expenses in income

	<u>2018</u>	<u>2017</u>
Income tax expenses in the current period		
Incurred during the year	\$ 47,993	\$ 51,031
Prior year adjustment	( 448 )	485
	<u>47,545</u>	<u>51,516</u>
Deferred tax		
Incurred during the year	( 13,379 )	( 623 )
Change in tax rate	( 5 )	-
	<u>( 13,384 )</u>	<u>( 623 )</u>
Income tax expense recognized in the profit or loss	<u>\$ 34,161</u>	<u>\$ 50,893</u>

- (2) Income tax expense calculated by net income before tax per book and tax rate regulated by laws is adjusted as below:

	<u>2018</u>	<u>2017</u>
Income before tax from continuing operations	<u>\$107,938</u>	<u>\$137,315</u>

(Continued on next page)

(Continued from previous page)

	<u>2018</u>	<u>2017</u>
Income tax expense of net income before tax at the statutory tax rate (25%)	\$ 26,985	\$ 34,329
Non-deductible expenses and losses for tax purposes	94	490
Withholding tax for overseas earnings remittance	10,647	9,103
Unrecognized loss carryforwards/Temporary difference	( 852 )	( 236 )
Unused foreign tax credit	-	1,664
Income tax expense of prior years adjusted in the current year	( 448 )	485
Change in tax rate	5	-
Effect of variation in taxation rates on the consolidation of the group and individual entities.	<u>( 2,270 )</u>	<u>5,058</u>
Income tax expense recognized in the profit or loss	<u>\$ 34,161</u>	<u>\$ 50,893</u>

Because the parent company, Power Logic Holdings Inc., United Strategy Inc. and Sunny Sharp International Limited and Sunny Faith Investments Limited are registered in the Caymans and Samoa, there is no income tax.

The tax rate was adapted to the consolidated company at 17% as per the Income Tax Act in Taiwan in 2017. Following the amendments to the Income Tax Act in R.O.C in February 2018, the business income tax rate was adjusted from 17% to 20% as of 2018 and executed from 2018. Meanwhile, the tax rate applicable to unallocated earnings was adjusted from 10% to 5% in 2018. The income tax rate was subjected to 25% for subsidiaries in China per the income tax laws in P.R.C. The income tax rate was subjected to 20% for subsidiaries in Taiwan per the income tax laws in R.O.C. Furthermore, the dividend income of Power Logic Holdings Inc., United Strategy Inc. and Sunny Faith Investments Limited is subjected to a 10% tax rate per the income tax laws in P.R.C.

(3) Current income tax asset and liability

	<u>2018</u>	<u>2017</u>
Current income tax asset		
Tax refund receivable	<u>\$ 4,508</u>	<u>\$ 1,452</u>
Current Tax Liability		
Payable income tax	<u>\$ 10,079</u>	<u>\$ 11,309</u>

## (4) Deferred income tax assets and liabilities

2018

	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Unrealized exchange loss	\$ 61	(\$ 61)	\$ -	\$ -
Rent leveling	266	1,141	( 26)	1,381
Falling price of inventory	2,562	5,360	( 145)	7,777
Allowance for losses	-	185	( 4)	181
	<u>\$ 2,889</u>	<u>\$ 6,625</u>	<u>(\$ 175)</u>	<u>\$ 9,339</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized exchange gain	\$ 31	\$ 49	\$ -	\$ 80
Financial and tax difference for sales revenue	25,105	( 13,894)	( 180)	11,031
Financial and tax difference for cost of goods sold	7,254	1	( 126)	7,129
Tax payable for overseas earnings remittance	45,257	7,085	( 290)	52,052
	<u>\$ 77,647</u>	<u>(\$ 6,759)</u>	<u>(\$ 596)</u>	<u>\$ 70,292</u>

2017

	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Unrealized exchange loss	\$ 162	(\$ 101)	\$ -	\$ 61
Financial and tax difference for expense payable	2,304	( 2,233)	( 71)	-
Rent leveling	-	263	3	266
Falling price of inventory	976	1,589	( 3)	2,562
	<u>\$ 3,442</u>	<u>(\$ 482)</u>	<u>(\$ 71)</u>	<u>\$ 2,889</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized exchange gain	\$ -	\$ 31	\$ -	\$ 31
Financial and tax difference for sales revenue	26,237	( 590)	( 542)	25,105
Financial and tax difference for cost of goods sold	17,359	( 9,649)	( 456)	7,254
Tax payable for overseas earnings remittance	36,154	9,103	-	45,257
	<u>\$ 79,750</u>	<u>(\$ 1,105)</u>	<u>(\$ 998)</u>	<u>\$ 77,647</u>

## (5) Unused loss carryforwards unrecognized as deferred tax asset in consolidated financial statements

	December 31, 2018	December 31, 2017
Loss deduction	<u>\$ 1,384</u>	<u>\$ 5,780</u>



- (6) As of December 31, 2018, the deficit of POWER LOGIC TECH. INC applicable to future taxable income offset is as below:

<u>Filing year</u>	<u>Due year of loss carryforwards</u>	<u>Loss carryforwards amount</u>
2013	2023	\$ 322
2014	2024	<u>1,062</u>
		<u>\$ 1,384</u>

As of 2016, all tax returns by POWER LOGIC TECH. INC have been authorized by the tax collection authority.

21. Earnings per share

	<u>2018</u>	<u>2017</u>
		Unit: NT\$ per share
Basic earnings per share		
Business units in continuing operation	<u>\$ 3.12</u>	<u>\$ 4.26</u>
Diluted earnings per share		
Business units in continuing operation	<u>\$ 3.11</u>	<u>\$ 4.25</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net income in current year

	<u>2018</u>	<u>2017</u>
The net income applied to calculate basic earnings per share	<u>\$ 73,777</u>	<u>\$ 86,422</u>
Net profits for the calculation of diluted earnings per share	<u>\$ 73,777</u>	<u>\$ 86,422</u>

Quantity

	<u>2018</u>	<u>2017</u>
		Unit: Thousand shares
Weighted average common stock shares used to calculate basic earnings per share	23,627	20,280
Effect of dilutive potential common stock:		
Remuneration to employees	<u>58</u>	<u>46</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>23,685</u>	<u>20,326</u>

If the consolidated company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

22. Operating lease agreement

The operating lease is because of the operating lease contract engaged by the consolidated company with other units to lease land, plants and offices. The main operating contract is valid until November 2026. The refundable deposits for operating lease are NT\$12,644 thousand and NT\$12,832 thousand respectively (presented as other non-current assets) as of December 31, 2018 and 2017.

The future minimum lease payment for an irrevocable operating lease is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 34,761	\$ 37,096
1 ~5 years	140,202	143,793
More than 5 year	<u>73,821</u>	<u>111,116</u>
	<u>\$248,784</u>	<u>\$292,005</u>

23. Financial instruments

(1) Information on fair value – financial instruments at fair value on repetition.

1. Fair value level

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
-Domestic non-listed (OTC) stocks	\$ -	\$ -	\$ 1,640	\$ 1,640

2. Level 3 evaluation technology and inputs for fair value measurement: The Company adapts the market approach for unquoted stock fair value calculation. Part of the assumption used is the price or interest rate not from the observable markets. The discount factor of liquidity is 50% used as of December 31, 2018 while fair value determining.

(2) Categories of financial instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Loans and accounts receivable (Note 1)	\$ -	\$ 1,048,516
Financial assets based on cost after amortization (Note 2)	932,595	-
Financial assets at fair value through other comprehensive profit or loss	<u>1,640</u>	<u>-</u>
	<u>\$ 934,235</u>	<u>\$ 1,048,516</u>
<u>Financial liabilities</u>		
Measured at amortized cost (Note 3)	<u>\$ 264,073</u>	<u>\$ 470,134</u>

Note 1: The balances include cash and cash equivalent, net of note and account receivable, refundable deposits, other receivable and other financial assets amortized measured at cost related loan and receivable.

Note 2: The balances include cash and cash equivalent, net of note and account receivable, refundable deposits, other receivable and other financial assets amortized measured at cost.

Note 3: The balances include note and account payable, other payable, long-term loan due within a year and financial liability amortized measured at cost related long-term loan.

(3) Financial risk management purpose and policies

The financial instruments of the consolidated company are account receivable, account payable and loan included. The risks include market risk (including exchange and interest rate risks), credit risk and liquidity risk. The managements monitor risk and execute policy to reduce risk exposure according to its authority.

1. Market Risk

The major financial risk faced by the consolidated company resulted from the operating activities include foreign exchange rate risk [see (1) below] and interest rate risk [see (2) below].

There is no change in the consolidated company's related financial instruments market risk exposure and the way the consolidated company manages and assesses the exposure.

(1) Exchange rate risk

The consolidated company is exposed to exchange rate fluctuation because its subsidiaries sell and purchase in foreign currency.

For the book value of non-functional currency pricing monetary asset and liability of the consolidated company as of balance sheet date (including the written-off non-functional currency pricing monetary items), please refer to Note 27.

Sensitivity analysis

The consolidated company is mainly influenced by the exchange rate fluctuation of the US dollar and RMB.

The consolidated company's sensitivity analysis for New Taiwan Dollar (functional currency) to each relevant foreign currency exchange rates that increased or decreased by 5% is illustrated in the following table. The 5% sensitivity is used internally for reporting the exchange rate risk to management and is the assessment by management regarding the reasonable and possible changes in foreign exchange rates. The sensitivity analysis includes only the outstanding monetary items in foreign currency; also, the translation at year-end is adjusted in accordance with the changes in exchange rates by 5%. The table below indicates the income before tax increase amount when NT\$ devalued 5% against other related currencies; the income before tax decrease the same amount when NT\$ appreciated 5% against other related currencies.

	Impact of USD	
	2018	2017
Profit and loss	\$ 30,314	\$ 35,393

(2) Interest rate risk

The interest rate exposure is from the entities within the consolidated company borrowing with fixed and floating rates.

The book value of financial liability belonged to the consolidated company exposed to interest rate as of the balance sheet date is as below:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
With fair value interest rate risk		
-Financial liabilities	\$ 36,650	\$ 39,650
With cash flow interest rate risk		
-Financial liabilities	3,020	13,460

### Sensitivity analysis

Below, sensitivity analysis is decided by the interest rate exposure of derivative and non-derivative as of the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The change in interest rate reported internally to management is the interest rate plus or minus 50 points, which represents management's assessment of the reasonable and possible changes in interest rates.

If the interest increases 50 BPS and other variables remain unchanged, the income before tax of the consolidated company decreases NT\$15 and NT\$67 thousand in 2018 and 2017. It is mainly caused by the floating borrowing rates.

## 2. Credit Risk

Credit risk refers to the counterparty's default on contractual obligations resulting in financial loss to the Group. As of the balance sheet date, the maximum financial loss credit risk exposure of financial loss on obligation unfulfilled by the transaction party and financial guarantee provided by the consolidated company is mainly from the book value of the financial assets recognized in the consolidated balance sheet.

The consolidated company continuously monitors the credit exposure and transaction parties' credit ratings and scatters the total transaction amount to credit rating qualified customers. The credit facility of the transaction party is reviewed and approved yearly by the executive Vice President, and audit and accounting departments to control credit exposure.

The receivable account is for many customers from diverse industries and geographical areas. The consolidated company continuously evaluates and monitors risk exposure toward account receivable customers' financial situations.

The credit risk of the consolidated company is from its biggest customer. The total account receivable portion from that customer is 33% and 45% as of December 31, 2018 and 2017 respectively.

### 3. Liquidity Risk

The consolidated company has supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The consolidated company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is an important source of liquidity to the consolidated company. For the financing facility of the consolidated company as of December 31, 2018 and 2017, please refer to the financing facility explanation (2) below.

#### (1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company's undiscounted cash flow (including principal and estimated interest) of financial liabilities on the possible earliest repayment date upon request. Therefore, the company borrowings may be requested to repay immediately is listed as earliest period of table below without considering the percentage that bank execute its rights. The maturity analysis of other derivative liability is made in accordance with contracted repayment dates.

For the cash flow of the interest paid in accordance with the floating rate, the undiscounted interest amount is deduced from the yield rate curve on the balance sheet date.

#### December 31, 2018

	Payment on demand or less than 1 month	One-three months	three months-one year	1 ~5 years
<u>Non-derivative financial liabilities</u>				
Note and account payables	\$ 49,786	\$ 34,403	\$ 15,383	\$ -
Floating rate instruments	120	240	2,660	-
Fixed interest rate:	250	500	2,250	33,650
	<u>\$ 50,156</u>	<u>\$ 35,143</u>	<u>\$ 20,293</u>	<u>\$ 33,650</u>

#### December 31, 2017

	Payment on demand or less than 1 month	One-three months	three months-one year	1 ~5 years
<u>Non-derivative financial liabilities</u>				
Note and account payables	\$ 65,594	\$ 94,671	\$ 70,955	\$ 50
Floating rate instruments	120	240	1,080	12,020
Fixed interest rate:	250	500	2,250	36,650
	<u>\$ 65,964</u>	<u>\$ 95,411</u>	<u>\$ 74,285</u>	<u>\$ 48,720</u>

(2) Financing facilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Bank overdraft facilities with collateral		
- The amount expensed	\$ 39,670	\$ 53,110
- The amount not yet expensed	<u>405,438</u>	<u>268,960</u>
	<u>\$445,108</u>	<u>\$322,070</u>

24. Related party transactions

Remunerations to the management

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 17,412	\$ 18,532
Retirement benefits	161	156
Share-based payment	-	857
	<u>\$ 17,573</u>	<u>\$ 19,545</u>

25. Pledged assets

The below assets are collaterals for bank borrowings:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Land, buildings and architecture	<u>\$ 91,717</u>	<u>\$ 93,253</u>

26. Significant subsequent events

The Board of directors approved to issue unsecured convertible bonds in Taiwan for the first time on October 29, 2018. The issuance is approved by Letter No. Financial-Supervisory-Securities-Corporate-10703446871 of the Financial Supervisory Commission. The unsecured convertible bonds were issued in Taiwan for the first time on January 3, 2019 with the terms below:

- (1) Total Issued: NT\$ 150,000 thousand.
- (2) Face value and issuance price: the face value is NT\$100 thousand each, fully issued at the face value.
- (3) Stated rate: annual interest 0%
- (4) Duration: 3 years; January 3, 2019 to January 3, 2022.
- (5) Redemption method of the Company:
  1. Redemption at maturity date:

The convertible bonds except be redeemed, buy-back, or converted, the Company repays with bond face value by cash at the maturity date.

2. Redeem before maturity date

From the next date after issuance of 3 months to the 40 days before the maturity date, if the common stock closing price exceeds 30% of the conversion price for 30 continuous trade days, the Company could collect all bonds at face value by cash.

From the next date after issuance of 3 months to the 40 days before the maturity date, if the outstanding balance is lower than 10% of the total issuance amount, the Company could collect all bonds at face value by cash.

(6) Sell back:

The bond holder could ask the Company to redeem the convertible bond held at face value plus interest compensation after 2 years of issuance.

(7) Conversion:

1. Conversion period:

Start from the next date after issuance of 3 months and end at the maturity date.

2. Conversion price:

The conversion price is 43.05 dollar NT\$ each. The calculation is based on selected simple arithmetic average of the common stock closing price of one, three and five business days prior to the conversion price set date timed 105% convertible premium rate.

3. Conversion price adjustment:

After the conversion price defined before the actual issuance date, the conversion price should be adjusted in accordance with the price adjustment formula if ex-rights or ex-dividend exist.

(8) The convertible bond issued on January 3, 2019 includes liability and equity components. The equity component is presented as additional paid-in capital-Stock option under equity. The original effective interest rate is 1.5% of liability component.

Issuance price (deduct transaction cost NT\$3,560 thousand) (Note)	\$ 146,440
Equity component	( 5,814)
Financial liabilities	( <u>571</u> )
liability component at issuance date	<u>\$ 140,055</u>

Note: presented as other non-current liability as of December 31, 2018.



27. Information on exchange rates of financial assets and liabilities denominated in foreign currencies

The following information is presented in foreign currency other than the functional currency of each entity of the Consolidated Company. The disclosed exchange rate refers to the exchange rate that such foreign currency converting into the functional currency. Foreign currency assets and liabilities with significant influence as follows:

December 31, 2018

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 17,594	30.715 (USD : NT\$)	<u>\$ 540,391</u>
USD	3,246	6.863 (USD : CNY)	<u>\$ 99,701</u>
Foreign currency liabilities			
<u>Monetary item</u>			
USD	1,093	30.715 (USD : NT\$)	<u>\$ 33,578</u>
USD	7	6.863 (USD : CNY)	<u>\$ 228</u>

December 31, 2017

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 20,801	30.432 (USD : NT\$)	<u>\$ 633,016</u>
USD	4,539	6.534 (USD : CNY)	<u>\$ 138,126</u>
Foreign currency liabilities			
<u>Monetary item</u>			
USD	2,071	30.432 (USD : NT\$)	<u>\$ 63,025</u>
USD	9	6.534 (USD : CNY)	<u>\$ 264</u>

The consolidated company mainly takes the foreign currency exchange risk other than the US dollar. The following information is presented in the functional currency of each entity possessing foreign currency. The disclosed exchange rate refers to the exchange rate of such functional currency converting into the presentation currency. Foreign currency gains/losses of material impact (including realized and unrealized):

Functional currency	2018		2017	
	Functional currency exchanges for presentation currency	Net gain (loss) on foreign exchange	Functional currency exchanges for presentation currency	Net gain (loss) on foreign exchange
NT\$	1 (NT\$: NT\$)	\$ 8,408	1 (NT\$: NT\$)	( \$ 5,253 )
RMB	4.560 (CNY: NT\$)	<u>12,022</u>	4.554 (CNY: NT\$)	( <u>22,931</u> )
		<u>\$ 20,430</u>		( <u>\$ 28,184</u> )

28. Notes of disclosure

- (1) Material transactions (2) and transfer investment information:
  1. The Loaning of funds: Attached table 1.
  2. Endorsement and Guarantee: Attached table 2.
  3. Securities held at period end (excluding investment in subsidiaries, affiliate, and Joint Ventures equities): Attached table 3.
  4. The accumulated amount of purchasing or selling the same securities reaching NT\$ 300 million or more than 20% of the paid-in capital: None.
  5. Acquisition of real estate properties amounting to more than NT\$ 300 million or 20% of paid up capital: None.
  6. Disposition of real estate properties amounting to more than NT\$ 300 million or 20% of paid up capital: None.
  7. Purchase and sales transactions with related party amount over 100 million NT\$ or 20% and above of paid-in capital: Attached table 4.
  8. Related party receivables amounting to more than NT\$ 100 million or 20% of paid up capital: None.
  9. Information on investees: Attached table 5.
  10. Engagement in derivative trade: None.
  11. Business relationship and significant transactions between the parent company and subsidiaries: Attached table 6.
- (3) Information regarding investment in the territory of mainland china
  1. The names of investees in China, operation items, paid-in capital, investment method, fund remittance – in and out, share-holding proportion, investment profit or loss, book value of investment of period end, wired-back investment profit or loss and investment limitation in China: Attached table 7.
  2. The significant transactions conducted with the investee company in China directly or indirectly, and the price, payment terms, and unrealized profit and loss: None.
    - (1) Purchase amount and percentage and the related payables ending balance and percentage.
    - (2) Sale amount and percentage and the related receivables ending balance and percentage.
    - (3) Property transaction amount and the profit and loss arising from the acquisitions.
    - (4) Notes endorsement and guarantee, or the provided collateral ending balance and its purpose.
    - (5) The maximum financing balance, ending balance, interest rate interval, and total interest amount.
    - (6) Others transactions with significant influences on the profit and loss or financial position, such as, the offer or acceptance of labor services.

29. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation.

The consolidated company capital structure is composed of the net liability of the consolidated company (e.g. loan deducted cash and cash equivalent) and equity.

The consolidated company is not required to comply with other external capital requirements.

30. Segment information

The consolidated company mainly operates for cooling fan production, purchase and sales. The major business decision maker evaluates the operating performance based on the whole operating result. Therefore, the consolidated company is a single operating department and mainly operates in China. The operating department information and consolidated financial statements are consistent for 2018 and 2017.

(1) Main revenues from products and service

The major product and service revenue of the consolidated company is analyzed as below:

	<u>2018</u>	<u>2017</u>
Cooling fan	\$ 1,197,734	\$ 1,269,569
Others	<u>19,861</u>	<u>22,378</u>
	<u>\$ 1,217,595</u>	<u>\$ 1,291,947</u>

(2) Information by areas

The territory information of the consolidated company is as below. The revenue is classified per customers' geographic location and the non-current asset is classified per the asset's geographic location.

<u>Territory</u>	<u>2018</u>	<u>2017</u>
Revenue from external customers		
China	\$ 1,001,632	\$ 1,129,321
Taiwan	85,995	52,366
Others	<u>129,968</u>	<u>110,260</u>
Total	<u>\$ 1,217,595</u>	<u>\$ 1,291,947</u>
Non-current assets:		
China	\$ 124,010	\$ 107,089
Taiwan	110,361	111,240
Others	<u>4,392</u>	<u>5,798</u>
Total	<u>\$ 238,763</u>	<u>\$ 224,127</u>

Non-current asset excludes financial instrument and deferred tax asset.

(3) Information on key customers

Income generated from a single customer for more than 10% of the consolidated company's total income is as follows:

	<u>2018</u>	<u>2017</u>
Customer A	\$ 392,594	\$ 486,492
Customer B	<u>240,747</u>	<u>257,048</u>
	<u>\$ 633,341</u>	<u>\$ 743,540</u>

SUN MAX TECH LIMITED and its subsidiaries

The Loaning of Funds

2018

Attached table 1

Unit: Unless otherwise stated, NT\$ Thousand

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period	Balance, ending	The actual amounts disbursed	Interest rate collars	Nature of financing	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note)	Total limit of financing (Note)	Remarks
													Name	Value			
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Other receivables - related parties- Other	Yes	\$ 123,340 ( USD 4,000 )	\$ 61,430 ( USD 2,000 )	\$ - ( USD - )	3%	The necessity of short-term financing	\$ -	Operation turnover	\$ -	-	-	\$ 354,359	\$ 354,359	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	38,255 ( RMB 8,500 )	38,040 ( RMB 8,500 )	- ( RMB - )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	27,004 ( RMB 6,000 )	26,852 ( RMB 6,000 )	26,852 ( RMB 6,000 )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	29,094 ( RMB 6,231 )	27,886 ( RMB 6,231 )	27,886 ( RMB 6,231 )	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	Other receivables - related parties	Yes	169,829 ( USD 5,486 )	168,512 ( USD 5,486 )	168,512 ( USD 5,486 )	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	UNITED STRATEGY INC.	Other receivables - related parties	Yes	1,011 ( RMB 216 )	- ( RMB - )	- ( RMB - )	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC (YI QUAN) CO., LTD	Other receivables - related parties	Yes	35,025 ( RMB 7,500 )	- ( RMB - )	- ( RMB - )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	25,369 ( RMB 5,500 )	- ( RMB - )	- ( RMB - )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties- Other	Yes	29,982 ( RMB 6,500 )	- ( RMB - )	- ( RMB - )	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
9	POWER LOGIC (YI QUAN) CO., LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	28,015 ( RMB 6,000 )	- ( RMB - )	- ( RMB - )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	30,331	30,331	

Note: Should fill in the operating procedure of lending company's money to others, lending limitation for individual party and total lending amount.

1. The total lending amount to others cannot exceed 20% of the latest net financial statements recently audited or reviewed by a CPA. The lending to 100% directly or indirectly owned subsidiaries is not subjected to the limitation, but the highest amount cannot exceed 40% of latest net financial statements.
2. Business related company or entity: The total lending amount cannot exceed 10% of the latest net financial statements recently audited or reviewed by a CPA. The individual lending amount cannot exceed the transaction amount of the recent year. The transaction amount is the purchase or sales amount, which is higher.
3. Business related company or entity with short-term loan requirement to the Company: The total lending amount cannot exceed 10% of the latest net financial statements recently audited or reviewed by a CPA and the individual lending amount cannot exceed 5% of the latest financial statements net value recently audited or reviewed by a CPA. The lending to 100% directly or indirectly owned subsidiaries is not subjected to the limitation, but the highest total lending amount and individual lending amount cannot exceed 40% of the latest net financial statements.
4. The total amount of subsidiaries lending to others cannot exceed 40% of the subsidiary's latest financial statements net value.
5. For a business related company or entity with subsidiary, the total lending amount cannot exceed 20% of the subsidiary's latest net financial statements. The individual lending amount cannot exceed the transaction amount of the recent year. The transaction amount is the purchase or sales amount, which is higher.
6. Business related company or entity with short-term loan requirement to the subsidiary: The total lending amount cannot exceed 20% of the subsidiary's latest net financial statements. The individual lending amount cannot exceed 10% of the latest subsidiary's net financial statements. The net value is based on the latest financial statement audited or reviewed by a CPA.
7. The intercompany loan between 100% directly or indirectly owned domestic subsidiaries is not subjected to the previous three limitations, but the highest total lending amount and individual lending amount cannot exceed 40% of the subsidiary's latest net financial statements.
8. The intercompany loan between 100% directly or indirectly owned foreign subsidiaries is not subjected to the previous four limitations, but the highest total lending amount and individual lending amount cannot exceed the subsidiary's latest net financial statements.

**SUN MAX TECH LIMITED and its subsidiaries**

**Endorsement and Guarantee**

**January 1 to December 31, 2018**

Attached table 2

Unit: Unless otherwise stated, NT\$ Thousand

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the current period	The ending balance of endorsements and/or guarantees	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation											
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	\$ 61,910 (USD 2,000)	\$ 61,430 (USD 2,000)	\$ -	\$ -	7%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	185,730 (USD 6,000)	184,290 (USD 6,000)	-	-	21%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	92,865 (USD 3,000)	92,145 (USD 3,000)	-	-	10%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	6,191 (USD 200)	6,143 (USD 200)	-	-	1%	Note 3	Y	N	N	
0	Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Parent Company and Subsidiaries	Note 2	102,183 (USD 3,500)	61,430 (USD 2000)	-	-	7%	Note 3	Y	N	N	
0	Sun Max Tech Limited	DONG GUAN DONG LI DIAN ZI CO. LTD	Parent Company and Sub-subsidiary	Note 2	9,287 (USD 300)	9,215 (USD 300)	-	-	1%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-subsidiary	Note 2	77,388 (USD 2,500)	76,788 (USD 2,500)	-	-	9%	Note 3	Y	N	Y	

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

(2) The investees are sequentially numbered from 1 and so forth.

Note 2: The endorsement guarantee amount to individual company by the Company cannot exceed 10% of the latest net financial statements audited by a CPA:  $885,898 \times 10\% = 88,590$ , but the endorsement guarantee amounting to 100% directly or indirectly owned company by the Company is not subjected to the previous limitation. The endorsement guarantee amount to individual company do not exceed 150% net value of the Company:  $885,898 \times 150\% = 1,328,847$ .

Note 3: The total endorsement guarantee amount by the Company do not exceed 20% of latest net financial statements audited by CPA:  $885,898 \times 20\% = 177,180$ , but the endorsement guarantee amount to 100% direct or in-direct owned company by the Company is not subjected to the previous limitation. The total endorsement guarantee amount do not exceed 150% net value of the Company:  $885,898 \times 150\% = 1,328,847$ .

**SUN MAX TECH LIMITED and its subsidiaries**  
**Marketable securities held at yearend**

December 31, 2018

Attached table 3

Unit: except noted otherwise, presented in thousand Taiwan dollars and shares.

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Remarks
				Quantity	Book value	Ratio of Shareholding	Fair value	
POWER LOGIC TECH. INC	Private equity-SONG JYE TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive profit or loss- non-current	700	\$ 1,640	14%	\$ 1,640	

SUN MAX TECH LIMITED and its subsidiaries

The purchase or sale with the related party for an amount exceeding NT\$100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attached table 4

Unit: Unless otherwise stated, NT\$ Thousand

Purchasing (selling) company	Name of Counterparty	Relation	Transaction				The situation and reason for terms different from general transactions		Account receivable (payable)		Remarks
			Purchas (Sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage to total account receivable (payable)	
DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC (YI QUAN) CO., LTD	Affiliate	Sale	\$ 38,120	10.39%	Payment terms: 90 days	-	-	\$ -	-	
POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	Affiliate	Sale	445,541	51.78%	Payment terms: 90 days	-	-	35,726	21.17%	
POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Affiliate	Sale	131,060	15.23%	Payment terms: 90 days	-	-	32,095	19.02%	
SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	POWER LOGIC TECH (TAI YI) CO., LTD	Affiliate	Sale	241,462	60.69%	Payment terms: 90 days	-	-	45,692	64.70%	

Note: the sales and account receivable is eliminated from this consolidated statement.



SUN MAX TECH LIMITED and its subsidiaries  
The information of the invested company, the location, and so on  
January 1 to December 31, 2018

Attached table 5

Unit: Unless otherwise stated, NT\$ Thousand

Investor	Investee's name (Note 1, 2)	Location	Principal business	Initial investment amount		Ending shareholding			Invested company's profit and loss	Investment profit/loss recognized in the current period	Remarks
				Current yearend	Last yearend	Quantity	Proportion	Book value			
Sun Max Tech Limited	POWER LOGIC TECH. INC	Taiwan	Sales of cooling fans	\$ 45,000	\$ 45,000	4,500	100	\$ 75,943	\$ 27,780	\$ 27,780	
Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Samoa	Investment in holding company and sales of cooling fans	163,037 (USD 5,445)	12,508 (USD 423)	5,100	100	249,122	8,836	8,836	
Sun Max Tech Limited	UNITED STRATEGY INC.	Samoa	Investment in holding company	141,995 (USD 4,572)	141,995 (USD 4,572)	1,530	100	409,358	30,579	30,579	
Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	BVI Suzhou	Investment in holding company and sales of cooling fans	46,741 (USD 1,550)	46,741 (USD 1,550)	490	100	84,571	14,195	18,702 (Note 4)	
Sun Max Tech Limited	SUNNY FAITH INVESTMENTS LIMITED	Samoa	Investment in holding company	15,469 (USD 500)	15,469 (USD 500)	500	100	30,648	( 2,405)	( 2,405 )	

Note 1: If the public company is a foreign registered holding company and takes the consolidated statements as the major statement according local laws, it is acceptable to disclose to the holding company only for foreign invested disclosure.

Note 2: Fill in by following regulations if not belongs to Note 1:

- (1) Columns of "Investee name", "Area", "Operating items", "Original investment amount" and "Shares-holding at period end" should be filled in order according to the (public) Company reinvestment and the reinvestment of the investee. The relationship between the (public) Company and investee is required to be indicated in the remarks column (e.g. it is a subsidiary or subordinate).
- (2) "The investee income" column should be filled in with profit or loss amount of the investee of the period.
- (3) "The investee income" column is filled in with the recognized direct invested subsidiaries and investee profit and loss under equity of the Company only. No need to fill in other than these two. The subsidiary profit and loss including re-investment profit and loss to be recognized according to the regulations should be confirmed when filling in the "Recognized direct invested subsidiary profit and loss of the period".

Note 3: For the detailed information of investees in China, please refer to the Attached table 7.

Note 4: Including unrealized gross from intercompany transactions.

SUN MAX TECH LIMITED and its subsidiaries

The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts

January 1 to December 31, 2018

Attached table 6

Unit: Unless otherwise stated, NT\$ Thousand

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			The ratio of consolidated total income or assets (Note 3)
				Title	Amount	Terms and conditions	
1	POWER LOGIC TECH. INC	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	\$ 12,155	Note 4	1.00%
1	POWER LOGIC TECH. INC	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	44,907	Note 4	3.69%
2	POWER LOGIC HOLDINGS INC.	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	30,803	Note 4	2.53%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	241,462	Note 4	19.83%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	POWER LOGIC TECH (TAI YI) CO., LTD	3	Accounts receivable	45,692	Note 4	3.30%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	24,731	Note 4	2.03%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	3	Other receivables	54,809	Note 4	3.95%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC (YI QUAN) CO., LTD	3	Sales revenue	38,120	Note 4	3.13%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	3	Other receivables	168,512	Note 4	12.15%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Accounts receivable	35,726	Note 4	2.58%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Sales revenue	445,922	Note 4	36.62%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Accounts receivable	32,095	Note 4	2.31%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Sales revenue	130,939	Note 4	10.75%
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	13,614	Note 4	1.12%

(Continued on next page)

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:

(1) Fill in "0" for parent company.

(2) The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

(1) The company to the Subsidiary.

(2) The Subsidiary to the company.

(3) The Subsidiary to the Subsidiary.

Note 3: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the interim cumulated amount to the consolidated total income.

Note 4: The transaction term shows no apparent difference existed for a related and non-related party.

Note 5: The transaction above and over NT\$ 10 million.

SUN MAX TECH LIMITED and its subsidiaries  
Information regarding investment in the territory of mainland china  
January 1 to December 31, 2018

Attached table 7

Unit: Unless otherwise stated, NT\$ Thousand

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Invested company's profit and loss	Ratio of shareholding of investment directly or indirectly made by the Company	Investment profit/loss recognized in current period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fans	\$ 101,903 (CNY 22,000)	2 (POWER LOGIC HOLDINGS INC.)	\$ -	\$ -	\$ -	\$ -	\$ 14,018	100.00	\$ 14,018 (Note 4)	\$ 243,885 (Note 4)	\$ -	
DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fans	88,456 (HKD 21,000)	2 (UNITED STRATEGY INC.)	-	-	-	-	32,580	100.00	32,521 (Note 4)	439,403 (Note 4)	3,035	
POWER LOGIC (YI QUAN) CO., LTD	Sales of cooling fans	13,080 (CNY 3,000)	2 (SUNNY FAITH INVESTMENTS LIMITED)	-	-	-	-	( 2,945 )	100.00	( 2,945 )	30,331	-	

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Compliance with the limit of investment in Mainland China set forth by Investment Commission of MOEA
Not applicable	Not applicable	Not applicable

Note 1: investment methods divided into three as below, and it is acceptable by itemized it

- (1) Direct investment in China.
- (2) Investment in China through the third region (please indicate the invested company in the third region).
- (3) Other methods.

Note 2: in the investment profit or loss column for this period:

- (1) The phase still under preparation and no investment profit or loss generated should be indicated.
- (2) There are three bases for investment profit and loss and should be indicated.
  - A. Financial statements audited by international firm cooperated with accounting firm in R.O.C.
  - B. Financial statements audited by CPA of Taiwan parent company.
  - C. Others.

Note 3: all figures presented in new Taiwan dollars.

Note 4: including the un-realized gross profit from inter-company transaction

V. Recent annual individual financial report and accountant verification report

The company was established in the British Cayman Islands on November 28, 2013. The Cayman local regulations do not require the preparation of individual financial reports and the dividend distribution is based on the consolidated statements, so it is based on the 2014.01.13 gold management certificate. In the letter of 10200546801, the company is exempt from the preparation of individual financial reports.

VI. If the company or its affiliated enterprises have experienced financial difficulties during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, the annual report shall explain how said difficulties will affect the company's financial status: Not applicable.

## Seven. Review of financial status, business performance, and risk management

### I. Comparative analysis of financial condition:

Unit: NT\$ thousands

Item \ Year	2017	2018	Variation	
			Amount	%
Current assets	1,227,447	1,136,718	(90,729)	(7.39)
Real estate, Workshop and equipment	198,393	212,937	14,543	7.33
Intangible assets	7,996	8,667	671	8.39
Other assets	21,327	28,138	6,811	31.93
Total assets	1,455,163	1,386,460	(68,703)	(4.72)
Current liabilities	440,081	247,087	(192,994)	(43.85)
Non-current liabilities	126,561	253,475	126,914	100.28
Total liabilities	566,642	500,562	(66,081)	(11.66)
Capital stock	237,030	237,030	0	0
Capital surplus	449,000	449,000	0	0
Retained earnings	228,020	253,058	25,038	10.98
Other equity	(25,529)	(37,903)	(12,374)	48.47
Treasury stock	0	(15,287)	(15,287)	—
Total shareholders' equity	888,521	885,898	(2,623)	(0.3)

#### Description of major changes:

(The amount changes by more than 10%, and the amount reaches 1% of the total assets of the year, that is, 14,552 thousand yuan)

(1)Current liabilities: The main payment is due to the payment of the manufacturer's payment, the decrease in the accounts payable and the payment of the payable/processing fee/securities underwriting expenses.

(2)Non-current liabilities: Mainly due to the advance receipt of convertible corporate bonds.

(3)Retained surplus: Mainly due to the undistributed surplus before 2017 and the provision of statutory reserve and special surplus reserve.

(4)Treasury stock: the main stopping August 13, 2018 to October 5, 2018 to perform a total of 230 thousand shares of treasury stock.

Source: consolidated audited financial statements

II. Comparison and analysis of financial performance:

1. Financial performance analysis

Unit: NT\$ thousands

Item	Year	2017	2018	Variation	
				Amount	%
Operating revenue		1,291,947	1,271,595	(74,351)	(5.75)
Operating cost		(946,326)	(976,718)	(30,391)	3.21
Gross profit		345,621	240,877	(104,744)	(30.31)
Operating expenses		(181,325)	(157,099)	24,226	(13.36)
Operating gains and losses		164,294	83,778	(80,518)	(49.01)
Non-operating revenues and expenses		(26,981)	24,160	51,141	(189.55)
Net profit before taxation		137,315	107,938	(29,377)	(21.39)
Income tax expenses		(50,893)	(34,161)	16,733	(32.88)
Net income or loss for current period		86,422	73,777	(12,645)	(14.63)
Current period other comprehensive income		(7,870)	(12,886)	(5,017)	(63.75)
Current period other comprehensive income (Gross)		78,552	60,891	(17,661)	22.48
Description of major changes: (The change ratio before and after the period is more than 20%, and the amount of change exceeds NT\$10 million)					
(1) Operating gross profit: Mainly due to the decrease in revenue and the increase in labor and materials.					
(2) Operating profit and loss: The main business is due to the decrease in operating income and gross profit margin in 2018.					
(3) Non-operating income and expenses: The main exchange rate of the US dollar exchange rate increased the net foreign exchange interest of the foreign currency by 20,430 thousand yuan.					
(4) Net profit before tax: Mainly due to the decrease in operating profit and loss in 2018.					
(5) Income tax expenses: The main profit is due to the decrease in profit in 2018.					
(6) Other comprehensive profit and loss of the current period: Mainly due to the conversion of the financial statements of the foreign operating institutions of the Company.					

Source: consolidated audited financial statements

2. Expected sales volume and the related reference

The Company's expected sales volume is based on the market forecast of major customers, the sales status of past products, the expected growth rate of products, the development of new customers and the business growth of existing customers, while taking into account the material conditions of major raw materials and the capacity of suppliers. Set the shipping target by factors such as delivery time.

3. Possible impact on the company's future financial business and its response plan

The company has a stable growing operation and a stable source of customers, will steadily increase capital expenditure to bring new business opportunities for the company. Also, the company will continue to deepen and operational management reasonable cost control of each subsidiary to promote the company's business growth and improve profitability; No significant potential impact on the company's future financial business.

### III. Cash flow analysis:

#### 1. Cash flow analysis in the most recent year (2018)

Unit: NT\$ thousand; %

Item \ Year	2017	2018	Variation	
			Amount	%
Operating activities	28,016	115,022	87,006	310.56
Investing activities	(53,466)	(42,787)	10,679	(19.97)
Financing activities	281,780	72,567	(209,213)	(74.25)
Change analysis:				
(1) Cash flow from operating activities: The main reason is to recover the accounts receivable.				
(2) Cash flow from investing activities: The main purchase of real estate, workshop and equipment in 2018 was reduced by 7,683 thousand compared with 2017.				
(3) Cash flow from financing activities: Mainly due to cashless increase in 2018.				

Source: consolidated audited financial statements

#### 2. Plans to improve liquidity: None.

#### 3. Liquidity analysis for the next year (2019)

The Company expects that the cash flow from its business activities in 2019 will maintain a net inflow and there is no liquidity shortage.

### IV. Material capital expenditures in the latest year and impacts on business performance: None.

### V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

#### 1. The Company's investment policy

The Company's current investment policy is based on the basic business-related investment targets and is not engaged in investment in other industries. The relevant units follow the company's "acquisition or disposal of assets handling procedures" and "supervising and management measures for subsidiaries". In accordance with the investment cycle of the internal control system, each investment subsidiary shall, in addition to complying with the requirements of the Company, also conduct appropriate internal control management in accordance with the provisions of the local laws and regulations and the actual operating conditions.

#### 2. The main reasons for the profit or loss of investment in the most recent year (2018):

Unit: NT\$ thousands

Transfer investment	Investment gains and losses	Remark
United Strategy Inc.	30,579	Good operating condition
Power Logic Holdings Inc.	8,836	Good operating condition
Sunny Sharp International Ltd.	18,702	Good operating condition
Sunny Faith Investments Ltd.	(2,405)	Good operating condition
POWER LOGIC TECH. INC	27,780	Good operating condition
DONG GUAN DONG LI DIAN ZI CO. LTD	32,521	Good operating condition
POWER LOGIC TECH (TAI YI) CO., LTD	14,018	Good operating condition
POWER LOGIC (YI QUAN) CO., LTD	(2,945)	Good operating condition



## VI. Risk management and assessment:

### (I) Risk factor

#### 1. Impacts of interest rates, exchange rates, and inflation to The Company's earnings, and the responsive measures

##### (1) Interest rate changes and response measures

The interest income of the Company for the year of 2017 and 2018 was 2,323,000 and 4,017,000, respectively, accounting for 0.18% and 0.33% of the combined net operating income for the year, respectively, and the interest expenses for 2017 and 2018 were 1,157 thousand yuan and 756 thousand yuan, accounting for 0.09% and 0.06% of the combined net operating income for the year, had little impact on the company's revenue and profit. The Company's future response measures: The Company will pay attention to the changes in the financial interest rate at any time, and adjust the use of funds in a timely manner to meet the financial risks that may arise from changes in interest rates. In the future, the company's capital planning is still based on sound principles, and the first allocation of funds is safely managed. Considering the future development of the company, different funding sources and costs will be adopted in addition to maintaining good relations with banks, and different financing methods will be chosen for future growth.

##### (2) Exchange rate changes and response measures

Our company mainly collects the currency mainly by NT, US dollars and RMB, and the payment methods for purchasing materials are also mainly NT, US dollars and RMB. The exchange demand is reduced by the natural risk-averse effect of the balance of payments against the currency, The net exchange (loss) gains for 2017 and 2018 were (28,184) thousand and 20,430 thousand, respectively, accounting for (2.18)% and 1.68% of the combined operating income, respectively. Fluctuation effects, in order to reduce the impact of exchange rate fluctuations on the company's profit and loss. The specific measures of the company in response to exchange rate changes are as follows:

- A. Financial staff should collect real-time currency information at any time, make judgments based on the trend of future exchange rates, maintain adequate foreign exchange reserves and provide a business as a reference basis for quotation.
- B. Adjust the foreign currency deposit position according to the exchange rate change situation. Considering the pre-purchase or pre-sale forward foreign exchange contract for the purpose of hedging and the method of borrowing foreign debt to reduce the exchange rate risk if necessary.
- C. Adopt the method of automatic hedging of foreign exchange receipts and payments to reduce the foreign currency net assets by offsetting the foreign currency receipts and payments generated by foreign sales and foreign purchases.
- D. According to Article 36-1 of the Securities and Exchange Act, the "Derivatives Transaction Processing Procedures" is established as the basis for engaging in derivative commodity transactions, so that the foreign exchange losses of daily operations are limited to a controllable range.

##### Inflation response measures

The Company has considered the risk of inflation in the planning of the annual operating plan. The past profit and loss of the Company has not been significantly affected by inflation. If the purchase cost increases due to inflation, the Company will also keep abreast of the price of upstream goods. Changes are timely reflected

in costs and quotations to reduce the profit and loss impact on the company due to cost changes.

Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees, and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future

- (1) Based on prudent principles and pragmatic business philosophy, the company has not engaged in high-risk and highly leveraged investment except in the fields of the company's business.
- (2) The Company has set has "loans to other parties operating procedures", "endorsement to ensure operating procedures", "acquisition or disposal of asset disposal program," "derivative commodity transaction processing" and other measures. The company will comply with the above procedures, so the relevant risks should be limited.

## 2. R&D plan in the future and projected investment in R&D

The Company's research and development expenses for 2017 and 2018 are 25,325,000 and 31,063,000 respectively. R&D expenses account for approximately 1.96% and 2.55% of revenue. In the future, in addition to continuous improvement of existing processes, the company will enhance the efficiency of the production line; accelerate the introduction and mass production of the completed research and development results to reduce costs. The company will develop diversified new products more actively, and develop high value-added products with customers by investing in research and development costs and talents, so as to expand the application fields of products. And will continue to focus on automated production introduction, training professionals, design innovative products, develop new production processes to enhance the company's competitiveness and expand overall efficiency.

## 3. The effect of major changes in policies and legal practices, whether domestic or foreign, to the company's financial and business performance, and the responsive actions:

The company is registered in the Cayman Islands and has no substantial economic activities. The main place of operation is Mainland China. The implementation of the company's various businesses is handled in accordance with important domestic and international policies and laws, and it is important to pay attention to important policies and legal changes in the countries and regions. Information, and prepare for prevention through various pipelines. If there are any changes, consult with lawyers, accountants and other relevant units, or appoint them to evaluate and plan the corresponding measures, and timely respond to market changes and take appropriate measures. The Company has not had significant influence on the financial operations of the Company due to significant policy and legal changes in the Cayman Islands and the major operating countries.

## 4. Effects of technological and industrial changes to the company's financial and business performance, and the responsive actions

The Company keeps abreast of the changes in technology and product demand in the industry, keeps abreast of the latest market information, and assesses its impact on the company's operations. The evaluation and research and development of various products have met the market demand, and the latest annual and annual reports are printed. At the end of the day, the company has no major technological changes or industrial changes, which has caused significant impact on the company's financial business.

## 5. Impacts of changes in corporate image to the company's crisis management, and the responsive measures

Since the establishment of the company, the company has a good corporate image, complies with relevant laws and regulations, actively researches and develops new products and obtained patent certification, while maintaining harmonious labor and local relations, in order to maintain a good corporate image, so this crisis has not happened yet.

6. The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures

The Company has no plan for merger and acquisition with any other company in the prospectus was printed, and will take caution in evaluation of any possible merger and acquisition in the future with overall assessment on the synergy after the merger to ensure the rights of the shareholders.

7. The expected result, possible risk of capacity expansion, and the response

On January 9, 2017, the board of directors of the company approved the relocation plan of Dongguan Tai Yi Electronics Co., Ltd. through its 100% shareholding subsidiary. This plan is to dispose and relocate the production equipment of Dongguan Power Holding CO., Ltd a subsidiary company in which the company holds 100% shares, moved to Dongguan Tai Yi Electronics Co., Ltd. the new lease of the plant. Its character as part of the relocation of the plant rather than the factory plant expansion, and there is no plan to add a large number of production equipment, so it is applicable to the evaluation of this item.

In addition, the relocation plan is in line with the company's future operational development. The risks and expenses related to the relocation of the company's operations are subject to careful evaluation by the board of directors and should have no material impact on the company's operations.

8. Risks of concentrated purchases or sales, and responsive measures to such risks

- (1) Risks of concentrated purchases, and responsive measures to such risks:

The main customer of the company is Taiwan Computer Display Card System Factory. Due to customer's requirements for quality, the main raw materials such as PBT/PC plastic materials, rolling bearings, enameled wire, tin wire, tin bar , square wire , integrated circuit, etc. Raw materials such as silicon steel sheets , iron shells, magnetic strips, copper , electronic components, power cords, packaging materials, shaft cores, etc. , are used in a variety of ways to purchase goods from multiple manufacturers to increase bargaining space and reduce the risk of material shortage. Or according to changes in the product structure of the company's sales, there is no risk of concentration of purchases.

- (2) Risks of concentrated sale, and responsive measures to such risks:

The revenue of the Company's largest sales customers in 2018 and 2017 was 32.24% and 37.66%, respectively, while the top ten customers accounted for 81.79% and 85.60% respectively, and the revenue of the first customer was In the case of a high proportion, the Company will strengthen the control of its credit limit. If the order quantity is greater than the credit limit granted and the sum of the receivables, the company will suspend the shipment and will also periodically check accounts receivable with customers, timely collection to avoid bad debt. I In addition, in order to spread the risk of sales, the company will actively look for new customers and new business opportunities to spread the source of customers, such as the development of network communication, industrial control, home appliances and other different product areas of customer orders. In the past three years, the total sales of the top ten customers in the IT industry, such as network communication, industrial control, and home appliance customers, have increased year by year. In terms of adding new product customers, the company won the cooperation with auto parts manufacturers, and actively develops automotive

cooling fan products in 2016. And home appliance sweeping machine product development in 2018, at present the product has entered the cargo quantity output stage, expects sales to grow, to spread risk concentration of sales.

9. The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks

In the most recent year and the end of the annual report, the directors of the Company and the majority shareholder holding 10% of the shares did not have a significant transfer of equity.

10. The influence and risk from the change hands of the management, and the response

The company has not changed its management rights in the most recent year and up to the date of publication of the annual report. The Company has strengthened various corporate governance measures. The Directors have been fully elected for the nomination system and have been enlarged from one director to seven directors. The three independent directors have formed an audit committee to enhance the protection of the overall shareholders' equity. In addition, the company has a large number of operations. Relying on professional managers, good business performance should be supported by shareholders, and a complete internal control system and related management regulations have been formulated. Therefore, if the management rights change, it should not have a significant impact on the company's operations.

11. List out the legal proceedings or non-contentious matters, or administrative actions, involving the Company, the Directors, Supervisors, President, the deputy agent, or dominant shareholders holding more than 10% of the shares issued by the Company and its subsidiaries, concluded with rulings or still pending, the result of which may cause significant influence on the shareholders equity or stock price of the Company. Disclose the factual account of the contention, the starting date of the proceedings, the parties concerned, and the action taken by the Company to the date this report was printed: None.

12. Other significant risks and responsive measures:

- (1) Management's initial response to market conditions become the challenge of being a public company

The company's management team has rich experience in the operation of the industry. However, after the stock is listed, it needs to face a large number of investors or professional investment institutions. As the company is a foreign company, it still need some time for us to adapt and understand the laws and regulations of Taiwan.

Before applying for listing, the company has successively recruited qualified talents for future operations, organized excellent team members, and hired professional talents with appropriate and suitable organizations. For corporate governance matters, some management personnel also have relevant rich experience in corporate governance, and invited professionals in the professional fields such as accountants, lawyers and underwriters to provide counseling and consulting to the company to assist the company in the recognition of relevant laws and regulations in Taiwan, so that the company can face the challenge of listed companies.

- (2) Risk of rapid market changes

The company always pay attention to your industry, technological change related to the technology related to evolution and innovation international

manufacturers products, quickly grasp the industry trends to put forward in response to the road, and actively develop future applications market, it can in the face of climate turmoil dispersed Risks, and maintain a relatively stable source of income, and the company has always maintained a conservative and stable business attitude, effectively reducing the risk of business changes caused by the changes in the economy.

Responsive strategies:

- A. Strengthen existing research and development capabilities, create product designs that are more in line with customer's application, and deepen the cooperation and communication with customers' production technologies to ensure the competitive advantage of product quality in order to cope with market competition.
- B. The company in addition to continuing to strengthen the management to maintain and enhance the quality of Wen set, mining height of vertical integration, sophisticated whole process through-train mode of production with the production process and improve employee productivity and increased automation equipment, and continued investment in research and development, the development of different technologies and new Application, increase the scope of product application, etc., to increase and meet customer's customized and professional order requirements.
- C. Reinforce the active establishment of immediate service related customers, jointly develop products, and assist customers in product packaging and sales to consolidate order sources.
- D. Continue to develop new customers in different industries to diversify operational risks, strive for more customer orders, and reduce the risk of industrial changes.

(3) The risk of rising wage costs in the mainland

The company's main production base is located in Dongguan City, Guangdong Province, China, in recent years Chinese provinces continued to improve and protect labor wages, which causes labor costs increased year by year, and because of the standard of education and raise the level of income, changes in social values, resulting in Chinese labor The supply has declined, and the company has gradually increased its recruitment costs and production costs.

Responsive strategies:

- A. Faced with the rising wages of China's completed labor in the future, the Company continued to improve production line planning, process management and increase automation and high-performance equipment to further save manpower, increase output efficiency, increase output yield, thereby reducing production costs and strengthening Employee work training to improve work efficiency to reduce the impact of labor costs on operations.
- B. As labor costs rise, the cost is reflected in the price of the product in a timely manner to slow down the impact on the company's gross profit margin.

(4) Risk of shareholder equity protection

The company's registered Cayman Islands law has many differences with the Republic of China. Although the company has not touched the laws of the Isle of Man, it is subject to the regulations of the Taiwan Stock Exchange Co., Ltd. The National Shareholders' Rights Protection Matters Checklist amends the company's

articles of association. However, there are still many differences between the two local laws and regulations on the operation of the company. Investors cannot guarantee the investment in the legal rights of the Republic of China company, and apply it to the Cayman invested. In an archipelago company, investors should know and consult with experts to invest in whether the Cayman Islands company can obtain effective shareholder rights protection. Please refer to pages 194 to 204 of this annual report for the differences between the articles of association and the checklist of shareholders' rights and interests' protection.

(5) Risk of statements made in this prospectus

A. Facts and statistics

Certain information and statistics of this annual report are from different statistical publications. However, such information may be inaccurate, incomplete or not up to date. The Company makes no representations as to the truth or accuracy of such statements and investors should not place undue reliance on such information for investment judgment.

B. Forward-looking statements and risks and uncertainties contained in this annual report

This prospectus contains certain forward-looking statements and information about the Company and its related companies. These statements and information are based on the beliefs, assumptions and current information now held by the company. These statements are subject to certain risks, uncertainties and assumptions that investors should consider carefully and rely on any forward-looking statements that involve known and unknown risks and uncertainties.

In sum, although the Company has the above risks, whether it occurs or not depends on many uncertain factors in the future and the company's response measures.

(II) Contentious matters and non-contentious matters

1. For any litigations, non-litigious or administrative disputes (whether concluded or pending for judgment) in the last 2 years up till the publishing date of this annual report that may produce material impacts to shareholders' equity or securities prices, information regarding the underlying facts, amounts, starting date, parties involved and the current progress must be disclosed:

(1) Patent infringement lawsuit brought by Shenzhen Chang Sheng Industrial Co., Ltd. against Dongguan Power Holding CO., Ltd

February 1, 2016, Shenzhen Chang Sheng Industrial Co., Ltd. (hereinafter referred to as "Shenzhen Chang Sheng ") filed a court in Guangzhou intellectual property litigation, requires Dongguan Power Holding CO., Ltd (a) to stop the production, sale, offering for sale and called " Infringing products of utility model patents ( patent number: ZL2006200527997.5 ) for preventing oil leakage of DC brushless fans , destruction of infringing products in the field of recycling and circulation, and destruction of finished products and semi-finished products of molds and infringing products; (b) compensation for economy The loss and rights protection expenses totaled RMB 5 million; (c) The litigation fee in this case was assumed. On March 29, 2016, Guangzhou, Shenzhen Intellectual Property Court sued plaintiff Dongguan Chang Sheng Li against defendant Dongguan Power Holding CO., Ltd for infringement of patent right of new type (Case Number: (2016) 73 Early Republic of China Guangdong No. 229) and served "Subpoena", "Notice of Informing the Approving Body", "Notice of Evidence", "Certificate of

Delivery", "Confirmation of Delivery Address of Litigation Documents", "Notice of Response" on Dongguan Power Holding CO., Ltd. The above case was taken on June 17, 2016 At 9:00 am, the first trial of the second court of the Guangzhou Intellectual Property Court was held. On July 29, 2016, the Guangzhou Intellectual Property Rights Court made a civil judgment on the case of Shenzhen Sheng Chang and Dongguan Power Holding CO., Ltd Infringement Utility Model Patent Rights (2016) Guangdong 73 early Republic No. 299, dismissing the plaintiff Shenzhen Sheng Chang all claims. The acceptance fee of RMB 46,800 was borne by the plaintiff, Shenzhen Sheng Chang. The plaintiff Shenzhen Sheng Chang did not file an appeal. The case has been accepted and concluded. It will not adversely affect the Dongguan Power Holding CO., Ltd, nor will it materially adversely affect our company.

- (2) (2015) Shen Zhong Fa Zhi Min Chu Zi No.1948, 1949,1950, 1951 infringement of utility model patent disputes

December 25, 2015, Shenzhen Sheng Chang sued the Shenzhen Intermediate People's Court for MSI Electronics (Shenzhen) Co., micro-excellent business and trade (Shenzhen) Co., Ltd., Shenzhen SEG Co., Ltd., Shenzhen SEG Electronic Market Hua Xun Computer Operation Department stopped production, sales and promised to sell infringing products ("Infringing Products") with patent number: ZL200620057997.5, and requested the above four defendants to jointly compensate the plaintiff for economic losses of RMB 1 million; The fee is borne by the four defendants.

After Shenzhen Shen Chang filed the above lawsuit, it added other relevant parties involved in the production and sale of infringing products as defendants. As the manufacturer of the infringing products is Dongguan Power Holding CO., Ltd, Dongguan Power Holding CO., Ltd should bear the risk of losing the above patent lawsuit. Dongguan Power Holding CO., Ltd entrusts Beijing Li Kang law firm to represent the defendant. Specific circumstances of the case is as follows:

Case Number	Case Plaintiff	The defendant of the case who is represented by lawyer Li Kang from Beijing Li Kang Law Firm entrusted by Dongguan Power Holding CO., Ltd
Shen Zhong Fa Zhi Min Chu Zi No.1948	Shenzhen Sheng Chang	EMS Electronics (Shenzhen) Co., Ltd. Micro-business Trade (Shenzhen) Co., Ltd. Shenzhen SEG Electronics Market Hua Xun Computer Business Department
Shen Zhong Fa Zhi Min Chu Zi No.1949		Ningbo Zhong Jia Electronics Co., Ltd. Dongguan Ji Jia Electronics Co., Ltd.
Shen Zhong Fa Zhi Min Chu Zi No.1950		ASUS Computer (Shanghai) Co., Ltd. Cai Zhong Computer (Shenzhen) Co., Ltd. Shenzhen SEG Electronics Market Gold Industry Computer Firm
Shen Zhong Fa Zhi Min Chu Zi No.1951		ASUS Computer (Shanghai) Co., Ltd. Shenzhen SEG Electronics Market Gold Industry Computer Firm

On September 6, 2016, in Shenzhen, Guangdong Province, the

Intermediate People's Court of Shenzhen Sheng Chang and MSI Electronics (Shenzhen) Co., Micro-Excellent Business and Trade (Shenzhen) Co., Ltd. and Shenzhen SEG Electronics Market China's computer business, etc. In the case of a violation of the utility model patent right (2015) Shen Zhong Fa Zhi Min Chu Zi No.1948 civil ruling, the plaintiff Sheng Chang Industrial was allowed to withdraw the lawsuit against the case, the case acceptance fee was RMB 13,800, and the court halved after the withdrawal of the lawsuit. RMB 6,900 yuan was paid by Sheng Chang Industrial; the rest of the prepaid parts were returned to Shenzhen Sheng Chang.

On May 11, 2016, Shenzhen City, Guangdong Province, the Intermediate People's Court of Shenzhen Sheng Chang Co., Ltd, Ningbo Zhong Jia Co., Ltd, and Dongguan Zhong Jia Electronics Co., Ltd., utility model patent infringement dispute case to make (2015) Shen Zhong Fa Zhi Min Chu Zi No.1949 Civil Judgment allows the plaintiff Sheng Chang Industrial to withdraw the lawsuit in this case. The case acceptance fee is RMB 50, and after the withdrawal of the lawsuit, the court will charge RMB 25 yuan, which will be borne by Sheng Chang Industrial; the remaining prepaid parts will be returned. Shenzhen Sheng Chang wins.

On April 6, 2016, the Shenzhen Intermediate People's Court of Guangdong Province infringed on utility model patents for Shenzhen Sheng Chang and ASUS Computer (Shanghai) Co., Ltd., Cai Zhong Computer (Shenzhen) Co., Ltd. and Shenzhen SEG Electronics Market Jin Ye Computer Firm. In the case of the right dispute (2015) Shen Zhong Fa Zhi Min Chu Zi No.1950 civil ruling, the plaintiff Sheng Chang Industrial was allowed to withdraw the lawsuit against the case, the case acceptance fee was RMB 13,800, and the court halved the fee of RMB 6,900 after the withdrawal of the lawsuit. It was paid by Sheng Chang Industrial; the rest of the prepaid parts were returned to Shenzhen Sheng Chang.

On April 6, 2016, the Shenzhen Intermediate People's Court of Guangdong Province made a deep dispute over the patent disputes against utility models such as Shenzhen Sheng Chang, ASUS Computer (Shanghai) Co., Ltd. and Shenzhen SEG Electronics Market Jin Ye Computer Firm in (2015) Shen Zhong Fa Zhi Min Chu Zi No.1951 civil ruling, granted the plaintiff Shenzhen Sheng Chang Industry withdraw the prosecution of the case, case acceptance fee of RMB 13,800 yuan, after the withdrawal of the court half charge of RMB 6,900 yuan, the Shenzhen Sheng Chang Industry burden; the rest are mostly pre The part was returned to Shenzhen Sheng Chang.

The above four cases have been accepted and concluded. It will not adversely affect the Dongguan Power Holding CO., Ltd, nor will it materially adversely affect our company.

2. For any litigations, non-litigious or administrative disputes (whether concluded or pending for judgment) of the Company's directors, supervisors, presidents, actual representative, and large shareholders with shareholding over 10% and their subordinate companies in the last 2 years up till the publishing date of this annual report that may produce material impacts to shareholders' equity or securities prices, information regarding the underlying facts, amounts, starting date, parties involved and the current progress must be disclosed: None.
3. Matters defined in Article 157 of Securities and Exchange Act occurring to the Company's directors, supervisors, managers and large shareholders with shareholding exceeding 10% during the most recent 2 years and up to the date when the annual report was printed and the Company's execution status: None.



- (III) The company's directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% have been listed in the most recent two years and as of the end of the annual report. If there is financial turnover or loss of credit, they should list their financial affairs. The impact of the situation: none.
- (IV) Distribution company in the most recent fiscal year or fiscal year to apply for listing its subsidiaries in line with one second accountant audit the financial statements of visa rules second important criterion subsidiary of one, indicating that the matter should be added to the risk of subsidiaries :

The company in line with the so-called "significant subsidiaries" recognized standards were included Samoa national subsidiaries (United Strategy INC. Qun Ce Limited and Power Logic Holdings INC. Power Holdings Co., Ltd.), mainland China Dongguan Sun Company (Dongguan Power Holding CO., Ltd and Dongguan Tai Yi Electronics Co., Ltd.), on the local economy in general, changes in political and economic environment, foreign exchange controls, tax, related laws, civil courts to determine whether to recognize the risks associated with our decision effectiveness and other issues, please refer to the following (5) Description of the country of main operation.

- (V) The general economic and political environment changes, foreign exchange control, taxation and relevant laws and regulations in the registration place and main place of business of foreign issuing companies, that is, whether to recognize the civil determination of the validity of judgments of Chinese courts and other risks, and describes the adoption of Response measures:

1. Country of registration: British Cayman Islands

(1) Changes in the overall economic and political environment

Cayman Islands (The Cayman Islands) British Overseas Territories in the West Indies, located in Miami, Florida in the south Caribbean. The Cayman Islands have long been political stability, the capital city of Georgetown (George Town) is located in Grand Cayman Island, its main source of income for the administrative, commercial and financial center, financial services and tourism. The Cayman Islands is one of the main financial centers of the world.

Open Cayman Islands registered company divided into five available, the company is divided into ordinary (Ordinary Company), ordinary non-resident company (Ordinary Non-Resident Company), an exempted company (Exempted Company), limited duration company (Limited Duration Company) and overseas company (Foreign Company), which exempted company mainly foreign enterprises, with individuals to make planning the financial aspects.

In recent years, the Cayman Islands government has actively strengthened the goodwill of its overseas financial operations. In 1986, it passed the "Mutual Legal Assistance 10 Treaty" between the British government and the United States to jointly prevent the use of international criminal organizations. Unlawful transactions in the Isle of Man, such as drug trafficking or money laundering.

Open Cayman government Islands at the same time preventing crime, is also committed to protecting the privacy of legitimate business practices. Therefore, the political and economic development of the Cayman Islands has been very stable for a long time, and law and order is also good.

In sum, the Company is a holding company registered in the British Cayman Islands. The registered form is Exempted Company and there is no actual operational activity in the local area. In addition, the British Cayman Islands has been in a state of political stability for a long time and is the fifth largest financial center in the world. In terms of its overall economic and political and economic environment changes, the company has no significant impact on the overall

operation.

(2) Foreign exchange control, taxation, and related laws and regulations

The Cayman Islands currently does not levy taxes on profits, income, gains or appreciation of individuals or companies, nor does it have a tax on the nature of inheritance or inheritance taxes. In addition to the open Cayman outer islands within the applicable contract or made within the Cayman Islands contracts derived stamp duty, did not open the Cayman government imposed Islands and to the Company may be significant other taxes. The transfer of shares in the Cayman Islands company is not subject to stamp duty in the Cayman Islands, except where the company has an interest in the land of the Cayman Islands.

There is no norm for exchange control or currency control in the Cayman Islands.

In addition, the company has obtained a description of the Cayman Islands lawyers in respect of the non-directors who actually conduct the directors' business or the substantive control of the company's personnel, financial or business operations and who actually direct the directors to conduct business, and the legal obligations stipulated by the country's laws and regulations. There is no precise legal definition of "director" in the laws of the Cayman Islands. In essence, a director is the person who is ultimately responsible for the operation of the company's affairs. Sometimes the following terms also refer to "directors":

A. "Executive" directors and "non-executive" directors

There is no material difference between the legal obligations of the executive directors and the non-executive directors. The extent to which non-executive directors can rely on executive directors is not clearly defined by current laws. Such reliance is not without doubt, and non-executive directors should have other responsibilities for supervision and control.

B. "Legal" director or "de facto" director

A person who is a validly appointed director and who exercises a director's position but has not been effectively appointed may be considered a de facto director and is therefore responsible for the director.

C. "Shadow Director"

For a company, a shadow director is a person whose directors are more likely to act in accordance with their command or direction. Unlike a legal director or a de facto director, a shadow director does not claim to be a director of the company. On the contrary, many of them do not own directors, but they direct company directors to perform their duties. No one will act as a shadow director of the company simply because the company's directors act on the basis of their advice based on the profession. Shadow directors shall bear the same responsibilities as company directors.

D. "Nominal Director"

As stated literally, nominal directors perform duties on behalf of a third person. A nominal director is also used to describe a person who is a director of several companies for the purpose of collecting an annual fee. However, a nominal director shall be responsible for the director in his or her personal capacity and shall be independent of whether or not he represents a third party. The director's liability to the company under the laws of the Cayman Islands can be broadly divided into liability under the common law (the professional competence, duty and diligence) and fiduciary duty. However, the directors are legally obligated under the provisions of various laws and, in certain circumstances; they also have obligations to third parties (such as creditors). If

the company is unable to pay off or is unable to pay off, the directors should consider the interests of the creditors when performing their duties.

The Cayman Islands (Amendment) Companies Act has a number of specific legal obligations regarding the administration, registration and filing of the company. Although not the personal responsibility of the director, the laws of Cayman Islands also prohibit fraudulent trading. Specifically, in the process of dissolution of the company, If the execution of the company's business shows that the activity is carried out with the intention or for the purpose of fraud of the creditors of the company or other people, the court shall clearly know who is for the purpose of fraud in the execution of the company's business, and shall treat this as the liability of the company for assets compensation. In general, the directors will be aware that the execution of the company's business is for the purpose of fraud, and therefore there is potential liability for the execution of the business as a fraudulent transaction. There are specific provisions in the laws of the Cayman Islands for directors who breach their statutory duties (usually fines, imprisonment or and Branch fines and imprisonment). If improper use of company funds, misconduct or breach of trust in company liquidation, directors may be subject to personal liability in accordance with the law. In addition, in the company liquidation, any person (including directors) may be personally liable for knowing that the execution of the company's business is for fraudulent transactions, and may be liable for compensation for the company's assets in accordance with the court's ruling. The breach of the common law is a duty of fidelity, which includes damages, the restitution of the company's assets or the return of the benefits derived from the breach of the obligation.

In the case of a shareholder's investment, if the statement of the annual report or other fundraising documents is false, false, false or concealed, the director may be liable for damages to the person who has acquired the shares of the company and suffered losses. However, if the director can prove to the court that, in providing the annual report/receipt of documents, the directors reasonably believe that the contents of the annual report/recruitment document are true and uninformed (or that the damage caused by the concealment is appropriate omitted). And (1) When the directors are reasonably convinced that the investor continues to obtain the shares; (2) The potential investors have obtained the shares before the correction of the relevant statements by reasonably practicable means; (3) Or, prior to the acquisition of shares by potential investors, the directors have been exempt from liability for all actions that they believe are reasonable to ensure that potential investors are aware of the corrections made by the statement. The directors are not responsible for the professional statements contained in the annual report/raising documents, if the professional consent has been obtained and the directors are reasonably convinced that the professionals are capable of making such statements.

The company has no other directors who actually act as directors or physically control the personnel, financial or business operations of the company and actually direct the directors to perform their duties.

In sum, since the Cayman Islands adopts an open policy on foreign exchange and has no relevant regulatory restrictions, it has no significant impact on the use of funds by the Company; the Company is only a locally registered holding company and does not engage in local operations. In the case of operating activities, the Cayman Islands, the country of registration of the Company, has no significant impact on the overall operation of the Company in the taxation and related laws and regulations.

(3) Whether to Recognize the Effectiveness of Civil Judgment of Chinese Courts

A. Risk of Litigation Request

As the company is a company exempted from the registration of the British Cayman Islands and has not applied for the approval of the Ministry of Economic Affairs in accordance with the provisions of the Taiwan Companies Law. Although the contents of the articles of association of the listed company shall not prevent any shareholder from filing a lawsuit in a court of competent jurisdiction, seeking appropriate remedies related to the improper or improper resolution of the shareholders' meeting. Meanwhile, the dispute arising from the foregoing matters shall be the first instance court of the Taipei District Court of Taiwan, and the company shall be appointed in accordance with the provisions of the Taiwan Stock Exchange Co., Ltd. litigation and non-litigation agent. However investors asked the court in the Republic of China to the company or person in charge of the proceedings, the court may still determine jurisdiction according to the nature of the cases and the circumstances whether and served the way. The court also may require investors to explain cases involved Foreign law, so not all types of cases have to ensure that the entity's judgment can be obtained in the court of the Republic of China.

B. Risk of Recognition and Enforcement of Judgment

The company has received from the Cayman Islands legal law approbation: Although the Cayman Islands cannot provide that the judgment rendered by our courts can be enforced by the Cayman Islands, the Cayman Islands courts will recognize and enforce foreign (including Taiwan) judgments of courts with jurisdiction on the basis of the principle that foreign courts have jurisdiction to make the debtor pay the payment ordered by the judgment. However, the judgment must be final, and the payment of non-tariff or other obligations, fines or fines in money, and the acquisition or enforcement of the judgment will not contravene the Cayman Islands' public policy. The Court of the Cayman Islands may, under specific circumstances, extend the category of remedies for judgments of foreign courts enforced by the Cayman Islands beyond monetary judgments and to enforce orders, declarations and injunctions.

The articles of association of the company are expressly set out in the Cayman Islands company law. The contents of the company's articles of association do not prevent any shareholders from having jurisdiction over the convening procedures or resolutions of the shareholders' meeting within 30 days after the resolution is made. The court filed a lawsuit seeking appropriate relief. The articles of association of the Company specify that the Taiwan Taipei District Court may be the first instance jurisdictional court in disputes arising from the aforementioned matters. However, since the Company is an Exempted Company of the Cayman Islands, the Court will first determine whether it has jurisdiction to hear relevant disputes, and if the Court finds that it has jurisdiction to hear related disputes, it will decide the content of remedies in accordance with its full powers.

The Cayman Islands Company Law does not allow minority shareholders to initiate derivative proceedings against directors in the Cayman Islands courts. In addition, the articles of association are not contracts between shareholders and directors, but agreements between shareholders and companies, so that even if minority shareholders are allowed to initiate derivative proceedings against directors in the articles of association, they cannot bind directors under the Cayman Islands Law. However, under the common law of the Cayman Islands, all shareholders (including minority shareholders) are entitled to derivative

proceedings (including litigation against directors) regardless of their shareholding or shareholding period. Once the shareholder sues, the court of the Cayman Islands will have full discretion to decide whether the shareholder can continue the lawsuit. In the statement, even if the company's articles of association (or shareholders with the required shareholding ratio or shareholding period) have filed a lawsuit against the director on behalf of the company, whether the lawsuit can continue, ultimately depends on the Cayman Islands court. The decision. According to the relevant judgments of the Great Court of the Cayman Islands, in deciding whether to approve the continuation of derivative proceedings, the applicable criterion is whether the Court of the Cayman Islands believes and accepts that the claim made by the plaintiff's company is superficially substantial, that the wrongful act it claims is committed by the controllable company, and that such controllers enable the company to refrain from suing against it. The Cayman Islands courts will be judged on a case-by-case basis (although the court may refer to the provisions of the company's articles of association, this is not a decisive factor).

(4) The Risk of Legal Application Cayman Islands Act and Republic of China Act

The company is a company established under the laws of the Cayman Islands. It is listed on the Taiwan Stock Exchange Co., Ltd. and has amended the company's articles of association with the requirements of the relevant laws of the Republic of China to protect shareholders' rights and interests. For matters not covered by the Articles of Association, the company will proceed in accordance with the relevant Cayman Islands Act and the applicable Republic of China Act. The Cayman Islands Act and the Taiwan Act have many differences in the norms of the company's operations. Investors cannot protect the views of the legal rights of Taiwanese companies. They apply to the Cayman Islands companies they invest in. Investors should know and understand. Consult with experts if necessary to invest in the Cayman Islands company whether there is no guarantee of shareholders' rights. However, differences between the Cayman Islands Act and the Republic of China Act and the securities trading system may still cause conflicts of law application or interpretation of doubts. The resolution of conflicts of law application or interpretation of doubts remains to be determined by the court. Therefore, the investors of the Cayman Islands courts are not will of course recognize the laws and practices of the country (including but not limited to the request of the Cayman Islands Court to enforce our judgment or to file a lawsuit or enforce its rights in the Cayman Islands courts. The method of transfer of shares and the record of holders of shares) may therefore create the risk of exercising rights against foreign companies.

(5) The rights of shareholders in the Cayman Islands may be more limited than those in other countries.

The company's corporate affairs are subject to the company's articles of association, the Cayman Islands Company Law (and its amendments) and the Common Law of the Cayman Islands. The rights of shareholders to request directors, the rights of minority shareholders to sue and the directors' duty of loyalty under the Cayman Islands Law are mostly regulated by the common law of the Cayman Islands. The Common Law portion of the Cayman Islands is derived in part from the relatively limited Cayman Islands court precedent and the English common law, which has an influence on the Cayman Islands courts but is unfettered. The rights of shareholders and the duty of loyalty of directors regulated by the Cayman Islands Act may be less clearly defined than the statutes or judgment precedents of other countries that investors are familiar with.

The company is organized by the laws of the Cayman Islands. Consequently, shareholders may not be able to apply for enforcement of a judgment in other countries outside the Cayman Islands against the company, some or all of its directors or senior managers. Shareholders may also be unable to serve on the directors or senior managers of the Company in their country of origin, or may not be able to enforce the judgment of the court of the company in which the position of the shareholder's seat is based on the civil liability of the country's securities laws. For directors or senior managers of the Company who are residents of a country other than the country in which the judgment is made, there is no guarantee that the shareholder will be able to enforce the civil and commercial judgments of the counterpart.

## 2. Main place of operation: Samoa

### (1) Changes in the overall economic and political environment

Samoa is a South Pacific island country located between Hawaii and New Zealand, in the western part of American Samoa. It used to be called "West Samoa". It used to be a German colony. It was independent in 1962 and was named "Western." The Independent State of Samoa was renamed the Independent State of Samoa in 1997. Samoan society is stable and peaceful, political and economic are in a stable state, and the commercial and official legal language is English.

### (2) Foreign exchange control, taxation, and related laws and regulations

The currency of Samoa is Samoa Tala (MST), whose exchange rate is fairly stable and there is no exchange control. For international commercial companies, tax-free companies are not subject to tax payment, so there is no risk of taxation. In addition, there is no exchange control in Samoa and there is no issue of exchange control risks.

### (3) Whether to Recognize the Effectiveness of Civil Judgment of Chinese Courts

The Samoan law does not expressly stipulate that the civil judgment of the court of the Republic of China (hereinafter referred to as "the judgment of the Republic of China") shall be enforced in Samoa, but the judgment of the court of the Republic of China shall be recognized and presumed by the Samoan court if the following conditions are met. The judgment of the Republic of China court can be enforced without the need for a common law review procedure:

A. The national court has jurisdiction over the case; B. Needs to bear the payment obligation of a liquidated sum; C. It is the final judgment; D. The judgment does not involve any taxes, fines or fines; E. The way in which judgments are obtained and their enforcement do not violate the principle of fairness and justice or public order in Samoa.

## 3. Main place of operation: Mainland China

### (1) Changes in the overall economic and political environment

Mainland China (or China) is one of the fastest growing economies in the world economy, and China's economic development is determined by the rapid expansion of domestic labor, capital and resources, and the improvement of technology and institutions, thereby increasing the efficiency of various production activities. The Chinese government actively promotes the popularization of the people, urbanization, infrastructure construction and the upgrading of the consumption structure of residents. It also actively participates in international activities and participates in international organizations. It has an international influence and its international resources are increasing. Therefore, under the positive action of the Chinese government, although the export-oriented China's overall economy began to show a slowdown after the global financial crisis broke

out, the Chinese economy still expects to maintain a high growth potential in the future.

Since the adoption of reform and opening-up in 1978, China's economy has been growing steadily. Between 1980 and 2008, the average economic growth rate of 9.9%, according to China's National Bureau of Statistics data show that in 2014, 2015 and 2016, China's GDP (GDP) were 64.40 trillion yuan, 68.91 trillion yuan and 74.41 trillion yuan respectively, with annual growth rates of 7.3%, 6.9% and 6.7% respectively. It has become the world's second largest economy after the United States, China since 1978. After adopting reform and opening up, adopting a market economy and developing according to the plans of each year, five years and ten years. In the past three years, GDP growth, industrial upgrading and enterprise transformation have been carried out. As a result, people's income has increased and purchasing power has continued to increase, indicating that China's economic growth potential remains. Therefore, from the recent economic situation in mainland China, controlling prices will be at the forefront of macroeconomic regulation and control. When macroeconomic regulation and control measures are gradually effective, economic growth will slow down. Even so, China's economy will develop smoothly in the medium and long term. The momentum still exists.

The company's products are manufactured, produced and partially sold in China, so its financial status, operating results and prospects are affected to some extent by China's political, economic and legal developments. The Chinese economy differs from many developed countries in many aspects, including economic structure, degree of government intervention, and degree of development, growth rate, capital investment, capital investment controls, foreign exchange, foreign exchange controls, and resource allocation. Since 1978, the Chinese government has opened up to allow outsiders to invest and implement economic reforms, gradually shifting from a planned economy to a market-oriented economy, which has contributed to the continued growth of the economy over the past three decades. However, the Chinese government will adopt many reforms and economies. The policy system has no precedent or experimental nature and may result in unforeseen results. For companies with significant operational activities in China, including the company, there may be some unforeseen adverse effects. Although the Chinese legal system has gradually developed, it is still not complete. Even if China has sufficient legal provisions to enforce the existing regulations or contracts, it is still uncertain and sporadic, and it is timely and enforceable or other It is not easy to enforce the judgment of the court. Chinese legal system is based on statutory law and its interpretation is made, the court precedent can be invoked reference, but cannot prescribe arrest the beam power, because the Chinese judicial decision on the number of cases of relatively inexperienced, so the outcome of the litigation is uncertain, In addition, the interpretation of regulatory orders may also be subject to changes in government policies and changes in the domestic political and economic environment. Therefore, the development of China's legal system may have uncertainties on operational results, financial conditions and industrial prospects.

## (2) Foreign exchange control, taxation, and related laws and regulations

### A. Exchange Control

After 1978, China's foreign exchange management system was gradually managed by a highly centralized program, and adjusted to market management. Since 1994, China has carried out a series of foreign exchange management system reforms to further develop the operation of the market mechanism. The first is to implement exchange rate consolidation, implement a managed floating

exchange rate system based on market supply and demand. The second is to implement bank balances, sale exchange system, and gradually make the yuan freely convertible under the current account, the last is the establishment of the interbank foreign exchange market, improve the exchange rate formation mechanism, to maintain a reasonable and relatively stable exchange rate. RMB and foreign currency exchange will depend on the political influence of China and the changes in the international political and economic environment, since July 21, 2005 continental government adopted a floating exchange rate policy, the RMB exchange rate to the dollar officially off the hook, change the mining order to live a basket of exchange rate policy , allowing fluctuations of the exchange rate of RMB small margin, but the yuan because the mainland Chinese government to ensure export competitiveness and thus strong resistance rise , the RMB exchange price has underestimated the situation. The international powers led by Europe and the United States continue to exert pressure on the Chinese government to force the RMB to appreciate against the dollar. The Company's current major procurement and sales bases are mainly Taiwanese branches, and the raw materials procurement and product sales of the operating entities are mainly denominated in US dollars. While the subsidiaries of China have transactions in purchasing some consumables and domestic sales, which are based on RMB, so the devaluation of US dollar against RMB will result in the exchange loss risk of the foreign currency parts of China's subsidiaries. In addition to collecting international financial information and information related to exchange rate changes at any time by the financial unit, the company keeps a close relationship with banks and keeps abreast of exchange rate trends and changes of the US dollar and RMB at any time in order to reduce the negative impact of exchange rate changes. Therefore, changes in the exchange rate of RMB against the US dollar and foreign exchange control measures have not yet had a significant impact on the financial operations of our Chinese subsidiaries and our affiliated companies.

#### B. Corporate income tax and value added tax

According to the "Foreign Investment Enterprises and Foreign Enterprise Income Tax Law" applicable before January 1, 2008 in mainland China, foreign-invested enterprises and foreign enterprises (hereinafter referred to as "foreign-funded enterprises") in mainland China apply national and local corporate income tax. Tax rate of 30% corporate income tax and local income tax of 3%. The Chinese government provides a variety of preferential policies for foreign-invested companies and companies that meet certain criteria, including tax exemptions, tax reductions, tax rebates and other policies. Under the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of China (hereinafter referred to as the "China Mainland Income Tax Law") and its implementation rules, both came into effect on July 1, 1991 and were abolished on January 1, 2008. The income tax for a foreign-invested enterprise established in a special economic zone or a foreign-invested enterprise established in an economic and technological development zone shall be reduced by 15%; for a productive foreign-invested enterprise with a business period of more than ten years, from the beginning of the year of profit-making, corporate income tax is exempted in one year and the second year, and corporate income tax is halved in the third to fifth years (hereinafter referred to as "two exemptions and three reductions"). In addition, according to the Mainland China Income Tax Law and its implementation rules, if the export value of an export enterprise held by a foreign investor in any year accounts for more than 70% of the output value of all products of the enterprise in the current year, it may be enjoyed after the



period of exemption or reduction of corporate income tax. The preferential income tax for enterprises under the Income Tax Law is halved; for special economic export zones and economic and technological development zones and other export enterprises that have paid corporate income tax at a rate of 15%, if the above conditions are met, the enterprise income tax shall be levied at a rate of 10%.

On March 16, 2007, Mainland China issued the cloth a new "Corporate Income Tax Law of People's Republic of China"; on December 6, 2007, Mainland China issued the cloth of the "People's Republic of China Enterprise Income Tax Law Implementation Regulations". Starting from January 1, 2008, domestic-funded enterprises and foreign-funded enterprises uniformly apply 25% of corporate income tax, and cancel a number of corporate income tax reductions and concessions for foreign-funded enterprises according to the new corporate income tax law and its implementation rules. While the preferential tax rate of enterprise income tax enjoyed by the former foreign-funded enterprises will gradually increase from preferential tax rate to 25% within five years after the implementation of the new enterprise income tax law. In addition, enterprises established outside Mainland China but with "actual management institutions" located in mainland China are regarded as "resident enterprises", and "resident enterprises" shall pay 25% of corporate income tax on income derived from Mainland China and abroad.

In terms of value-added tax, the current value-added tax in Mainland China is implemented in accordance with the "Provisional Regulations on Value-Added Tax of the People's Republic of China" promulgated by the units and individuals that sell goods or provide processing, repair and repair services, and import goods in the mainland are taxed as VAT. The tax rate is 0%-17%, but the export rate is zero.

### C. Labor Contract Law

In order to clarify the rights and obligations of both parties, protect the rights and interests of workers and construct harmonious and stable labor relations, Mainland China has implemented the Labor Contract Law of the People's Republic of China (hereinafter referred to as the Labor Contract Law) since January 1, 2008. According to the Labor Contract Law, once the employer establishes a labor relationship with the employer (including a probation period), the two parties shall sign a written labor contract within one month from the date of employing the employer. If the employer fails to conclude a written labor contract with the employer for more than one month and less than one year from the date of employment, he shall pay the employer twice the monthly wage.

Article 46 of the Labor Contract Law stipulates that when the employment relationship expires, the employer shall pay the labor compensation to the laborer, except that the enterprise maintains or improves the labor contract to renew the labor contract, and the laborer does not agree to renew the contract, including: If the employer fails to pay the social insurance premiums for the labor and terminates the labor contract; if the employee is sick or not injured, he or she may not be able to perform the original work after the expiration of the prescribed medical expenses, and may not be able to perform the work arranged by the employer and terminate the labor contract; Unable to work, after training or adjustment of positions, still unable to do so, and terminate the labor contract. The economic compensation however is calculated according to the working period of the employer in the employer, but does not include the period before

the implementation of the labor contract law. That is , the laborer pays one month's salary for compensation for each year, and the employee is entitled to one month's salary as compensation; For those who are younger, they are calculated on a one-year basis; those who are less than six months are entitled to compensation for half-monthly wages; in addition, if the employer violates the Labor Contract Law to terminate or terminate the labor contract, it shall pay compensation to the laborer twice as much as the economic compensation standard.

In addition, the Labor Contract Law stipulates that the employer shall pay the labor remuneration to the employer in full and on time in accordance with the labor contract and state regulations. If overtime work is arranged, overtime pay shall be paid in accordance with the provisions of the Notice of the Ministry of Labor on the Issue of Interim Provisions on Wage Payment. The statutory holiday workers shall not be less than three times the wage standard, the rest day workers shall not be less than two times, and the extension of working hours outside the working hours shall not be less than 1.5 times; If the employer needs to dismiss 20 persons due to serious business difficulties or less than 20 persons, but accounts for more than 10% of the total number of workers in the enterprise, the employer shall explain the situation to the trade union or all the employees 30 days in advance, listen to the opinions of the trade union or the employer, and submit the reduction plan to the labor administrative department before the employee can be reduced; If the employer's seniority is less than five years from the legal retirement age if the employer has continued to work for 15 years, the employer may not unilaterally terminate the contract without legal fault. After China began to implement the Labor Contract Law, it clearly stipulates the rights and obligations of both employers and employees. Any law that protects the rights and interests of labor will result in an increase in the labor costs of enterprises and an impact on the financial situation. However, in the long run, the rights and obligations of both employers and employees After the statute is clearly defined, many disputes can be avoided, and the relationship between the two parties is becoming more and more harmonious. The Chinese subsidiary has signed labor contracts with employees according to the Labor Contract Law, formulating labor policies according to law, and signing labor contracts and social insurance with all employees .In addition, the company is committed to provide employees a good working environment and welfare systems, can effectively retain competence of the staff, but the current situation in China is still lack of work, not to ensure that China can maintain the subsidiaries or recruit enough staff.

In the most recent year and the end of the annual report, the Chinese subsidiary did not violate the labor contract law and harmed the employee's rights. However, although China's legal system has developed, it is still incomplete, and even if the laws and decrees are expressly regulated, there are still uncertainties and incidents when the existing laws and regulations or contracts are to be enforced. Therefore, future changes in China's relevant regulations or explanatory letters may still have uncertain impacts on the business, operating results, financial situation and prospects of China's subsidiaries.

#### D. The particularity of land and property

According to ( "the" Land Management Law, "" under) the provisions of the land, rural and suburban areas, "People's Republic of China Land Management Law", in addition to all the law belong to the state beyond, are collectively owned. The land collectively owned by the peasants belongs to the

village peasants collectively and is operated and managed by the village collective economic organizations or village committees. The land collectively owned by the peasants shall be registered by the county-level people's government, and a certificate shall be issued to confirm the ownership. Where the land collectively owned by the peasants is used for non-agricultural construction according to law, the county-level people's government shall register and create a certificate, and issue a certificate to confirm the right to use the construction land. State-owned land used by units and individuals according to law shall be registered and registered by the people's governments at or above the county level, and certificates shall be issued to confirm the right to use it. If any unit or individual needs to use land for construction, it must apply for the use of state-owned land according to law. However, the use of collectively owned land by peasants of the collective economic organization for the establishment of township enterprises and the construction of residential houses by villagers has been approved by law, or the use of collectively owned land by peasants for the construction of public facilities and public welfare undertakings in township (town) villages has been approved by law. If the land ownership of the collectively owned land of the peasant is obtained, the "collective land ownership certificate" shall be applied for; if the land use right of the collective construction land is obtained in a special way for agricultural land, the "collective land use certificate" shall be applied for; and the use of state-owned construction land shall be obtained by means of transfer or transfer. If you have the right, you should apply for the "State-owned Land Use Right Certificate".

According to Article 82 of the Housing Registration Measures, villagers' houses built by using residential land in accordance with the law and houses built by using other collectively owned construction land in accordance with the law may apply for housing registration in accordance with the provisions of these Measures. Where laws and regulations provide otherwise for the registration of houses within the scope of collective land, such provisions shall prevail.

(A) The main factories in Dongguan production base have obtained land certificate and real estate certificate as follows:

No.	Region	Factory Name	Factory Address	Ownership	Land Certificate or Collective Use Certificate	Certificate of House Property (Real Estate Certificate)
1	Guangdong Province	DONG GUAN DONG LI DIAN ZI CO. LTD	No.13 Tianheng Road, Tianwei Village, Changping Town	Zheng Lihong (Lease)	None	None
2	Guangdong Province	POWER LOGIC TECH (TAI YI) CO., LTD	Building 2, No. 3, Xinxi 2nd Road, Dazhou District, Qiaotou Town	Dongguan Qiaotou Jin Ye Industrial Investment Co., Ltd. (Leasing)	Yes	Yes

Source: Provided by the company

(B) The risk of demolition faced by the lessor of Dongguan Power Holding CO., Ltd. rental workshop without land certificate and real estate certificate:

Three factories rented from collective land of Tianwei Village, Changping Town, Dongguan Power Holding CO., Ltd. have not obtained land use right certificate and house ownership certificate. Buildings that have not fulfilled any application procedures, obtained planning permission for construction land, planning permission for construction projects and construction permission, and built without authorization. According to Article 76 of the Land Administration Law, Article 64 of the Urban and Rural Planning Law, Article 64 of the Construction Law and Article 57 of the Regulations on the Quality Management of Construction Projects, the

owner of the house, Zheng Lihong, is subject to the relevant administrative department. It is ordered to correct within a time limit, return illegally occupied land and impose fines, and even be legally ordered to be dismantled within a time limit.

- (C) The lessor of Dongguan Power Holding CO., Ltd. rental factory has not obtained the land and property certificate. The possible impact of the incident on the operation of the company and the corresponding measures are described below:

In view of the legal risk of demolition of existing leased houses in Dongguan Power Holding CO., Ltd. without land and property certificates, the company has chosen the factory building located in Dazhou Community of Qiaotou Town as the alternative leased house, and has formulated the alternative housing relocation plan. If the above houses cannot continue to be used, the company can relocate to the new rental plant, without affecting Dongguan's profit-generating and sustainable production capacity; In addition, Mr. HSU Wen-Faung, the ultimate controlling shareholder and chairman of SUN MAX, issued a letter of commitment on August 11, 2017, promising that some of the properties owned, leased and used by SUN MAX's business bases and subsidiaries in China (including land use rights and buildings, structures) are not in conformity with the laws of the Mainland of China, including, but not limited to the registration of the name of the owner or owner of land and real estate, the failure to fulfill the formalities for construction projects, the existence of illegal land use and illegal construction, etc., result in the use of property by subsidiary companies being restricted or prohibited by any relevant parties (including, but not limited to, the lessor or the competent government department), causing any disputes, being punished by the government department, being ordered to demolish or relocate. Any losses, damages, penalties, fines, expenses and any form of contingent liabilities incurred by affiliated subsidiaries will be borne by Mr. HSU Wen-Faung unconditionally, in full and on time, without the need for SUN MAX and/or affiliated subsidiaries to pay any amount or bear any losses. Therefore, the above property defects should not have a significant adverse impact on the financial situation and operating conditions of Dongguan Power Holding profit margin.

#### E. Dividend Distribution

As the company is a holding company, the ability to pay dividends depends on the earnings and distribution of the reinvestment company under the company and the way and amount of distribution adopted by the board of directors. Therefore, dividend distribution in the future will be based on the overall operating performance, financial situation, cash demand and applicable laws and regulations of the holding company. For example, under Chinese law, Chinese subsidiaries can only distribute and pay dividends from their net profits. The amount of net income is based on the retained earnings calculated in accordance with China's generally accepted accounting principles and China's relevant financial regulations, which is different from the international financial reporting standards. In addition, according to the relevant decrees, when Chinese subsidiaries distribute profits, they must first allocate at least 10% of their net profit after tax each year as a statutory surplus (a statutory reserve that is not allowed to distribute dividends). If the reserve amount reaches 50% of the company's registered capital, it will not be allocated. If a subsidiary in the mainland of China distributes dividends, the company shall withhold 10%

income tax when the funds are remitted. Therefore, it may reduce the ability of the company to distribute dividends to shareholders.

#### F. Social Insurance and Housing Provident Fund

According to the "Social Insurance Law of the People's Republic of China", if the employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order it to pay or make up within a time limit, and from the date of payment, the daily fee shall be increased by five tenths of a day. The late payment fee; if the payment is overdue, the relevant administrative department shall impose a fine of more than one time and not more than three times. According to the "Regulations on the Management of Housing Provident Funds", in violation of the provisions of these Regulations, those who fail to pay or pay less the housing provident fund within the time limit shall be ordered by the Housing Provident Fund Management Center to pay within a time limit; those who fail to pay after the overdue period may apply to the people's court for compulsory execution. Although Dongguan Power Holding CO., Ltd. and Dongguan Tai Yi fail to pay five insurance and one fund for employees on the basis of the average salary of the previous year and the actual salary of the current year, and fail to pay the housing provident fund for all employees in accordance with the regulations, they can be considered as follows: (1) Dongguan Social Security Bureau and Housing Provident Fund Management Center have issued certificates proving that there is no record of illegal activities in Dongguan Power Holding CO., Ltd. and Dongguan Tai Yi.; (2) Dongguan Power Holding CO., Ltd. and Dongguan Tai Yi have made a trial calculation of their five insurance and one fund for the past three years and have been estimated and included in the accounts.; (3) Mr. HSU Wen-Faung, the actual controller of SUN MAX, has issued a Statement and Letter of Commitment, which promises that if Dongguan Power Holding CO., Ltd. and Dongguan Tai Yi are recovered by the competent authorities to exceed Dongguan Power Holding CO., Ltd. and other derivative costs and losses that Dongguan Tai Yi has estimated to be included in the accounts, fines, lawyer fees and litigation fees, he will bear them in full. Therefore, the aforementioned defects of Dongguan Power Holding CO., Ltd. and Dongguan Tai Yi Labor Security will not have a significant adverse impact on financial situation and operation of Dongguan Power Holding CO., Ltd. and Dongguan Tai Yi.

#### G. Environmental Protection Regulations

The current effective environmental protection laws in mainland China mainly include the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. Units that produce environmental pollution and other public hazards must incorporate environmental protection into their plans. Establish a responsibility system for environmental protection and take effective measures to prevent and control environmental pollution and hazards such as waste gas, waste water, waste residue, dust, odorous gas, radioactive substances, noise, vibration and electromagnetic radiation produced in the process of production, construction or other activities. If an industrial enterprise violates the laws and regulations of environmental protection in its production process, the competent administrative department of environmental protection or other departments

exercising the power of environmental supervision and management in accordance with the provisions of law may give warning, order to stop production or use, reinstall and use or impose penalties according to different circumstances. Production of environmental pollution enterprises both produce waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration, electromagnetic radiation , etc. are required to obtain a discharge sewage permit and pay row sewage before fees, construction projects put into production or use , environmental pollution control facilities must go through the administrative department of environmental protection inspection, to meet the national environmental protection tube construction projects related to the construction of the project management requirements, shall not be put into production or use.

The company's Chinese subsidiary company, Dongguan Power Holding CO., Ltd., has missed the environmental protection acceptance of completed construction projects in the past. However, on July 10, 2017, Dongguan Power Holding CO., Ltd. obtained the registration opinions of "Application Registration Card for Environmental Protection Acceptance and Acceptance of Completed Construction Projects" ([2017]No. 7322 of Dongguan Environmental Protection Bureau), and agreed to pass the environmental protection acceptance. Moreover, Dongguan Power Holding CO., Ltd. has obtained the "Compliance Certificate" issued by Dongguan Environmental Protection Authority to prove that Dongguan Power Holding CO., Ltd. did not cause environmental pollution accidents and violations. Acts against environmental laws and regulations are not subject to administrative punishment by environmental protection authorities. Therefore, the aforementioned procedural negligence shall not be material, and shall not constitute a violation of the relevant laws and regulations on pollution prevention and control or have a significant adverse impact on the operation of the company. Up to now, no environmental pollution accidents or violations of environmental laws and regulations have occurred in other Chinese subsidiaries of our company.

### (3) Whether to Recognize the Effectiveness of Civil Judgment of Chinese Courts

According to the "Provisions of the Supreme People's Court on the Recognition and Enforcement of Civil Judgements of Taiwan Regional Courts" promulgated by the Supreme People's Court of China on June 29, 2015 and implemented on July 1, 2015, it is stipulated that the parties to the civil judgments and arbitral awards of Taiwan Regional Courts may apply to the People's Court as applicants for the recognition and enforcement of civil judgments of the relevant courts in Taiwan Region in Judgments and arbitral awards.

According to Article 15 of the Provisions of the Supreme People's Court on the Recognition and Enforcement of Civil Judgements of the Taiwan Regional Court, if a civil judgment of the Taiwan Regional Court has one of the following circumstances, it shall be ruled that it shall not be recognized: (1) The civil judgment applied for acceptance is made in the absence of the respondent and without legal summons or without the respondent's capacity for litigation and proper representation; (2) The case was exclusively administered by the people's court; (3) The parties to the case had valid arbitration The agreement does not waive the jurisdiction of the arbitration; (4) The case has been decided by the people's court or the arbitral tribunal of mainland China has made an arbitral award; (5) The Hong Kong Special Administrative Region, the Macao Special Administrative Region or a foreign court has already disputed the same dispute.

The judgment is made and recognized or recognized by the people's court; (6) The arbitral tribunal of the Taiwan region, the Hong Kong Special Administrative Region, the Macao Special Administrative Region or a foreign country has already made an arbitral award for the same dispute and has been recognized or recognized by the people's court. If the recognition of the civil judgment violates the basic principles of the national law such as the one-China principle or damages the public interest, the people's court shall rule that it will not be recognized.

According to the Chinese Law, if the civil judgment of the court of the Republic of China meets the above requirements and there is no reason for disapproval, it should be recognized and enforced in China. Otherwise, it cannot still completely exclude the Republic of China. The civil judgment made by the court is not a risk recognized and enforced by the Chinese People's Court.

- (VI) Other important matters: Please refer to pages 194~204 of this annual report for a description of the significant differences in the provisions of the shareholders' rights and interests of the Republic of China.

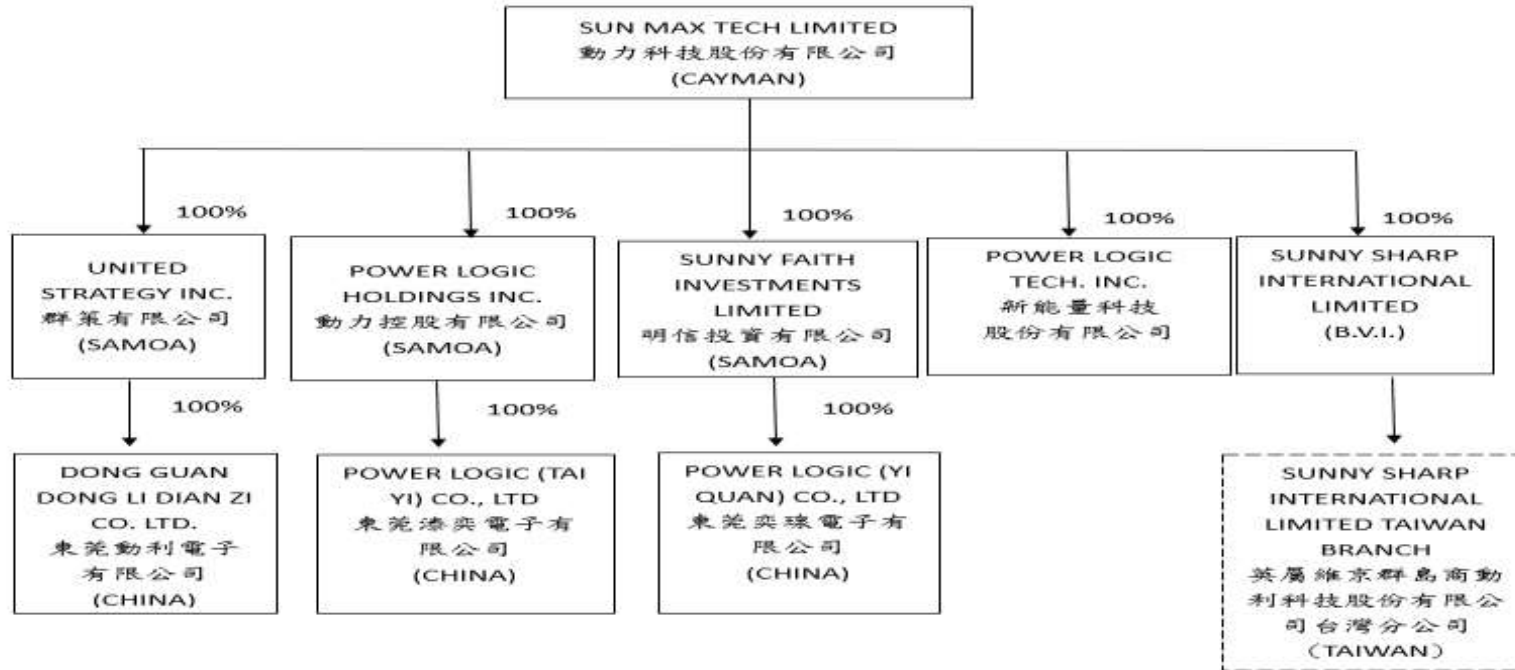
## Eight. Special remarks

### I. Affiliated companies:

#### (I) Information regarding The Company's subsidiaries

##### 1. Organization chart for affiliates:

##### (1) Organization chart for affiliates:



Note: SUNNY FAITH INVESTMENTS LIMITED was established on:2017/01/04

Note: Dong Guan Yi Quan Electronics Co., Ltd. was founded: 2017/03/17

(2) Presumption of Controlled and Subordinate Company in accordance with Article 369 (3) of the Company Law: None

(3) Subsidiary companies that directly or indirectly control personnel, finance or business operations in accordance with the second paragraph of Article 369 (2) of the Company Law: None



2. Basic information of affiliated enterprises:

December 31, 2018 Unit: thousand yuan

Name of affiliated enterprises	Date of establishment	Address	Paid-in shares Capital	Major operations
United Stragegy INC.	2003/07/01	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 4,572	Investment in holding company
Power Logic Holdings INC.	2008/08/21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 5,445	Investment in holding company
Power Logic Tech. Inc.	1998/04/04	6-2F, No. 16, Jen-Ba Road, Chunghe District, New Taipei City	NT\$ 45,000	Sales of electronic components
Sunny sharp International Limited	2015/11/11	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	US\$ 1,550	Investment in holding company
SUNNY FAITHINVESTMENTS LIMITED	2017/01/04	Portcullis Chambers, P.O.Box 1225, Apia, SAMOA	US\$ 500	Investment in holding company
DONG GUAN DONG LI DIAN ZI CO. LTD	2003/12/10	Guangdong Province, East China Dongguan City, Chang Ping Zhen Wang Tianwei Murata No. 13	HK\$ 21,000	Sales of electronic components
POWER LOGIC TECH (TAI YI) CO., LTD	2014/07/31	East China's Guangdong Province , Dongguan Shiqiao Town continents Community Bridge plant new West Road, Building 2, No. 3	RMB 22,000	Production and sales of electronic components
POWER LOGIC (YI QUAN) CO., LTD	2017/03/17	East Dongguan City, often Pingzhen board Ishimura Jiajun center a 2 units Office 2011	RMB 3,000	Sales of electronic components

3. Information on the same group of shareholders presumed as under control and in subordinated relation: None

4. The industries housed in the same business location of the whole Affiliated Enterprises:

The business of the Company and its related companies includes the molding, injection molding, painting and assembly of 3C products.

5. Information on directors, supervisors, and general managers of affiliated enterprises:

December 31, 2018

Name of affiliated enterprises	Title	Company name or representative	Status of shareholding	
			Quantity	Ratio of Shareholding
United Stragegy INC.	Director	HSU Wen-Faung	1,530,000	100%
Power Logic Holdings INC.	Director	HSU Wen-Faung	5,100,000	100%
Power Logic Tech. Inc.	Director Director Director Supervisor	HSU Wen-Faung Li Lung-Chu Wu Kunyu LAI, Jen-Chung	4,500,000	100%
Sunny sharp International Limited	Director	HSU Wen-Faung	490,000	100%
SUNNY FAITHINVESTMENTS LIMITED	Director	SUN MAX TECH LIMITED	500,000	100%
DONG GUAN DONG LI DIAN ZI CO. LTD	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital HKD 21,000,000	100%
POWER LOGIC TECH (TAI YI) CO., LTD	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital RMB 22,000,000	100%
POWER LOGIC (YI QUAN) CO., LTD	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital RMB 3,000,000	100%

## (II) Business Performance of Affiliated Enterprises:

Financial status and operating results of each related company:

December 31, 2018

Unit: Thousands of NT\$, except for earnings per share

A	B	C	D	E	F	G	H	I
Name of affiliated enterprises	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (loss) - net	Current period profit (after tax)	Earnings per share (After tax)
United Stragegy INC.	141,995	441,095	31,737	409,358	0.00	(200)	30,579	Note 1
Power Logic Holdings INC.	12,508	479,184	230,063	249,122	479,032	4,022	8,836	Note 1
Power Logic Tech. Inc.	45,000	119,434	43,491	75,943	58,855	31,067	27,780	16.88
Sunny sharp International Limited	46,741	154,779	68,695	86,084	397,862	13,882	14,195	Note 1
Sunny Faith Investments Ltd.	15,469	32,187	1,539	30,648	0	13,956	(2,405)	Note 1
DONG GUAN DONG LI DIAN ZI CO. LTD	88,456	520,674	80,316	440,358	366,719	36,526	32,580	Note 2
POWER LOGIC TECH (TAI YI) CO., LTD	101,903	458,714	214,664	244,050	860,512	12,892	14,018	Note 2
POWER LOGIC (YI QUAN) CO., LTD	13,080	29,403	(928)	30,331	54,629	(3,962)	(2,945)	Note 2

Note 1: It is not applicable to overseas companies.

Note 2: It is a mainland limited company, not applicable.

(III) Relationships Business Consolidated Financial Statements: Please refer to the “Consolidated Financial Reporting and Accountant Verification Report” in “Land, Financial Overview”.

(IV) Affiliation Report: None.

II. Private placement of securities during the latest year up till the publication date of this annual report: none.

III. Holding or disposal of the company’s shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.

IV. Other supplementary information: None.

V. Explanation of significant differences with the provisions of the shareholders' rights and interests of the Republic of China:

Due to the slight inconsistency between the British Cayman Islands Act and the Republic of China Act, the Taiwan Stock Exchange Co., Ltd. recently amended the “Registration Form for the Protection of Shareholders’ Rights and Interests of Foreign Issuer Registration Countries” (hereinafter referred to as “shareholders’ rights protection” The “List of Events” does not apply to the Company of course. The following list shows the differences between the Company's currently valid Articles of Association (the “Articles of Association”) and the protection of shareholders' interests due to the provisions of the British Cayman Islands Act , and the Company. The provisions of the charter.

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
The Company repurchased its own shares for assignment to its employees with the restriction of no transfer within the specific period of time. Such period could not be longer than 2 years.	The contents of this requirement are stated in Article 40D of the Articles of Incorporation, read as ”Unless Article 40E of the Articles of Incorporation and the laws governing the listing on the TWSE or TPEX provide otherwise, the treasury shall be disposed in accordance with the provisions and conditions determined by the Board. If the repurchase of treasury shares shall be subject to assignment to employees under applicable laws governing the listing on the TWSE or TPEX, the employees concerned shall promise not to transfer these shares within a stipulated period no longer than 2 years.	According to Article 1 of the Articles of Incorporation, Treasury Shares as referred to shall be those shares issued in accordance with the Articles of Incorporation, the company law of the Cayman Islands, and applicable laws governing the listing on the TWSE but repurchased or redeemed, or reposessed through any other means by the Company without cancellation. As such, the requirement of this section is provided by Article 40D of the Articles of Incorporation.	Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	(Note : The above is the extract in Chinese)”	According to the lawyers of the Cayman Islands, “the restrictions agreed between the transferor and transferee is a contractual matter between themselves.”	
<p>The following matters shall be listed and explained in the convening of the shareholders' meeting, and shall not be proposed in a temporary motion; the main contents of the following matters shall be placed at the securities counter trading center or the stock exchange or the company's designated website, and their website shall be stated. In the call for notice:</p> <p>(1)The election or dismissal of directors, supervisors;</p> <p>(2)Amendments to the Company Corporate Charter (Articles of Incorporation);</p> <p>(3)Decapitalization;</p> <p>(4)Application for discontinuation of public offering;</p> <p>(5)Company dissolution, merger, share conversion, division;</p> <p>(6)Entering into, alteration, or termination of the agreement on leasing of the whole operation, entrustment of operation, or joint venture in operation with a third party.</p> <p>(7)Assignment of all or the principal business</p>	<p>The contents of requirement in this section are stated in Article 50 of the Articles of Incorporation and specified as, “The following shall be cited in the notice of the Shareholders Meeting, and cannot be proposed as extemporary motions: (a) Election or relief of Directors or Supervisors (where applicable); (b) Alteration of the MOU and/or the Articles of Incorporation; (c) Dissolution of the Company, transfer of shares (defined by applicable laws governing the listing on the TWSE or TPEx), merger, or spinoff; (d) Entering into, alteration, or termination of the agreement on leasing of the whole operation, entrustment of operation, or joint venture in operation with a third party; (e) Assignment of all or the principal business operation or assets; (f) Acceptance of business operation or assets assigned by a third party that caused significant influence on the operation of the Company; (g) Offering of equity securities through private placement; (h) The</p>	<p>1. Article 50 of the Articles of Association of the Company has not added any of its main contents to the left column of the “Checklist for Protection of Shareholders' Rights and Interests of Foreign Issuer Registered Countries” announced by the Taiwan Stock Exchange Co., Ltd. on November 30, 2018. It may be placed at the securities counter trading center or the website designated by the stock exchange or the company and shall be amended in accordance with the provisions of the convening notice, the "reduction of capital" and the "application for suspension of public offering".</p> <p>2. The operation in the Cayman Islands has no specific rules and regulations governing</p>	<p>1. Article 50 of the Articles of Association of the Company is expected to be amended at the shareholders' meeting in 2019 in accordance with the new regulations set out in the “Checklist for Protection of Shareholders' Rights and Interests of Foreign Issuer Registered Countries” announced by the Taiwan Stock Exchange Co., Ltd. on November 30, 2018. .</p> <p>2. Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>operation or assets;</p> <p>(8)Acceptance of business operation or assets assigned by a third party that caused significant influence on the operation of the Company;</p> <p>(9)Offering of equity securities through private placement;</p> <p>(10) The engagement of the Directors in business prohibited under the rule of no competition;</p> <p>(11) Payment of dividends and bonuses in whole or in part through the offering of new shares.</p> <p>(12) Appropriation of the legal reserve or additional paid-in capital or as gifts for capitalization into new shares payable to the original shareholders in whole or in part.</p>	<p>engagement of the Directors in business prohibited under the rule of no competition;</p> <p>(i) Payment of dividends and bonuses in whole or in part through the offering of new shares; (j) Appropriation of legal reserve or additional paid-in capital or as gifts for capitalization into new shares or in cash payable to the original shareholders in whole or in part; (k) According to the Company Act, payment of dividends and bonuses in whole or in part through the offering of new shares;</p> <p>(l) The Company may assign treasury shares to the employees;</p> <p>Shareholders may propose motions at the convention of the Shareholders Meeting unless the Company Act or the Articles of Incorporation provide otherwise but only confined to the scope of the original motions. (Note: The above is the extract in Chinese)”</p>	<p>extemporary motions. According to the lawyer of the Cayman Islands, the Company shall explicitly state the content of the meeting for discussion and provide related information for the shareholders in the meeting notice in the aspect of extemporary motion. However, “Miscellaneous motions” will usually be included in the meeting notice of the Shareholders Meeting. In general, these motions are informal and insignificant so that the Chairman (Presiding Officer) cannot include major issues in this category. In case of major issues, meetings shall be called under the agenda for further discussion and resolution. In case of an emergency where the issue must be resolved in the convention of the Shareholders Meeting, the substantive content of these issues must be presented in the next session for ratification. Nevertheless,</p>	

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
		<p>extemporary motion is not regulated under the laws of the Cayman Islands. Yet, the lawyer of the Cayman Islands recommended not to bring up any extemporary motion in the convention of a Shareholders Meeting.</p>	
<p>If balloting could be made by correspondence or electronic means, the method must be elaborated in the notice of Shareholders Meeting. Shareholders who have their votes cast in writing or by electronic means are deemed as attending the meeting in person. However, with respect to motions and original proposal amendments of the meeting of shareholders, it is deemed as a waiver.</p>	<p>This item is stipulated in Article 67 of the Articles of Association: "In addition to the provisions of the Listing Cabinet Act, when the company convened a shareholders meeting, the electronic method shall be listed as one of the channels for the voting rights of the shareholders' meeting, and may be adopted in writing. The exercise of voting rights shall be stated in the method of convening the shareholders' meeting. If the Board determined a specific session of the Shareholders Meeting would be held outside the Republic of China, the Board shall allow shareholders to cast their votes for decision by correspondence or via electronic means." And Article 68: "Shareholders electing to cast their votes by correspondence or via electronic means as stated in the previous article shall be deemed the appointment of the Chairman (Presiding Officer) of the session of</p>	<p>The Cayman Company Law has no special provisions on the protection of the shareholders' rights and interests on the left, so it is stipulated in Articles 67 and 68 of the Articles of Association. According to the opinion of Cayman's lawyer, the shareholders vote in writing as the chairman of the shareholders' meeting. Therefore, in accordance with Cayman's lawyer's opinion, the second paragraph of the second paragraph is stipulated in Article 68 of the Articles of Association.</p>	<p>In Article 68 of the Articles of Incorporation, it is suggested that when the Chairman (Presiding Officer) acts on behalf of and in the names of the shareholders in casting the votes for decision as per the instructions of these shareholders by correspondence or via electronic means, he or she cannot exercise the right to vote not specified in the aforementioned correspondence or electronic document. This practice does not cause unfavorable and significant influence on shareholders equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>the Shareholders Meeting to exercise the right to votes as per the instruction of the aforementioned correspondence or electronic document. However, the balloting of these shareholders by correspondence or electronic means shall be construed as their abstention from the balloting on extemporary motions or amendments to the motions proposed in the session. The act of the aforementioned appointment shall not be construed as the appointment of proxy under the rules and regulations governing the listing on the TWSE or TPEX. Once appointed by the aforementioned shareholders, the Chairman (Presiding Officer) cannot exercise the right to vote beyond the scope inscribed in the aforementioned correspondence or electronic documents. During the period when the shares of the Company have been registered in Xinggui or listed at the securities counter trading center or the stock exchange, the company shall appoint a financial management committee, a securities counter trading center or a stock exchange in the territory of the Republic of China when the shareholders' meeting is held outside the Republic of China. Shares of approved service</p>		



The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>agencies to deal with administrative matters relating to the meeting of shareholders (including but not limited to accepting shareholders vote matters). ” (Note: The above is the extract in Chinese)</p>		
<p>Shareholders after exercising their votes in writing or by electronic means wish to attend the meeting of shareholders in person shall have the intension of exercising votes in writing or by electronic means revoked the same way of exercising their votes two days prior to the meeting commencement date. For overdue revocations, the votes exercised in writing or by electronic means shall prevail.</p>	<p>The contents of the requirements of this section are inscribed in Article 70 of the Articles of Incorporation, and specified as “Where the shareholders may desire to attend the session of the Shareholders Meeting in person after expressing the intent of voting by correspondence or electronic means, they shall revoke the previous expression of intent of voting by correspondence or electronic means at least 2 days prior to the meeting date. The revocation of the voting by correspondence or electronic means shall constitute the revocation of the appointment to the Chairman (Presiding Officer) in exercising the right to vote as stated in Article 68”. If the shareholders expressed the intent of revoking the previous intent of voting by correspondence or electronic means as stated Article 67 after the aforementioned deadline, the previous expression of intent of voting by correspondence or electronic means shall stand and the Chairman (Presiding Officer) shall be appointed for casting</p>	<p>The Cayman Company Law has no special provisions on the protection of the shareholders' rights and interests on the left. Therefore, it is stipulated in Article 70 of the Articles of Association. According to Cayman's lawyer, under the Common Law, the principal can revoke its proxy by attending the meeting in person, due to written or electronic Shareholders who exercise their voting rights are deemed to have entrusted the chairman of the shareholders' meeting to exercise their voting rights at the shareholders' meeting on the basis of the instructions in the written or electronic documents. Therefore, the protection of shareholders' rights and interests on the left may not be enforceable.</p>	<p>Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>the votes on behalf of and in the names of these shareholders as stated in Article 68. Where the shareholders may change their mind after expressing the intent of voting by correspondence or electronic means as stated in Article 67 by the appointment of proxies to attend the session of the Shareholders Meeting, it shall be construed as the revocation of the previous appointment of the Chairman (Presiding Officer) for voting on their behalf and in their names. Accordingly, the votes cast by the proxies in the session shall stand. (Note : The above is the extract in Chinese)”</p>		
<p>If the shareholders desire to attend the meeting in person, or exercise the right to vote by correspondence or electronic means after the delivery of the power of attorney to the Company, they shall notify the Company for revocation of the power of attorney at least 2 days prior to the meeting date, or the attendance by proxy to exercise the right to vote shall stand if notification cannot be made by the aforementioned deadline.</p>	<p>The contents of the requirements are inscribed in Article 62B of the Articles of Incorporation, which are specified as “If the shareholders desire to attend the meeting in person, or exercise the right to vote by correspondence or electronic means after the delivery of the power of attorney to the Company, they shall notify the Company for revocation of the power of attorney previous made at least 2 days prior to the meeting date. The attendance by proxy to exercise the right to vote shall stand if notification cannot be made by the aforementioned deadline. (Note : The above is the</p>	<p>The Cayman Company Law has no special provisions on the collection of power of attorney or power of attorney; therefore, the protection of the shareholders' rights and interests listed in the left column is stipulated in Article 62B of the Articles of Association. According to Cayman's lawyer, under the Common Law, the principal is revoke its proxy by attending the meeting in person, so the left shareholder's equity Protection matters may not be enforceable (not</p>	<p>Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>The following motions involve the rights and privileges of the shareholders in materiality and shall be passed by the Shareholders Meeting in a session attended by shareholders representing more than two third of the outstanding shares and a simple majority of the votes from the shareholders in session. If the presence of shareholders in this session cannot qualify for a quorum, the motion could be passed by the presence of shareholders representing more than half of the outstanding shares and a two third majority of the votes cast by the shareholders in the session:</p> <ol style="list-style-type: none"> <li>1. Entering into, alteration, or termination of the agreement on leasing of the whole operation, entrustment of operation, or joint venture in operation with a third party, assignment of all or the principal business operation or assets, acceptance of business operation or assets assigned by a third party that caused significant influence on the operation of the Company</li> <li>2. Amendment to the Articles of Incorporation</li> <li>3. If the amendment to the</li> </ol>	<p>Paragraphs 1 and 4 of this paragraph, paragraph 5 and paragraph 6 are respectively specified in Article 32(a)(b)(c)(d)(f)(g) of the Articles of Association, as follows: "The Company may also adopt a Type A Special Resolution or a Type B Special Resolution: (a) conclude, vary or terminate an agreement to lease all of its business, entrusted operations or co-operation with others; (b) transfer all or any major part thereof (c) a person who has significant influence on the operation of the company by the transfer of all business or property of others; (d) division of the company in accordance with the Listing Act; (e) permission of directors to engage in non-compete activities; f) pursuant to section 17B to require issuers to limit employees' rights shares; and (g) to issue new shares assign some or all of the dividend or distribution; in order to avoid controversy, on the basis of Article 129 to set aside staff remuneration and directors remuneration issued by the New shares do not require a special resolution of type A or a special resolution of type B. (Note: The above is the extract in Chinese)"</p> <p>The requirement in Section 2 is presented in Article 157 of the Articles of Incorporation and is</p>	<p>enforceable).</p> <p>According to the lawyer of the Cayman Islands: (i) The articles of incorporation of the operation in the Cayman Islands must comply with the mandatory requirements of the Company Act of the Cayman Islands. In case of contradiction, the Company Law of the Cayman Islands shall stand; (ii) "Special Resolution" is a legal term under the Company Law of the Cayman Islands. Issues required for "Special Resolution" under the Company Law of the Cayman Islands shall be decided by shareholders under "Special Resolution" but the minimum votes shall not fall below the requirements under the "Special Resolution" under the Company Law of the Cayman Islands. As such, the Articles of Incorporation shall set a higher standard.</p>	<p>Article 32(a)(b)(c)(d)(f)(g) and Article 33 (a) of the Articles of Incorporation (voluntary dissolution of the Company in case of insolvency) were amended in accordance with the Protection of Shareholders Equity Checklist generally. Under the mandatory requirement of the Company Law of the Cayman Islands, the Articles of Incorporation (including the amendment to circumstances that may jeopardize the rights of the shareholders of preferred shares), dissolution (situations beyond voluntary dissolution of the Company due to insolvency), and merger must be passed under "Special Resolution" and cannot be changed only under the Articles of Incorporation. The intensity for the protection of the rights of the shareholders provided by the Articles of Incorporation and the Protection of Shareholders Equity Checklist are relevant on the basis of a "Special Resolution" and the means of resolution stated in the Protection of Shareholders Equity Checklist.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>Articles of Incorporation may jeopardize the rights of the holders of preferred shares, the resolution for approval by the meetings of the preferred shareholders is necessary.</p> <p>4. Payment of dividends or bonuses in whole or in part by issuing new shares.</p> <p>5. Decision of dissolution, merger or spinoff</p> <p>6. The issuance of restricted stock</p>	<p>specified as “Unless the Company Act and the Articles of Incorporation specify otherwise, the Company may change the MOU and/or the Articles of Incorporation in whole or in part under a special resolution. (Note: The above is the extract in Chinese)”</p> <p>Subparagraph 3 of this section is presented in Article 18 of the Articles of Incorporation and specified as “The Company may split up its equity capital into different categories of shares (such as common shares or preferred shares) at any time. Any unfavorable and significant change or revocation of the rights (including without limitation to any amendment to the Articles of Incorporation that may jeopardize the rights of any of the shareholders of preferred shares) of any category of shares (except the conditions for the offering of specific categories of shares specify otherwise) shall be made under (I) the special resolution of the Shareholders Meeting (of common shares); and (II) the special resolution of a separate shareholders Meeting of a specific category of shares (such as preferred shares). (Note: The above is the extract in Chinese)”</p> <p>The requirement of section 5 in the aspect of</p>		

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>dissolution of the organization is presented in Article 33 of the Articles of Incorporation and is specified as “Unless the Company Act, the Articles of Incorporation, and applicable laws governing the listing on the TWSE or TPEX specify otherwise in attendance, the Company shall (a) resolve to voluntary dissolution in case of insolvency for settlement of debts upon due under Special Resolution A or Special Resolution B; or (b) resolve to voluntary dissolution in case of other incidents beyond insolvency under special resolution for the dissolution of the Company. (Note: The above is the extract in Chinese)”</p> <p>Subparagraph 5 of this section in the aspect of merger is presented in Article 31 (c) of the Articles of Incorporation and is specified as “the Company may (c) proceed to merger in accordance with the applicable laws governing listing on the TWSE or TPEX through special resolution. (Note: The above is the extract in Chinese)”</p>		
Related regulations of the Supervisors.	The Company does not establish seats of Supervisors. No amendment to the Articles of Incorporation is necessary.	There is no specific requirement of Supervisors under the Company Law of the Cayman Islands. The Company established the position of Independent Director	According to Article 14-4 Paragraph 1 of the Securities and Exchange Act of the ROC, public companies may select either the system of Audit Committee or

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
		to substitute for Supervisor, and has also established the Audit Committee and Remuneration Committee seated by the Independent Directors.	Supervisor. The SUN MAX company charter stipulates that the company should set up an audit committee; therefore, SUN MAX does not have a supervisory person's effect on shareholders' equity that does not appear to have a material adverse effect.
<p>1. The company continues to hold more than six months the total issued shares of more than one per cent shareholder, by written request supervisor of the company filed a lawsuit against directors and to Taiwan Tai first instance court of competent jurisdiction for the Northern District Court.</p> <p>2. If the Supervisor declines to institute legal action within 30 days after the shareholder has petitioned for legal action, the shareholder may institute legal action for the Company and submit the jurisdiction of the first instance to Taipei District Court of Taiwan.</p>	<p>The contents of the requirements in this Paragraph 2 are included in Article 123 of the Articles of Incorporation and are specified as "under the laws of the British Cayman Islands, shareholders who hold 3% or more of the outstanding shares issued by the Company for more than 1 year consecutively may petition with any of the Independent Directors of the Audit Committee in writing for suing the Directors and institute the action with a court of legal jurisdiction (including Taipei District Court of Taiwan, where applicable). If the Independent Director of the Audit Committee who accepted the petition of the shareholders declined to or rejected to institute legal action within 30 days after receiving the petition from the shareholders as mentioned in the previous paragraph, the shareholders may institute legal action for the Company with a court of legal jurisdiction</p>	<p>1. Article 123 of the Articles of Association of the Company has not yet cooperated with the Taiwan Stock Exchange Co., Ltd. on November 30, 2018 to announce the "Checklist for Protection of Shareholders' Rights and Interests of Foreign Issuer Registration Countries". The amendments to the shareholders holding more than one percent of the total number of issued shares of the company for more than one month are revised.</p> <p>2. There is no special requirement or prohibition inscribed in the Articles of Incorporation of the Cayman Company. According to the laws of the Cayman Islands, shareholders may institute legal</p>	<p>1. Article 123 of the Articles of Association of the Company in 2019 is expected to be regular shareholders 'meeting in accordance with the Taiwan Stock Exchange Corporation on November 30, 2018 announcement of the "National Register of shareholders' rights to a foreign issuer in the left column of the first benefits of protection issues checklist" The amendments are completed.</p> <p>2. Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>(including Taipei District Court of Taiwan, where applicable) unless the laws of the British Cayman Islands provide otherwise. (Note: The above is the extract in Chinese)”</p>	<p>action for the Company in the following circumstances: (i) an act of offense under law or abusive use of power without authorization of the Company and lacked the ratification of the shareholders; or (ii) An act of fraud against minority shareholders (the parties petitioned for remedy are the majority shareholders. These majority shareholders will not permit the Company to give leeway for the complainant in the petition for remedy through legal action. If the cause under this paragraph is the cause of legal action, prove that the fraud and illegal activities are committed by those who have control over the Company). Any act within the authority of the Company or the abusive use of power was ratified by the shareholders and is the will of the majority of shareholders, the court of the Cayman Islands tends not to</p>	<p>shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
		<p>interfere into the internal affairs of the Company. The lawyer of the Cayman Islands went further that Article 123 of the Articles of Incorporation must be in compliance with the legal requirements of the Cayman Islands. Accordingly, it is not the obligation of the Directors to respond to the request of shareholders holding more than 3% of the outstanding shares of the Company to institute legal action against the other Directors if these Directors hold that the institution of legal action is not for the interest of the Company.</p>	
<p>1. The Directors of the Company owe a fiduciary duty of care and shall be held responsible to all the damages to the Company for their failure to perform such duty. If an act was committed by a Director on their own will or in favor of a third party, the Shareholders Meeting may resolve to take the income from such act as the income of the Company.</p>	<p>The content of requirement in this paragraph is presented in Article 97B of the Articles of Incorporation and is specified as “All Directors owe a fiduciary duty to the Company under the law of the Cayman Islands and applicable laws to the listing on the TWSE or TPEX, and such fiduciary duty shall include without limitation the observation of honesty and good will, and avoidance of conflict between obligation and personal interest. If any</p>	<p>According to the Company Law of the Cayman Islands, Directors owe fiduciary duties to the Company, and any violation which causes damage to the Company may result in a court ruling for assuming liability for the damage. If there is an act of breach of honesty by the Director for self-interest or a third party with the return of benefit, the court</p>	<p>Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>



The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>2. If the performance of the assigned duties of the Company by the Directors is in violation of applicable laws the extent to which damage is caused to a third party, the Directors shall assume joint and several liabilities of the damages to the third party and the Company.</p> <p>3. The managers and Supervisors of the Company shall, within the scope of duties, be responsible for the same joint and several liabilities of damages of the Directors.</p>	<p>Director violates the aforementioned obligation of honesty, such Director shall assume responsibility of the damage thereof under the law of the British Cayman Islands and applicable laws for listing on the TWSE or TPEX. According to the law of British Cayman Islands and applicable laws for listing on the TWSE or TPEX, any Director who violates the aforementioned obligation of honesty for self-interest or a third party, the Shareholders Meeting may take any income for the above act as the income of the Company. If any Director of the Company has caused damage to a third party in performing the assigned duties of the Company, this Director shall assume joint and several liabilities to the third party and the Company under the law of the British Cayman Islands and applicable laws for listing on the TWSE or TPEX. Under such circumstance, the Director shall respond to the claim for damage instituted by the third party. According to the law of the British Cayman Islands and applicable laws regarding the TWSE or TPEX, the managers and the Supervisors of the Company (where applicable) shall, within their respective scopes of assigned duties, assume the same responsibilities</p>	<p>may rule to return the benefit.</p> <p>According to the law of the Cayman Islands, if a Director has caused damage to a third party in performing the assigned duties of the Company, such third party may claim for the damage against the Company. Likewise, the Company may claim for the loss due to the damage claimed by the third party against the Director. From the perspective of the law of the Cayman Islands, the third party cannot make a claim directly against the Director even though the Articles of Incorporation specify that Directors shall assume joint and several liabilities with the Company.</p>	

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	with the Directors as mentioned in preceding paragraphs. (Note: The above is the extract in Chinese)”		

Nine. Occurrences of events defined under Article 36-3-2 of the Securities and Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

**SUN MAX TECH LIMITED**

**Chairman : SINOTEAM HOLDINGS INC.**

**Representative: HSU Wen-Faung**