SUN MAX TECH LIMITED
And subsidiaries

Consolidated financial statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

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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 prevai

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Independent Auditors' Report

To: SUN MAX TECH LIMITED:

Opinion

We have audited the accompanying consolidated financial statements of SUN MAX TECH LIMITED and its subsidiaries (hereinafter, "the Group") which comprise the balance sheets as of December 31, 2019 and 2018 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 as of December 31, 2019 and 2018 (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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance as of December 31, 2019 and 2018 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*.

Basis for Opinion

We conducted our audits on the 2019 financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the FSC Letter Jin-Guan-Zheng-Shen-Zi No.1090360805 as of February 25, 2020, and the generally accepted auditing standards and on the 2018 consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. 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 Matters

The "Key Audit Matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2019 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 2019 consolidated financial statements of SUN MAX TECH LIMITED follows:

Recognition of revenue

The SUN MAX Group's operating revenue mainly comes from the sale of cooling fan sales with concentration for the top ten customers; among them, the operating revenue in 2019 of the top three customers accounted for about 57% of the total operating revenue. Since the company is in a highly competitive industry and the management is probably under pressure to achieve the expected goals, we believe that there may be a higher risk in recognizing the revenue with respect to the top three customers and adding to that the top ten customers. Therefore, the existence of revenue recognition of the top three customers and the adding top ten customers of the year is identified as a Key Audit Matters. 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 effectiveness of internal control related to sales revenue recognition.
2. Examine whether or not there are any changes among the top ten customers; if there is a new party, not only review its basic information and credit evaluation form, but also test the transaction details to see if there are any anomalies.
3. For the top three customers and the added top ten customers, the relevant transaction evidences were sampled to ensure the authenticity of the sales transaction, the point in time at which the revenue is recognized, issuing letters or subsequent collections.

Evaluation on inventory

The inventory of Group as of December 31, 2019 is NT$ 157,408 thousand measured at the lower of cost or net value method. Because the rapid changes in product technology the risks of inventory become 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) & 10 of the consolidated financial statements.

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

1. Understand and test the 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 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 Charged with Governance for the Consolidated Financial Statements

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 the Group 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.

Auditors' Responsibilities for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and Independent Auditors' Report. Reasonable assurance is a high level of assurance, but is not a guarantee that and 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 materials, 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 risks, and obtain evidence that is sufficient and appropriate to provide a basis of 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 Independent Auditors' 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 Independent Auditors' 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 matter 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 2019 and are therefore the Key Audit Matters. We describe these matters in our Independent Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

CPA Cheng-Hsiu Yang	CPA Wang-Sheng Lin
Financial Supervisory Commission approval no. Jin-Guan-Zheng-Shen-Zi No. 0980032818	Financial Supervisory Commission approval no. Jin-Guan-Zheng-Shen-Zi No.: 1060023872

March 19, 2020

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and subsidiaries

Consolidated Balance Sheets

December 31, 2019 and 2018

Unit: NTD thousand

Code	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	$ 453,196	26	$ 541,407	39
1110	Financial assets at fair value through profit and loss current (Note 4 and 7)	323	-	-	-
1170	Net notes receivable and accounts receivable (Note 4 and 9)	489,336	28	373,392	27
1200	Other receivables	1,507	-	4,880	1
1220	Current income tax asset (Note 4 and 22)	6,677	-	4,508	-
130X	Inventories (Note 4 and 10)	157,408	9	184,874	13
1479	Other current assets (Note 11)	17,420	1	27,657	2
11XX	Total current assets	1,125,867	64	1,136,718	82
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income non-current (Note 4 and 8)	2,288	-	1,640	-
1600	Property, plant and equipment (Note 4, 13 and 26)	301,539	17	212,937	15
1755	Right-of-use assets (Note 3, 4 and 14)	142,796	8	-	-
1780	Intangible asset (Note 4 and 15)	7,201	1	8,667	1
1900	Other non-current assets (Note 11)	181,985	10	26,498	2
15XX	Total non-current assets	635,809	36	249,742	18
1XXX	Total assets	$ 1,761,676	100	$ 1,386,460	100
Code	**Liabilities and equity**				
	Current liabilities				
2170	Notes and account payables	$ 166,880	10	$ 99,572	7
2200	Other payable (Note 17)	150,107	9	124,831	9
2230	Current income tax liabilities (Note 4 and 22)	16,374	1	10,079	1
2280	Leasehold liability- current (Note 3, 4 and 14)	23,322	1	-	-
2320	Current portion of long-term borrowings and bonds payable (Note 16)	36,470	2	6,020	-
2399	Other current liabilities	6,233	-	6,585	1
21XX	Total current liability	399,386	23	247,087	18
	Non-current liabilities				
2530	Corporate bonds payable (Note 18)	90,740	5	-	-
2540	Long-term loan (Note 16 and 26)	39,180	2	33,650	2
2570	Deferred income tax liabilities (Note 4 and 22)	69,720	4	70,292	5
2580	Leasehold liability- non-current (Note 3, 4 and 14)	140,077	8	-	-
2600	Other non-current liabilities	122	-	149,533	11
25XX	Total non-current liability	339,839	19	253,475	18
2XXX	Total liabilities	739,225	42	500,562	36
	Equity Attributable to Owners of the company (Note 4 and 20)				
3100	Common stock capital	275,270	16	237,030	17
3200	Capital surplus	549,048	31	449,000	33
	Retained earnings				
3310	Legal reserve	30,746	2	23,368	1
3320	Special reserve	37,904	2	25,530	2
3350	Unappropriated earnings	216,028	12	204,160	15
3300	Total retained earnings	284,678	16	253,058	18
	Other equity				
3410	Exchange differences on Translating the financial statements of foreign operations	(72,846)	(4)	(38,843)	(3)
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	1,588	-	940	-
3400	Total other equity	(71,258)	(4)	(37,903)	(3)
3500	Treasury shares	(15,287)	(1)	(15,287)	(1)
31XX	Total equity attribute to owners of the company	1,022,451	58	885,898	64
3XXX	Total equity	1,022,451	58	885,898	64
	Total Liabilities and Equity	$ 1,761,676	100	$ 1,386,460	100

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

Chairman: HSU Wen-Faung　　Manager: HSU Wen-Faung　　Accounting Supervisor: Chen Hui-Ling

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and subsidiaries

Consolidated Statements of Comprehensive Income

For The Years Ended December 31, 2019 And 2018

Unit: NTD thousands, except Earnings Per Share (NTD)

Code		2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating revenue	$ 1,184,812	100	$ 1,217,595	100
5000	Operating cost (Note 10 and 21)	(870,881)	(73)	(976,718)	(80)
5900	Gross profit	313,931	27	240,877	20
	Operating expenses (Note 21)				
6100	Selling and Marketing expense	(25,960)	(2)	(25,524)	(2)
6200	General and administrative expenses	(114,755)	(10)	(100,512)	(8)
6300	Research and development expenses	(35,949)	(3)	(31,063)	(3)
6000	Total operating expenses	(176,664)	(15)	(157,099)	(13)
6900	Profit from operations	137,267	12	83,778	7
	Non-operating income and expenses (Note 21)				
7010	Other income	14,314	1	4,539	-
7020	Other gains and losses	252	-	20,377	2
7050	Financial cost	(12,946)	(1)	(756)	-
7000	Total non-operating income and expenses	1,620	-	24,160	2
7900	Profit before Incom tax	138,887	12	107,938	9
7950	Income tax expense (Note 4 and 22)	49,639	4	34,161	3
8200	Net profit for the year	89,248	8	73,777	6

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Code		2019 Amount	2019 %	2018 Amount	2018 %
	Other comprehensive income (Note 4 and 20)				
8310	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	$ 648	-	$ 428	-
8360	Titles that could be reclassified as profits and loss accounts in the future				
8361	Exchange differences on Translating the financial statements of foreign operations	(34,003)	(3)	(13,314)	(1)
8300	Total other comprehensive income or loss	(33,355)	(3)	(12,886)	(1)
8500	Total Comprehensive Income for the year	$ 55,893	5	$ 60,891	5
	Net profit attributable to:				
8610	Owners of parent	$ 89,248	8	$ 73,777	6
8620	Non-controlling interest	-	-	-	-
8600		$ 89,248	8	$ 73,777	6
	Comprehensive income attributable to:				
8710	Owners of parent	$ 55,893	5	$ 60,891	5
8720	Non-controlling interest	-	-	-	-
8700		$ 55,893	5	$ 60,891	5
	Earnings per share (Note 23)				
9710	Basic	$ 3.44		$ 3.12	
9810	Diluted	$ 3.22		$ 3.11	

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

Chairman: HSU Wen-Faung Manager: HSU Wen-Faung Accounting Supervisor: Chen Hui-Ling

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and subsidiaries

Consolidated Statements of Changes in Equity

January 1 to December 31, 2019 and 2018

Unit: NTD thousand

Code		Share Capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated earnings	Other equity: Exchange differences on Translating the financial statements of foreign operations	Other equity: Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Treasury shares	Total equity
A1	Balance at January 1, 2018	$ 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 profit 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 profit or loss 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
A3	Effect of retroactive application and retrospective restatement	-	-	-	-	(18,668)	-	-	-	(18,668)
A5	Balance at January 1, 2019 after recompilation	237,030	449,000	23,368	25,530	185,492	(38,843)	940	(15,287)	867,230
	Appropriation of 2018 earnings									
B1	Legal reserve	-	-	7,378	-	(7,378)	-	-	-	-
B3	Special reserve	-	-	-	12,374	(12,374)	-	-	-	-
B5	Cash dividends	-	-	-	-	(38,960)	-	-	-	(38,960)
E1	Proceeds from issuance of ordinary shares	25,000	53,550	-	-	-	-	-	-	78,550
N1	Issuance of ordinary shares under employee share options	-	1,600	-	-	-	-	-	-	1,600
C5	Issuance of convertible corporate bonds recognized in the equity component – share options	-	5,814	-	-	-	-	-	-	5,814
I1	Conversion of corporate bonds into common shares	13,240	39,084	-	-	-	-	-	-	52,324
D1	Net profit for the year ended December 31, 2019	-	-	-	-	89,248	-	-	-	89,248
D3	Other comprehensive income in 2019	-	-	-	-	-	(34,003)	648	-	(33,355)
D5	Total Comprehensive profit or loss in 2019	-	-	-	-	89,248	(34,003)	648	-	55,893
Z1	Balance at December 31, 2019	$ 275,270	$ 549,048	$ 30,746	$ 37,904	$ 216,028	($ 72,846)	$ 1,588	($ 15,287)	$ 1,022,451

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

Chairman: HSU Wen-Faung　　Manager: HSU Wen-Faung　　Accounting Supervisor: Chen Hui-Ling

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and subsidiaries

Consolidated Statements of Cash Flows

For The Years Ended December 31, 2019 And 2018

Unit: NTD thousand

Code		2019	2018
	Cash flow from operating activities		
A10000	Income before income tax	$ 138,887	$ 107,938
A20010	Adjustments for:		
A20100	Depreciation expenses	52,493	23,351
A20200	Amortization expenses	3,229	2,863
A20300	Expected credit impairment loss (reversal gain)	(689)	966
A20400	Net gain (loss) on financial assets and liabilities at fair value through profit and loss	(1,060)	-
A20900	Financial cost	12,946	756
A21200	Interest revenue	(12,299)	(4,017)
A21300	Dividend income	(207)	(239)
A21900	Compensation cost of employee share option	1,600	-
A22500	(Gain) loss on disposal of property, plant and equipment	6	(12)
A23700	Write-downs of inventories and loss of idle inventory	12,007	4,776
A29900	Reversal of provision	(46)	(35)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	381	673
A31150	Accounts receivable	(115,592)	247,009
A31180	Other receivables	3,330	(1,653)
A31200	Inventories	15,459	(25,587)
A31240	Other current assets	10,237	(338)
A32150	Accounts payable	67,308	(131,698)
A32180	Other payables	25,242	(61,201)
A32230	Other current liabilities	(389)	(726)
A32990	Other non-current liabilities	(2,260)	627
A33000	Cash generated form operations	210,583	163,453
A33100	Interest received	12,342	3,787
A33200	Dividends received	207	239
A33300	Interest paid	(646)	(768)
A33500	Income tax paid	(42,996)	(51,689)
AAAA	Net cash inflow generated from operating activities	179,490	115,022

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Code		2019	2018
	Cash payments for investing activities		
B02700	Purchase of property, plant, and equipment	($ 121,444)	($ 39,776)
B02800	Proceeds from disposition of real property, plants, and equipment	26	38
B03800	Decrease in Refundable deposits	1,680	287
B04500	Payments for Intangible assets	(1,934)	(3,628)
B07100	Decrease (increase) in prepayments for equipment	(138,452)	292
B07300	Increase in pre-payments of land	(19,308)	-
BBBB	Net cash used in from investing activities	(279,432)	(42,787)
	Cash flow from financing activities		
C01600	Proceeds from Long-term borrowings	42,000	-
C01700	Repayments of proceeds from long-term loans	(6,020)	(13,440)
C04020	Payment of principal element of lease liabilities	(32,557)	-
C04300	Convertible bond	-	148,700
C04500	Cash dividend paid	(38,960)	(47,406)
C04600	Proceeds from issuance of ordinary shares	78,550	-
C04900	Payments for buy-back of ordinary shares	-	(15,287)
CCCC	Net cash generated from financing activities	43,013	72,567
DDDD	Effects of exchange rate changes on the balance of Cash held in foreign currencies	(31,282)	(11,640)
EEEE	Net increase (decrease) in cash and cash equivalents	(88,211)	133,162
E00100	Cash and cash equivalents at the beginning of the year	541,407	408,245
E00200	Cash and cash equivalents at the end of the year	$ 453,196	$ 541,407

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

Chairman: HSU Wen-Faung Manager: HSU Wen-Faung Accounting Supervisor: Chen Hui-Ling

1. Organization and operations

Sun Max Tech Limited (hereinafter, “the Company”) is established in Cayman 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 (hereinafter, “the Group” or “the Consolidated Company”) under organization restructure. The Company become the holding company of Group. The main operating business of the consolidated company is the production, wholesale, retail and international trade for cooling fan. The Company was approved by Republic of China Securities Counter Trading Center on November 30, 2016 to trade at OTC and 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 19, 2020.

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 16 “Leases”

The standards that IFRS 16 set out for accounting treatments for lease contracts identification of lessees and lessors will supersede IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease” and other interpretations. Please refer to Note 4 for the accounting policies.

Definition of lease

The Consolidated Company chose to assess whether or not the arrangement is (or includes) a lease arrangement signed (or changed) after January 1, 2019 in accordance with IFRS 16. Arrangements previously identified as leases in accordance with IAS 17 and IFRIC 4 were not reassessed and were handled in accordance with the transition provisions of IFRS 16.

The consolidated company is the lessee

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.

For the agreements previously handled in accordance with IAS 17 operating leases, the lease liabilities on January 1, 2019 are measured by the present value of the remaining lease payments on that day at a discount rate of the incremental borrowing rate. The present value of all right-of-use assets were calculated at the above-mentioned rate and measured as if IFRS 16 had been applied at lease commencement date. Except for those applying the below expedients (2), the impairment of all the right-of-use assets recognized could be assessed in accordance with IAS 36.

The following expedient methods are 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 which recognized in the end of 2018, will be adjusted in right-of-use asset on January1, 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 IAS17, 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 January1, 2019.

The weighted average of the incremental borrowing rate used for recognition of the lease liabilities by the Consolidated Company on January 1, 2019 was 1.32%~5%. The differences between the amount of the mentioned lease liabilities and the total future minimum lease payments under non-cancellable operating leases on December 31, 2018 were described as follows:

The future minimum lease payment for an irrevocable operating lease as of December 31, 2018 is as follows:	$ 248,784
Less: Low-value asset leases applying to exemption	(137)
Total undiscounted amount on January 1, 2019	$ 248,647
Present value calculated at the discount rate of the incremental borrowing rate on January 1, 2019	$ 191,651
Add: Financial lease payable on December 31, 2018	627
Balance of lease liabilities on January 1, 2019	$ 192,278

The consolidated company is the lessor

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

Adjustments to assets, liabilities and equity on January 1, 2019 when adopting IFRS 16 for the first time are as follows:

	Amount before recompilation on January 1, 2019	Adjustment of first use	Amount after recompilation on January 1, 2019
Property, plant, and equipment	$ 212,937	($ 949)	$ 211,988
Right-of-use assets.	-	173,932	173,932
Effect of assets	$ 212,937	$ 172,983	$ 385,920

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	Amount before recompilation on January 1, 2019	Adjustment of first use	Amount after recompilation on January 1, 2019
Leasehold liability- current	$ -	$ 31,571	$ 31,571
Leasehold liability- non-current	-	160,707	160,707
(Decrease) / increase in Other non-current liabilities	149,533	(627)	148,906
Effect of liabilities	$ 149,533	$ 191,651	$ 341,184
Retained earnings		($ 18,668)	
Effect of equity		($ 18,668)	

(2) The Applicable IFRS endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC") in 2020

The new / amended / revised standards or interpretation	IASB publication effective date
Amendment to "Definition of a business" in IFRS 3	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39, and IFRS 7 "interest rate benchmark reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2020 (Note 3)

Note 1: 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 2: The amendments are applied, retrospectively, from January 1, 2020.

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

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 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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

Further to the aforementioned influence, the companies in the consolidated financial statements will continue to evaluate the effect of the amendment to other Standards 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. <u>Summary of significant accounting policies</u>

(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 7.

(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 operation for business combination, or disposal on partial ownership of foreign operation and lose control, or the retained equity is 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 partial disposal of the subsidiaries of the foreign operation institution did not result in a loss of control, the cumulative exchange differences are re-attributed proportionally as non-controlling equity of the subsidiaries without any profit and loss recognized. In any other event of partial disposal of an overseas operating institution, the accumulated difference in foreign exchange was reclassified to profit and/or loss pro rata to the percentage of disposal.

(6) Inventories

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 are recognized at cost and measured subsequently in accordance with the cost net of accumulated depreciation and accumulated impairment loss. Property, plant and equipment in 2018 still included the assets held in the finance lease.

Property, plant and equipment construction in progress is recognized at cost net of the accumulated impairment loss. Costs include professional service expanses and loan costs that meet the capitalization conditions. 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. The assets held under the finance lease in 2018, if the lease term of the related lease is shorter than the economic life of those lease hold, were depreciated over the shorter of the lease term and its useful life. 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. Depreciation is recognized using the straight-line method for intangible asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each yearly reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill.

Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired 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.

Inventory, property, plants and equipment, and intangible assets recognized due to contracts with customers will firstly recognize impairment losses according to regulation requirements for inventory write-down and the regulations mentioned above. Secondly, it should be recognized as impairment loss when the carrying amount of relevant assets of contract cost exceed the amount of considerations to which it expects to be entitled from providing relevant goods or services after deducting direct relevant costs. In order to work on the assessment for impairment of cash-generating units, hereafter adding carrying amount of relevant assets of contract costs into the cash-generating units to which it belongs.

When the impairment loss is reversed subsequently, the carrying amount of the assets, cash-generating units or relevant assets of contract cost will increase to the revised recoverable amount, while the carrying amount after increase does not exceed the carrying amount of the assets, cash-generating units or relevant assets of contract costs that would have been at the date of reversal had the impairment loss not been recognized previously (excluding amortization or depreciation). 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

The classification of the Consolidated Company's financial assets includes financial assets at fair value through profit or loss, financial assets measured at amortized cost, and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through income statements included financial assets at fair value through income statements and financial assets designated at fair value through income in statements. Financial assets mandatory at fair value through profit or loss include equity instrument investments not designated at fair value through other comprehensive income, and liability instrument investments not qualified for classifying as measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, the dividends, interest, and gains or losses on re-measurements thereof are recognized as other gains and losses and gains or losses arising from re-measurements are recognized as other gains and losses. For more details about how to determine the fair value, please refer to Note 24 Notes to "Financial Instruments"

B. 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.

C. 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.

(2) Impairments of financial assets and contract assets

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.

For internal credit risk management purpose, the Consolidated Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.

B. Payments are overdue for more than 60 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

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.

(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.

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.

4. Convertible corporate bonds

The compound financial instruments (convertible corporate bonds) issued by the consolidated company are classified as financial liabilities and equity respectively in the original recognition according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

In the original recognition, the fair value of the liability is estimated according to the prevailing market interest rate of a similar non-convertible instrument; also, it is measured at the amortized cost that is calculated according to the effective interest method before the conversion or maturity date. The liability of an embedded non-equity derivative is measured at fair value.

The conversion right classified as equity is equal to the residual amount of the total fair value of the compound instrument deducting the fair value of the liability determined individually and net of the income tax effect; also, it will not be measured subsequently. When the conversion right is executed, the relevant liability and equity amount will be transferred to the capital stock and additional paid-in capital - issuance premium. If the conversion rights of the convertible corporate bonds have not been executed on the due date, the amount recognized in the equity will be transferred to the additional paid-in capital - issuance premium.

The relevant transaction costs of the issuance of convertible corporate bonds are amortized to the liabilities of the instrument (included in the book value of the liability) and the equity (included in the equity) in proportion to the total amortization amount.

(11) Recognition of revenue

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 fan. 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.

(12) Lease

2019

The Consolidated Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

The consolidated company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liability. Right-of-use assets are separately presented on the Consolidated Balance Sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier. If the ownership of the underlying asset will be acquired at the end of the lease period, or if the cost of the right-of-use asset reflects exercising an option, the asset will be depreciated over the period from the commencement date of the lease to expiration of the useful life of the underlying asset.

Lease liabilities are measured at the present value of the lease payments (including fixed payments and the exercise price of a purchase option if the lessee is reasonably certain to exercise that option). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortised cost using effective interest method and the interest expenses are amortized over the lease term. If there is any change in the evaluation of the lease term and purchase option of the underlying asset, the Consolidated Company will re-measure the lease liability, and adjust the right-of-use asset, relatively. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining re-measurement amount is recognized in profit or loss. Lease liabilities are separately presented on the Consolidated Balance Sheet.

2018

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

   The financing leasehold was entered into account at the total amount of the current values of the lowest rental payments of various leasehold terms or fair value of the leasehold assets upon the starting date of leasehold, whichever is the lower. The rental liabilities payable were recognized simultaneously.

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

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution 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 deductable 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

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 1,088	$ 1,125
Bank checks and demand deposits	235,652	280,984
Time deposits	216,456	259,298
	$453,196	$541,407

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

	December 31, 2019	December 31, 2018
Time deposits	1.28%~2.28%	2.12%~3.00%

7. Financial instruments measured at fair value through profit or loss

	December 31, 2019
Mandatory at fair value through profit or loss-current	
Derivative instrument-buy-/sell-back of convertible bonds	$ 323

8. Financial assets at fair value through other comprehensive profit or loss

Investment of equity instruments at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Non-current		
Investment in domestic Unlisted/OTC	$ 2,288	$ 1,640

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.

9. Notes and accounts receivable, net

	December 31, 2019	December 31, 2018
Notes receivable	$ 886	$ 1,267
Receivable accounts- based on cost after amortization	490,028	374,436
Less: Allowance for losses	(1,578)	(2,311)
	$489,336	$373,392

The Consolidated Company will recognize the lifetime expected credit losses as loss allowance for accounts receivable. The full-lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. Due to the historical experience of credit losses of the consolidated companies, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

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

December 31, 2019

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue over 60 days	Total
Expected credit loss rate	0.02%~0.45%	3.04%~6.84%	21.91%~34.10%	100%	-
Total book value	$ 487,561	$ 1,136	$ 375	$ 956	$ 490,028
Allowance for loss (expected credit loss of the given duration)	(466)	(40)	(116)	(956)	(1,578)
Cost after amortization	$ 487,095	$ 1,096	$ 259	$ -	$ 488,450

December 31, 2018

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue over 60 days	Total
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)	(312)	(143)	(28)	(923)	(1,406) Note
Cost after amortization	$ 369,119	$ 3,852	$ 59	$ -	$ 373,030

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

Changes in the allowance loss of the accounts receivable are as follows:

	2019	2018
	Accounts receivable	Accounts receivable
Balance, beginning of year	$ 2,311	$ 1,347
Add: Impairment loss appropriated in current period	173	966
Less: Current year reversal of impairment loss	(862)	-
Foreign currency translation differences	(44)	(2)
Balance, end of year	$ 1,578	$ 2,311

10. Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 65,277	$ 71,620
Work-in-process goods	50,442	41,121
Raw materials	41,689	72,133
	$157,408	$184,874

The loss allowance on inventory valuation is NT$ 59,336 and NT$ 47,329 thousand on December 31, 2019 and 2018 respectively.

The inventory related cost of goods sold is NT$ 870,881 and NT$ 976,718 thousand in 2019 and 2018 respectively. Cost of goods sold including loss on net realizable value of inventory for NT$ 12,007 thousand and NT$4,776 thousand.

11. Other assets

	December 31, 2019	December 31, 2018
Current		
Prepaid expenses	$ 6,738	$ 9,049
Prepayment for Purchases	764	311
Excess business tax paid	9,911	18,297
Others	7	-
	17,420	27,657
Non-current		
Deferred income tax assets	8,746	9,339
Refundable deposits	11,236	12,916
Pre-payments of land	19,308	-
Prepayments for equipment	142,695	4,243
	181,985	26,498
	$199,405	$ 54,155

12. Subsidiaries

Subsidiaries included in the consolidated financial statements

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

Investor	Subsidiary name	Nature of the operation	The share-holding percentage as of December 31, 2019	The share-holding percentage as of December 31, 2018
The Company	POWER LOGIC HOLDINGS INC.	Investment in holding company and sales of cooling fan	100%	100%
The Company	UNITED STRATEGY INC.	Investment holding	100%	100%
The Company	POWER LOGIC TECH. INC	Sales of cooling fan	100%	100%
The Company	SUNNY SHARP INTERNATIONAL LIMITED （INCLUDING TAIWAN BRANCH）	Investment in holding company and sales of cooling fan	100%	100%
The Company	SUNNY FAITH INVESTMENTS LIMITED	Investment holding	100%	100%
United Strategy Inc.	DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fan	100%	100%
United Strategy Inc.	TAIYI (JIANGXI) ELECTRONIC TECHNOLOGY CO., LTD.	Production and sale of cooling fan	100% (Note 1)	-
Power Logic Holdings Inc.	POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fan	100%	100%
Sunny Faith Investments Limited.	POWER LOGIC (YI QUAN) CO., LTD	Sales of cooling fan	Note 2	100%

Note 1: For a long-term business consideration and operating cost savings, the Company, through its subsidiary, United Strategy Inc., reinvested and established a wholly-owned sub-subsidiary company TAIYI (JIANGXI) ELECTRONIC TECHNOLOGY CO., LTD. in July 2019.

Note 2: POWER LOGIC (YI QUAN) CO., LTD applied cancellation procedure in 2019 and completed the distribution of the remaining property to the parent company Sunny Faith Investments Limited was completed during the year.

13. Property, plant, and equipment

	2019						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
Cost							
Balance, beginning of year	$ 56,172	$ 67,437	$ 138,838	$ 4,826	$ 20,813	$ 46,136	$ 334,222
Effect of retroactive applicability of IFRS 16	-	-	-	(1,255)	-	-	(1,255)
Beginning balance (after restatement)	56,172	67,437	138,838	3,571	20,813	46,136	332,967
Increase in current period	36,807	16,576	5,036	6,644	844	55,537	121,444
Disposition in the year	-	-	(6,712)	-	(52)	(23)	(6,787)
Reclassification	-	-	595	-	-	(466)	129
Net exchange differences	-	(559)	(4,545)	(417)	(150)	(3,665)	(9,336)
Balance, end of year	$ 92,979	$ 83,454	$ 133,212	$ 9,798	$ 21,455	$ 97,519	$ 438,417
Accumulated depreciation							
Balance, beginning of year	$ -	$ 19,619	$ 60,366	$ 3,520	$ 17,197	$ 20,583	$ 121,285
Effect of retroactive applicability of IFRS 16	-	-	-	(306)	-	-	(306)
Beginning balance (after restatement)	-	19,619	60,366	3,214	17,197	20,583	120,979
Increase in current period	-	5,173	14,627	84	1,265	4,765	25,914
Disposition in the year	-	-	(6,680)	-	(52)	(23)	(6,755)
Net exchange differences	-	(284)	(2,095)	(131)	(68)	(682)	(3,260)
Balance, end of year	$ -	$ 24,508	$ 66,218	$ 3,167	$ 18,342	$ 24,643	$ 136,878
Net amount at the end of the year	$ 92,979	$ 58,946	$ 66,994	$ 6,631	$ 3,113	$ 72,876	$ 301,539

The subsidiary Power Logic Tech. Inc., through a resolution adopted by the Board of Directors, purchased the office space located at Far East Century Plaza, Zhinghe District, New Taipei City on November 11, 2019, and completed the transfer of ownership registration on December 9, 2019, with a acquisition prices of NT$53,383 thousand.

As there were no obvious signs of impairment in 2019, the Consolidated Company did not conduct an impairment assessment.

	2018						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
Cost							
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
Disposition in 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	$ 56,172	$ 67,437	$ 138,838	$ 4,826	$ 20,813	$ 46,136	$ 334,222
Accumulated depreciation							
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
Disposition in the year	-	(48)	(591)	-	(267)	(125)	(1,031)
Net exchange differences	-	(78)	(742)	(63)	(22)	(233)	(1,138)
Balance, end of year	$ -	$ 19,619	$ 60,366	$ 3,520	$ 17,197	$ 20,583	$ 121,285
Net amount at the end of the year	$ 56,172	$ 47,818	$ 78,472	$ 1,306	$ 3,616	$ 25,553	$ 212,937

Depreciation expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

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

The amount of real estate, plant and equipment registered for secured loan, please refer to Note 26.

14. Lease agreement

(1) Right-of-use assets-2019

	December 31, 2019
Carrying amount of the right-of-use asset	
Buildings	$141,555
Transportation equipment	1,241
	$142,796

	2019
Depreciation expense of the right-of-use asset	
Buildings	$ 24,909
Transportation equipment	1,670
	$ 26,579

(2) Leasehold liability-2019

	December 31, 2019
Carrying amount of the lease liabilities	
Current	$ 23,322
Non-current	$140,077

The range of discount rates for lease liabilities is as follows:

	December 31, 2019
Buildings	2.00%~5.00%
Transportation equipment	1.32%~2.00%

(3) Other lease information

2019

	2019
Short-term lease expense	$ 1,517
Low-value asset lease expense	$ 63
Total cash of leases (outflow)	($ 34,137)

The Consolidated Company chose the transportation equipment qualifying for short-term lease and office equipment qualifying for low-value asset lease to apply the recognition exemption, and did not recognize such leases as related right-of-use assets and lease liabilities.

2018

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

	December 31, 2018
Less than one year	$ 34,761
1 ~5 years	140,202
More than 5 year	73,821
	$248,784

Lease payments recognized as profit or loss for the current period are as follows:

	2018
Minimum lease payments	$ 35,131

15. Intangible assets

	2019	2018
Cost		
Balance, beginning of year	$ 17,460	$ 14,125
Increase in current period	1,934	3,628
Decrease for the year	-	(98)
Net exchange differences	(438)	(195)
Balance, end of year	$ 18,956	$ 17,460
Accumulated amortization		
Balance, beginning of year	$ 8,793	$ 6,129
Amortized in current period	3,229	2,863
Decrease for the year	-	(98)
Net exchange differences	(267)	(101)
Balance, end of year	$ 11,755	$ 8,793
Net amount at the end of the year	$ 7,201	$ 8,667

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

16. Loans

	December 31, 2019	December 31, 2018
Guaranteed loans (Note 26)		
Bank's debt	$ 75,650	$ 39,670
Less: Amount due in one year	(36,470)	(6,020)
Long-term borrowings	$ 39,180	$ 33,650

(1) The bank borrowing rates were 1.50%~1.70% and 1.70%~1.80% on December 31, 2019 and 2018.

(2) The information of consolidated company registered as mortgage for secured loan, please refer to Note 26.

The information of endorsement guarantee provided by consolidated company, please refer to Note 29.

17. Other payables

	December 31, 2019	December 31, 2018
Salaries payable	$ 33,607	$ 30,292
Insurance and housing fund payable	31,513	32,378
Processing expenses payable	25,951	11,083
Temporary employee service payable	10,892	4,363
Commission and marketing expense	3,722	3,294
Other payable	27,024	39,472
Other payables	17,398	3,949
	$150,107	$124,831

18. Corporate bonds payable

	December 31, 2019
The first domestic unsecured convertible corporate bond	$ 95,000
Less: Domestic first unsecured convertible corporate bonds amount net of depreciation	(4,260)
	$ 90,740

The Board of directors approved to issue unsecured convertible bond in Taiwan for the first time on October 29, 2018. The issuance is approved by Letter No. Jin-Guan-Zheng-Fa-Zi 10703446871 of the Financial Supervisory Commission. The unsecured convertible bond is issued in Taiwan for the first time on January 3, 2019 with 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 repay 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 exceed 30% of conversion price for continuous 30 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 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 hold 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 set by choosing one of the simple arithmetic average closing prices of the Company's common shares over the period of one, three or five business day(s) prior to the record date to be the benchmark price, multiplied by the conversion premium rate of 105% as the basis of the calculation. Upon issuance, the conversion price is set at NT$43.05 per share upon issuance. As the Company distributed cash dividends in 2019, the conversion price of the Company's bonds has been adjusted to NT$41.49 per share in accordance with the terms of the contract.

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 exists.

(8) The convertible bond issued on January 3, 2019 includes liability and equity component. The equity component is presented as additional paid-in capital- Stock option under equity. The effective interest rate of liabilities components is initially recognized at 2.31%.

Issuance price(deduct transaction cost NT$ 3,560 thousand)	$146,440
Equity component	(5,814)
Financial liabilities-conversion and sell-back	(571)
liability component at issuance date	140,055
Interest calculated at the effective rate of 2.31%	3,174
Conversion of bonds payable into common shares	(52,489)
Liability component on December 31, 2019	$ 90,740

19. 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 2019 and 2018 are NT$ 1,723 thousand and NT$ 1,531 thousand by consolidated company.

The subsidiaries registered in P.R.C contribute 13% of total salary to endowment insurance in accordance with local endowment insurance plan. The pension fund management is the responsibility of management. The company's responsibility is contribution monthly without further obligations. The defined contributed pension cost recognized in 2019 and 2018 are NT$ 13,112 and NT$ 15,397 thousand per previous pension plan.

20. Equity

(1) Share Capital

	December 31, 2019	December 31, 2018
Authorized number of shares (thousand shares)	100,000	100,000
Authorized capital	$ 1,000,000	$ 1,000,000
Number of shares issued with fully paid-in capital (thousand shares)	27,527	23,703
Outstanding capital	$ 275,270	$ 237,030

The Company issued 2,500 thousand new shares at NT$10 par value per share to increase capital by cash according to a resolution adopted by the Board of Directors on October 29, 2018. Shares were issued at a premium of NT$32 per share, with a paid-in capital of NT$262,030 thousand after capital increase. The above proposal of capital injection has been approved for effective registration by the FSC on December 10, 2018, and the capital injection record date of January 21, 2019 has been approved by the Board of Directors.

Pursuant to the provisions of the "Domestic First Unsecured Convertible Corporate Bonds," the Company issued new shares of 1,324 thousand shares through conversion of 550 convertible bonds in 2019.

(2) Capital surplus

	December 31, 2019	December 31, 2018
May be applied to cover accumulated deficit, distributed in cash or transferred to capital.		
Other capital surplus of shares	$ 545,366	$ 449,000
May not be used for any purpose.		
Stock option	3,682	-
	$ 549,048	$ 449,000

The above (1) The Company issued 2,500 thousand new shares at NT$10 par value per share to increase capital by cash according to a resolution adopted by the Board of Directors on October 29, 2018, among which, 250 thousand shares were retained for employees' subscriptions and the employee compensation costs of NT$1,600 thousand were also recognized. Shares are issued at a premium of NT$32 per share according to a resolution adopted by the Board of Directors on December 22, 2018, resulting in an additional paid-in capital of NT$55,000 thousand. In addition, the new share issuance underwriting fee of NT$1,450 thousand were listed as a reduction of additional paid-in capital issued at a premium.

The additional paid-in capital from 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 portion 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 be used to offset accumulated deficits, the Board of Directors will approve to retain or distribute it.

According to the Articles of Incorporation, based on the capital expenditure, business expanding, improve financial plan and sustainable development requirements as the Company is at the growing phase, the dividend policy is to distribute cash or stock dividend 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 earning distribution plan to 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) previous mentioned, adding the accumulated undistributed earnings of 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) previous mentioned, and the cash dividend percentage is no lower than 10% of total stockholders' dividend and the upper limit is 100%.

The Company shall recognize and reverse special reserve in accordance with FSC Letter Jin-Guan-Zheng-Fa-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 2018 and 2017 resolved in the shareholders' meeting held on June 12, 2019 and June 22, 2018, respectively, as follows:

	2018	2017
Legal reserve	$ 7,378	$ 8,642
Special reserve	$ 12,374	$ 7,870
Cash dividends	$ 38,960	$ 47,406
Cash dividend per share (NT$)	$ 1.5	$ 2

The Company had resolved in the board meeting the earnings distribution of 2019 on March 19, 2019 as follows:

	2019
Legal reserve	$ 7,058
Special reserve	$ 33,356
Cash dividends	$ 40,946
Cash dividend per share (NT$)	$ 1.5

The proposal for the distribution of earnings in 2019 is pending on the resolution of the General Meeting of shareholders scheduled to be held on June 19, 2020.

(4) Other equity

1. Exchange differences on Translating the financial statements of foreign operations

	2019	2018
Balance, beginning of year	($ 38,843)	($ 25,529)
Exchange differences from financial statements of foreign operating entities	(34,003)	(13,314)
Balance, end of year	($ 72,846)	($ 38,843)

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

	2019	2018
Balance, beginning of year	$ 940	$ 512
Unrealized gain or loss of equity instrument of current period	648	428
Balance, end of year	$ 1,588	$ 940

(5) Treasury shares

	2019	2018
Number of thousand shares at the beginning of the year	230	-
Increase in current period	-	230
Number of thousand shares at the end of the year	230	230

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

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

21. Consolidated net income

(1) Other income

	2019	2018
Interest revenue	$ 12,299	$ 4,017
Dividend income	207	239
Other Revenue- other	1,808	283
	$ 14,314	$ 4,539

(2) Other gains and losses

	2019	2018
Net (loss) gain on disposal and obsolescence of property, plant and equipment	($ 6)	$ 12
Net foreign exchange gain (loss)	2,262	20,430
Gain (loss) on financial assets and liabilities at fair value through profit and loss	1,060	-
Others	(3,064)	(65)
	$ 252	$ 20,377

(3) Financial cost

	2019	2018
Interest from bank borrowings	$ 680	$ 756
Interest on the convertible bonds	3,174	-
Interest on lease liabilities	9,092	-
	$ 12,946	$ 756

(4) Depreciation, and amortization

	2019	2018
Property, plant, and equipment	$ 25,914	$ 23,351
Right-of-use assets.	26,579	-
Intangible assets	3,229	2,863
Total	$ 55,722	$ 26,214
Depreciation expense summary by function		
Operating cost	$ 34,659	$ 10,977
Operating expenses	17,834	12,374
	$ 52,493	$ 23,351
Amortization expense summary by function		
Operating cost	$ 244	$ 1,004
Operating expenses	2,985	1,859
	$ 3,229	$ 2,863

(5) Employee benefits expenses

	2019	2018
Short-term employee benefits		
Salaries and wages	$336,978	$368,470
Labor insurance and national health insurance	6,386	7,355
Sare-based payment transaction - equity-settled	1,600	-
Retirement benefits	14,835	16,928
Other employee benefits	9,512	8,945
Total employee benefits expenses	$369,311	$401,698
Summary by function		
Operating cost	$275,815	$338,198
Operating expenses	93,496	63,500
	$369,311	$401,698

(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 compensation of employees and remuneration to Directors and Supervisors assessed for 2019 and 2018 were adopted by a resolution of the Board of Directors on March 19, 2020 and March 22, 2019, respectively as follows:

Estimate on ratio

	2019	2018
Remuneration to employees	2.5%	2.5%
Remuneration to directors/supervisors	2.0%	2.0%

Amount

	2019	2018
	Cash	Cash
Remuneration to employees	$ 2,431	$ 2,162
Remuneration to directors/supervisors	$ 1,945	$ 1,730

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 2018 and 2017 did not vary from the amount recognized in the consolidated financial statements of 2018 and 2017.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Consolidated Company in 2020 and 2019, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

22. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	2019	2018
Income tax expenses in the current period		
Incurred during the year	$ 43,811	$ 47,993
Prior year adjustment	(971)	(448)
	42,840	47,545
Deferred tax		
Incurred during the year	6,799	(13,379)
Change in tax rate	-	(5)
	6,799	(13,384)
Income tax expense recognized in the profit or loss	$ 49,639	$ 34,161

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

	2019	2018
Income before tax from continuing operations	$138,887	$107,938
Income tax expense of net income before tax at the statutory tax rate (25%)	$ 34,722	$ 26,985
Non-deductible expenses and losses for tax purposes	1,351	94
Withholding tax for overseas earnings remittance	8,545	10,647
Unrecognized loss carryforwards/ Temporary difference	1,911	(852)
Unused foreign tax credit	169	-
Income tax expense of prior years adjusted in the current year	(971)	(448)
Change in tax rate	-	5
Effect of variation in taxation rates on the consolidation of the group and individual entities.	3,912	(2,270)
Income tax expense recognized in the profit or loss	$ 49,639	$ 34,161

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

As for the Consolidated Company's entities applying the Income Tax Act, the Act was amended to increase the income tax rate of profit-seeking enterprises from 17% to 20%. The amendment also prescribes that Beginning from the year 2018, if there is any earnings of the current year not distributed, an additional profit-seeking income tax shall be levied at the rate from 10% to 5%. The subsidiaries in the Mainland China, in accordance with Enterprise Income Tax Law of the People's Republic of China, shall pay the profit-seeking income tax at a tax rate of 25%. The subsidiaries in Taiwan shall apply a tax rate of 20% applicable to the entities applying Taiwan's Income Tax Act. In addition, the dividends income distributed to Power Logic Holdings Inc., United Strategy Inc. and Sunny Faith Investments Limited, in accordance with the relevant regulations of the People's Republic of China, applies a withholding tax rate of 10%.

(3) Current income tax asset and liability

	2019	2018
Current income tax asset		
Tax refund receivable	$ 6,677	$ 4,508
Current Tax Liability		
Payable income tax	$ 16,374	$ 10,079

(4) Deferred income tax assets and liabilities

2019

Deferred income tax assets	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
Temporary difference				
Unrealized exchange loss	$ -	$ 329	$ -	$ 329
Rent leveling	1,381	(1,383)	2	-
Falling price of inventory	7,777	48	(368)	7,457
Right-of-use assets.	-	820	(34)	786
Allowance for losses	181	-	(7)	174
	$ 9,339	($ 186)	($ 407)	$ 8,746

Deferred tax liabilities	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
Temporary difference				
Unrealized exchange gain	$ 80	($ 80)	$ -	$ -
Financial and tax difference for sales revenue	11,031	5,287	(656)	15,662
Financial and tax difference for cost of goods sold	7,129	(7,138)	9	-
Tax payable for overseas earnings remittance	52,052	8,544	(6,538)	54,058
	$ 70,292	$ 6,613	($ 7,185)	$ 69,720

2018

Deferred income tax assets	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
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
	$ 2,889	$ 6,625	($ 175)	$ 9,339

Deferred tax liabilities	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
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
	$ 77,647	($ 6,759)	($ 596)	$ 70,292

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

	December 31, 2019	December 31, 2018
Loss deduction	$ 1,384	$ 1,384

(6) Up to December 31, 2019, the losses of the subsidiary Power Logic Tech. Inc. that may be deducted from the taxable income in the ensuing years.

Filing year	Due year of loss carryforwards	Loss carryforwards amount
2013	2023	$ 322
2014	2024	1,062
		$ 1,384

Power Logic Tech. Inc.'s and SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)'s assessments of income tax fall up to 2017 have been approved by the tax collection authority-in-charge.

23. Earnings per share

Unit: NTD per share

	2019	2018
Basic earnings per share		
Business units in continuing operation	$ 3.44	$ 3.12
Diluted earnings per share		
Business units in continuing operation	$ 3.22	$ 3.11

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

Net profit for the year in current year

	2019	2018
The net income applied to calculate basic earnings per share	$ 89,248	$ 73,777
Effect of dilutive potential common stock:		
Net interest on convertible bonds	2,401	-
Net profits for the calculation of diluted earnings per share	$ 91,649	$ 73,777

Quantity

Unit: Thousand shares

	2019	2018
Weighted average common stock shares used to calculate basic earnings per share	25,934	23,627
Effect of dilutive potential common stock:		
Remuneration to employees	51	58
Convertible corporate bonds	2,499	-
Weighted average common stock shares used to calculate diluted earnings per share	28,484	23,685

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.

24. Financial instruments

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

1. Fair value level

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Sell-/buy-back of convertible bonds	$ -	$ -	$ 323	$ 323
Financial assets at fair value through other comprehensive profit or loss				
Equity investment				
- Domestic non-listed (OTC) stocks	$ -	$ -	$ 2,288	$ 2,288

December 31, 2018

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

2. Evaluation techniques and an input value of Level 3 fair value measurement

Equity instrument investments - When the Company estimates that there is no publicly quoted fair share value, the Market Approach is applied to calculate, with part of assumptions referred to not be supported by observable market prices or interest rates. The discount factor of liquidity is 50% used as of December 31, 2019 while fair value determining.

For selling-/buying-back of convertible bonds, the binary tree–based model for convertible bond valuation is used to estimate the fair value and the stock price volatility is used as significant unobservable inputs. When share price volatility increases, the fair value of these derivatives will increase. The stock price volatility used on December 31, 2019 was 41.36%.

(2) Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit and loss	$ 323	$ -
Financial assets based on cost after amortization (Note 1)	955,275	932,595
Financial assets at fair value through other comprehensive profit or loss	2,288	1,640
	$ 957,886	$ 934,235
Financial liabilities		
Measured at amortized cost (Note 2)	$ 483,377	$ 264,073

Note 1: The balance includes financial assets at amortized cost such as cash and cash equivalents, net notes and accounts receivable, refundable deposits and other receivables.

Note 2: The balances include note and account payable, other payable, current portion of long-term borrowings and bonds payable , corporate bonds payable and financial liability amortized measured at cos related long- term loan.

(3) Financial risk management purpose and policies

The financial instruments of the consolidated company are account receivable, account payable, corporate bonds payable and lease liability included. These risks include market risk (including currency risk and interest rate risk), 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 exposure to exchange rate fluctuation because its' subsidiaries sell and purchase in foreign currency.

Please refer to Note 28 for the consolidated company's monetary assets and monetary liabilities book value (including the written-off monetary items that are measured with non-functional currency on the consolidated financial statements) that are measured with non-functional currency on the balance sheet date.

<u>Sensitivity analysis</u>

Influences to the consolidated companies mainly arise from fluctuations in USD and Renminbi (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 NTD devalued 5% against other related currencies; the income before tax decrease the same amount when NTD appreciated 5% against other related currencies.

	Impact of USD	
	2019	2018
Profit and loss	$ 26,435	$ 30,314

(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 consolidated company exposed to interest rate as of balance sheet date is as below,

	December 31, 2019	December 31, 2018
With fair value interest rate risk		
- Financial liabilities	$ 33,650	$ 36,650
With cash flow interest rate risk		
- Financial liabilities	42,000	3,020

<u>Sensitivity analysis</u>

The following sensitivity analyses are based on the interest rate risk exposure of the derivative and non-derivative instruments on 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 BPS, which represents management's assessment of the reasonable and possible changes in interest rates.

If the interest increase 50 BPS and other variables remain unchanged, the income before tax of consolidated company decrease NT$ 210 thousand and NT$ 15 thousand in 2019 and 2018. 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 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 consolidated company is mainly from the book value of financial asset recognized in consolidated balance sheet.

The consolidated company rates the important customers with publicly obtained financial information and transaction record. The consolidated company continuously monitor the credit exposure and transaction parties' credit ratings and scatters the total transaction amount to credit rating qualified customers. The credit facility of transaction party is reviews and approved yearly by executive Vice President, 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 evaluate and monitor 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 36% and 33% as of December 31, 2019 and 2018 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. As of December 31, 2019 and 2018, the financing facility of the consolidated company, please refer to 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 consolidated company may be required to immediately repay the bank loan is illustrated in the following table without considering the probability that the bank may immediately exercise such right. The other non-derivative financial liabilities maturity analysis is prepared in accordance with the agreed repayment date.

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, 2019

	Payment on demand or less than 1 month	One-three months	3 months ~ 1 year	1 ~5 years
Non-derivative financial liabilities				
Notes and account payables	$ 45,336	$ 80,127	$ 41,417	$ -
No interest-bearing liabilities	-	-	-	95,000
Lease liability	2,610	5,220	23,101	159,671
Floating rate instruments	235	470	2,115	39,180
Fixed interest rate:	250	500	32,900	-
	$ 48,431	$ 86,317	$ 99,533	$ 293,851

December 31, 2018

	Payment on demand or less than 1 month	One-three months	3 months ~ 1 year	1 ~5 years
Non-derivative financial liabilities				
Notes 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
	$ 50,156	$ 35,143	$ 20,293	$ 33,650

(2) Financing facilities

	December 31, 2019	December 31, 2018
Bank overdraft facilities with collateral		
- The amount expensed	$ 75,650	$ 39,670
- The amount not yet expensed	479,885	405,438
	$555,535	$445,108

25. Related party transactions

Remunerations to the management

	2019	2018
Short-term employee benefits	$ 16,469	$ 17,412
Retirement benefits	163	161
	$ 16,632	$ 17,573

26. Pledged assets

Below assets are collaterals for bank borrowings:

	December 31, 2019	December 31, 2018
Land, buildings and architecture	$143,528	$ 91,717

27. Significant contingent liabilities and unrecognized contractual commitments

In addition to those described in other notes, the consolidated company's material commitments on the balance sheet date are as follows:

The Consolidated Company's unrecognized contractual commitment is as follows:

	December 31, 2019
Purchases of property, plant and land use rights	RMB 60,746

The sub-subsidiary company TAIYI (JIANGXI) ELECTRONIC TECHNOLOGY CO., LTD. signed a contract with Anfu County Industrial Construction Investment Development Co., Ltd. on July 18, 2019 to purchase land use rights, property, and plant at Anfu County Industrial Park, Jiangxi Province as the Group's integrated production base, with a total purchase amount of RMB91,273 thousand split into 4 installments. Starting in 2019, by December 31 each year, 30%, 30%, 20%, and 20%, respectively, of the total amount of RMB86,780 thousand should be paid for the plant and by December 31, 2019, the amount of RMB4,493 thousand should be paid for the land. Up to December 31, 2019, the amounts of RMB30,527 thousand for the first installment of the plant and the amount of the land have been paid and the transfer of ownership registration has been completed on December 9, 2019

28. 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, 2019

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
Monetary item			
USD	$ 15,308	29.980 (USD : NTD)	$ 458,934
USD	4,054	6.976 (USD : CNY)	$ 121,547
Foreign currency liabilities			
Monetary item			
USD	1,719	29.980 (USD : NTD)	$ 51,553
USD	8	6.976 (USD : CNY)	$ 225

December 31, 2018

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

The consolidated company mainly take 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):

	2019		2018	
Functional currency	Functional currency exchanges for presentation currency	Net gain (loss) on foreign exchange	Functional currency exchanges for presentation currency	Net gain (loss) on foreign exchange
NTD	1 (NTD: NTD)	($ 6,003)	1 (NTD: NTD)	$ 8,408
RMB	4.482 (CNY: NT$)	8,265	4.560 (CNY: NT$)	12,022
		$ 2,262		$ 20,430

29. Notes of disclosure

(1) Material transactions (II) and transfer investment information:

1. The Loaning of funds: Attached table 1.
2. Endorsement and Guarantee: Attachment 2.
3. Securities held at period end (excluding investment in subsidiaries, affiliate, and Joint Ventures equities): Accompanied table III.
4. The accumulated amount of purchasing or selling the same securities reaching TWD300 million or more than 20% of the paid-in capital: None.
5. Acquisition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: Attached table 4.
6. Disposition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: None.
7. Purchase and sales transactions with related party amount over 100 million NTD or 20% and above of paid-in capital: Accompanied table 5.
8. Related party receivables amounting to more than NTD 100 million or 20% of paid up capital: Attached table 6.
9. Information on investees: Attached table 7.
10. Engagement in derivative trade: no.
11. Business relationship and significant transactions between the parent company and subsidiaries: Attached table 8.

(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 9.
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.

30. 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 by 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.

31. Segment information

The consolidated company is operated for cooling fan production, purchase and sale mainly. The major business decision maker evaluate the operating performance based on the whole operating result. Therefore, the consolidated company is a single operating department and mainly operated in China. The operating department information and consolidated financial statements are consistent for 2019 and 2018.

(1) Main revenues from products and service

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

	2019	2018
Cooling fan	$ 1,176,384	$ 1,197,734
Others	8,428	19,861
	$ 1,184,812	$ 1,217,595

(2) Information by areas

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

Area	2019	2018
Revenue from external customers		
China	$ 888,518	$ 1,001,632
Taiwan	75,997	85,995
Others	220,297	129,968
Total	$ 1,184,812	$ 1,217,595
Non-current assets:		
China	$ 460,413	$ 124,010
Taiwan	161,289	110,361
Others	3,073	4,392
Total	$ 624,775	$ 238,763

Non-current asset exclude 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:

	2019	2018
Customer A	$ 337,696	$ 392,594
Customer B	249,643	240,747
	$ 587,339	$ 633,341

SUN MAX TECH LIMITED and its subsidiaries

The Loaning of Funds

2019

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	$ 63,200 (USD 2,000)	$ 29,800 (USD 1,000)	$ - (USD -)	3%	The necessity of short-term financing	$ -	Operation turnover	$ -	-	-	$ 385,964	$ 385,964	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	39,120 (RMB 8,500)	36,528 (RMB 8,500)	- (RMB -)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	27,614 (RMB 6,000)	21,487 (RMB 5,000)	21,487 (RMB 5,000)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	28,677 (RMB 6,231)	26,778 (RMB 6,231)	26,778 (RMB 6,231)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	Other receivables - related parties	Yes	173,367 (USD 5,486)	14,990 (USD 500)	14,990 (USD 500)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	

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 can't exceed 20% of latest net financial statements recently audited or reviewed by CPA. The lending to 100% direct or in-direct owned subsidiaries is not subjected to the limitation, but the highest amount can't exceed 40% of latest net financial statements.
2. Business related company or entity: The total lending amount can't exceed 10% of latest net financial statements recently audited or reviewed by CPA. The individual lending amount can't exceed the transaction amount of recent year. The transaction amount is the purchase or sale amount which is higher.
3. Business related company or entity with short-term loan requirement to the Company: the total lending amount can't exceed 10% of latest net financial statements recently audited or reviewed by CPA and the individual lending amount can't exceed 5% of latest financial statements net value recently audited or reviewed by CPA. The lending to 100% direct or in-direct owned subsidiaries is not subjected to the limitation, but the highest total lending amount and individual lending amount can't exceed 40% of latest net financial statements.
4. The total amount of subsidiaries lending to others can't exceed 40% of subsidiary's latest financial statements net value.
5. Business related company or entity with subsidiary, the total lending amount can't exceed 20% of subsidiary's latest net financial statements. The individual lending amount can't exceed the transaction amount of recent year. The transaction amount is the purchase or sale amount which is higher.
6. Business related company or entity with short-term loan requirement to the subsidiary: the total lending amount can't exceed 20% of subsidiary's latest net financial statements. The individual lending amount can't exceed 10% of latest subsidiary's net financial statements. The net value is based on the latest financial statement audited or reviewed by CPA.
7. The intercompany loan between 100% direct or in-direct owned domestic subsidiaries is not subjected to the previous three limitation, but the highest total lending amount and individual lending amount can't exceed 40% of subsidiary's latest net financial statements.
8. The intercompany loan between 100% direct or in-direct owned foreign subsidiaries is not subjected to the previous four limitation, but the highest total lending amount and individual lending amount can't exceed Subsidiary's latest net financial statements.

SUN MAX TECH LIMITED and its subsidiaries

Endorsement and Guarantee

2019

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	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	Parent Company and Subsidiaries	Note 2	$ 63,200 (USD 2,000)	$ 59,960 (USD 2,000)	$ -	$ -	6%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	94,800 (USD 3,000)	89,940 (USD 3,000)	-	-	9%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	189,600 (USD 6,000)	179,880 (USD 6,000)	-	-	19%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	6,320 (USD 200)	5,996 (USD 200)	-	-	1%	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	9,480 (USD 300)	8,994 (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	60,741 (RMB 14,000)	60,165 (RMB 14,000)	-	-	6%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-subsidiary	Note 2	79,000 (USD 2,500)	74,950 (USD 2,500)	-	-	8%	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 do not exceed 10% of latest net financial statements audited by CPA : 964,911×10%=96,491, but the endorsement guarantee amount to 100% direct or in-direct 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: 964,911×150%=1,447,367.

Note 3: The total endorsement guarantee amount by the Company do not exceed 20% of latest net financial statements audited by CPA : 964,911×20%=192,982, 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: 964,911×150%=1,447,367.

SUN MAX TECH LIMITED and its subsidiaries

Marketable securities held at yearend

December 31, 2019

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.	-	The financial assets measured for the fair values through other comprehensive income- non-current	700	$ 2,288	14%	$ 2,288	

SUN MAX TECH LIMITED and its subsidiaries

Acquisition of real estate exceeding NT$300 million or 20% of paid-in capital.

2019

Attached table 4

Unit: Unless otherwise stated, NT$ Thousand

Companies acquiring real properties	Asset title	Date of event	Trade value	Payment status	Counterparties	Relation	If the counterparty is a related party, the information on previous transaction				Reference for price determination	Purpose of acquisition and the state of use	Other stipulations of the transaction
							Owner	Relationship with the issuer	Date of transfer	Amount			
The Company	Plant and land use rights at Anfu County Industrial Park, Jiangxi Province	2019.07.18	RMB 91,273	RMB26,034 thousand for the first installment of the plant and RMB4,493 thousand for the amount of land have been paid.	Anfu County Industrial Construction Investment Development Co., Ltd.	Unrelated party	Not applicable	Not applicable	Not applicable	Not applicable	Refer to the market conditions and an appraisal report issued by a professional organization	Long-term business considerations and operating cost savings	-

Note: The date of occurrence of the event means the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the Board of Directors or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

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

2019

Attached table 5

Unit: Unless otherwise stated, NT$ Thousand

Purchasing (selling) company	Name of Counterparty	Relation	Transaction				Trading terms different from general trade and reasons		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)	
SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	POWER LOGIC TECH (TAI YI) CO., LTD	Affiliate	Sale	$ 144,403	41.40%	Payment term is due 90 days from the invoice date	-	-	$ 33,898	46.68%	
POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Affiliate	Sale	168,893	19.51%	Payment term is due 90 days from the invoice date	-	-	27,495	8.28%	
POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	Affiliate	Sale	414,830	47.92%	Payment term is due 90 days from the invoice date	-	-	198,573	59.80%	

Note: the sales and account receivable is eliminated from this consolidated statement.

SUN MAX TECH LIMITED and its subsidiaries

Accounts receivable-related party reaching NTD 100,000 thousand or more than 20% of the Paid-in shares capital

December 31, 2019

Attached table 6

Unit: Unless otherwise stated, NT$ Thousand

The company booked in the receivables	Name of Counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Provision for loss allowance
					Amount	Process		
POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	Affiliate	$198,573	3.54 times	$ -	-	$ 61,492	$ -

Note: the receivables from related parties is eliminated from this consolidated statement.

SUN MAX TECH LIMITED and its subsidiaries

The information of the invested company, the location, and so on

2019

Attached table 7

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 fan	$ 70,000	$ 45,000	7,000	100	$ 95,707	$ 19,145	$ 19,145	
Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Samoa	Investment in holding company and sales of cooling fan	248,602 (USD 8,245)	163,037 (USD 5,445)	6,850	100	392,184	84,294	84,294	
Sun Max Tech Limited	UNITED STRATEGY INC.	Samoa	Investment holding	258,425 (USD 8,372)	141,995 (USD 4,572)	2,005	100	513,905	13,667	13,667	
Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	BVI Suzhou	Investment in holding company and sales of cooling fan	46,741 (USD 1,550)	46,741 (USD 1,550)	490	100	80,625	(1,695)	(3,942) (Note 4)	
Sun Max Tech Limited	SUNNY FAITH INVESTMENTS LIMITED	Samoa	Investment holding	15,469 (USD 500)	15,469 (USD 500)	500	100	26,520	(3,834)	(3,834)	

Note 1: If the public company is foreign holding company registered 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 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 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 included 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: The details information of investee in China, please refer to the accompanied table 9.

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

2019

Table 8

Unit: Unless otherwise stated, NT$ Thousand

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			
				Title	Amount	Terms and conditions	The ratio of consolidated total income or assets (Note 3)
1	POWER LOGIC TECH. INC	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	$ 13,276	Note 4	1.12%
1	POWER LOGIC TECH. INC	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	36,734	Note 4	3.10%
2	POWER LOGIC HOLDINGS INC.	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	30,783	Note 4	2.60%
3	UNITED STRATEGY INC.	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Other receivables	78,579	Note 4	4.46%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	POWER LOGIC TECH (TAI YI) CO., LTD	3	Accounts receivable	33,898	Note 4	1.92%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	144,403	Note 4	12.19%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	12,083	Note 4	1.02%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	3	Other receivables	48,265	Note 4	2.74%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	3	Other receivables	14,990	Note 4	0.85%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Accounts receivable	198,573	Note 4	11.27%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Sales revenue	414,830	Note 4	35.01%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Accounts receivable	27,495	Note 4	1.56%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Sales revenue	168,893	Note 4	14.25%
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	18,805	Note 4	1.59%

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 is no apparent difference existed for related and non-related party.

Note 5: The transaction above and over 10 million.

SUN MAX TECH LIMITED and its subsidiaries

Information regarding investment in the territory of mainland china

2019

Table 9

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 fan	$ 126,746 (CNY 27,500)	2 (POWER LOGIC HOLDINGS INC.)	$ -	$ -	$ -	$ -	$ 92,374	100.00	$ 89,683 (Note 4)	$ 331,614 (Note 4)	$ -	
DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fan	88,456 (HKD 21,000)	2 (UNITED STRATEGY INC.)	-	-	-	-	15,751	100.00	16,687 (Note 4)	174,281 (Note 4)	-	
POWER LOGIC (YI QUAN) CO., LTD	sales of cooling fan	-	2 (SUNNY FAITH INVESTMENTS LIMITED)	-	-	-	-	(3,166)	Note 5	(3,166)	-	-	Note 5
TAIYI (JIANGXI) ELECTRONIC TECHNOLOGY CO., LTD.	Production and sale of cooling fan	315,236 (CNY 67,175)	2 (UNITED STRATEGY INC.)	-	-	-	-	(4,706)	100.00	(4,706)	284,171	-	

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: There are three types of investments labeled by the respective number:

(1) Direct investment in China.

(2) Investment in China through the third region (please indicate the invested company in the third region).

(3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:

(1) Please mark out if there has no investment gain or loss yet because the investment is still under planning.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out.

A. Financial statements audited by international firm cooperated with accounting firm in R.O.C.

B. Financial statements audited by the CPAs who audit the parent company in Taiwan.

C. Others.

Note 3: all figures presented in new Taiwan dollars.

Note 4: including the un-realized gross profit from inter-company transaction

Note 5: POWER LOGIC (YI QUAN) CO., LTD applied cancellation procedure in 2019, and completed the distribution of the remaining property to the parent company Sunny Faith Investments Limited was completed during the year.