Stock No: 6591

SUN MAX TECH LIMITED
And its subsidiaries

Consolidated financial statements and Auditor's Report
2018 and 2017

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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

§INDEX§

Auditor's Report

To: SUN MAX TECH LIMITED:

Audit opinions

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

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

The basis for opinions

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

Key audit matter

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

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

Recognition of revenue

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

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

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

Evaluation on inventory

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause SUN MAX Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a 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 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

CPA Cheng-Hsiu Yang

CPA Wang-Sheng Lin

Financial Supervisory Commission approval no.
Chin-Kuan-Cheng-Shen-Zi No. 0980032818

Financial Supervisory Commission approval no.
Jin-Guan-Cheng-Shen-Zi No.: 1060023872

March 22, 2019

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and its subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

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

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

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

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and its subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2018 and 2017

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

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

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

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

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

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and its subsidiaries

Consolidated Statements of Changes in Equity

January 1 to December 31, 2018 and 2017

Unit: NT$ thousand

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

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

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

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and its subsidiaries

Consolidated Statements of Cash Flow

January 1 to December 31, 2018 and 2017

Unit: NT$ thousand

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

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

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

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

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

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and its subsidiaries

Consolidated Notes to financial statements

January 1 to December 31, 2018 and 2017

(Unless otherwise provided, Unit: NT$ Thousand)

1. Organization and operations

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

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

2. Financial reporting date and procedures

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

3. Application of new and revised standards and interpretation

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

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

IFRS 9 "Financial Instruments" and related amendment

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

Classification, measurement and impairment of financial assets

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

Category of financial assets	Classification of measurement: IAS 39	Classification of measurement: IFRS 9	Book value: IAS 39	Book value: IFRS 9	Remark
Stock investment	Financial assets at cost	Investment of equity instruments at fair value through other comprehensive income	$ 700	$ 1,212	(1)
Accounts receivable	Loans and accounts receivable	Measured on the basis of cost after amortization	623,371	622,038	(2)

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

(1) The investment in non-public stock measured at cost per IAS 39 is reclassified to other comprehensive income measured at fair value per IFRS 9 and should be re-measured at fair value. Hence, the adjustments to financial assets and other equity through other comprehensive income measured at fair value-un-realized gain or loss of financial assets through other comprehensive income measured at fair value increase NT$512 thousand respectively.

(2) Receivables were previously classified as loans and receivables under IAS 39, and were classified as financial assets measured on the basis of cost after amortization with evaluation of anticipated credit impairment under IFRS 9. For retrospective adjustment, the loss allowance is adjusted and increased by NT$1,333 thousand and the retained earnings decrease by NT$1,333 thousand on January 1, 2018.

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

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"The annual improvement plan for the periods of 2015-2017"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interest in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty under Income Tax Treatments"	January 1, 2019

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

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

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

1. IFRS 16 "Leases"

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

Definition of lease

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

The consolidated company is the lessee

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

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

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

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

(1) Apply a single discount rate for the measurement of specific leasehold combinations with reasonable similarity.

(2) The recognized provision for onerous lease contract liability at the end of 2018 will be adjusted in right-of-use asset on January 1, 2019 and not valuated impairment loss under IAS 36.

(3) Lease to expire on or before December 31, 2019 will be treated as short-term lease.

(4) The initial cost will not be included in the measurement of tenancy right assets on January 1, 2019.

(5) Measuring leasehold liability, such as the determination of the term of leases, will be treated from hindsight.

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

The consolidated company is the lessor

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

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

	Book value as of December 31, 2018	Adjustment of first use	Adjustment of book value as of January 1, 2019
Property, plant, and equipment	$ 212,937	($ 949)	$ 211,988
Right-of-use asset	-	173,932	173,932
Effect of assets	$ 212,937	$ 172,983	$ 385,920
Leasehold liability-current	$ -	$ 31,571	$ 31,571
Leasehold liability-non-current	-	160,707	160,707
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. IFRIC 23 "Uncertainty under Income Tax Treatments"

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies

(1) Compliance Statement

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

(2) Basis of preparation

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

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

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

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

Current assets including:

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

Current liabilities including:

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

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

(4) Basis of consolidation

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

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

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

(5) Foreign currency

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

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

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

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

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

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

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

(6) Inventory

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

(7) Property, plant, and equipment

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

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

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

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

(8) Intangible assets

1. Acquired separately

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

2. Acquired through business combination

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

3. De-recognition

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

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

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

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

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

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

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

(10) Financial instruments

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

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

1. Financial assets

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

(1) Classification of measurement

2018

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

A. Financial assets based on cost after amortization

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

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

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

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

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

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

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

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

2017

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

A. Loans and accounts receivable

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

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

B. Available-for-Sale Financial Assets

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

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

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

(2) Impairment of financial assets

2018

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

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

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

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

2017

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

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

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

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

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

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

(3) The de-recognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) De-recognition of financial liabilities

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

(11) Recognition of revenue

2018

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

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

Commodity sales revenue

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

2017

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

1. Sales of goods

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

(1) The consolidated company has the significant risks and returns of the instruments transferred to the buyer.

(2) The consolidated company does not involve in the management of the instruments sold nor maintain effective control.

(3) The amount of income can be measured reliably.

(4) The transaction-related economic benefits is likely to flow to the consolidated company; and

(5) The transaction-related cost incurred or to be incurred can be measured reliably.

2. Dividend revenues and interest revenues

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

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

(12) Lease

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

1. The consolidated company is the lessee

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

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

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

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

2. Land and building under lease

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

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

(13) Borrowing costs

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

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

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

(14) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

(15) Income tax

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

1. Income tax expenses in the current period

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

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

2. Deferred tax

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

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of 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. <u>Main source of significant accounting judgment, estimates and assumptions uncertainty</u>

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.

<u>Impairment of inventory</u>

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

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

	December 31, 2018	December 31, 2017
Time deposits	2.12%~3.00%	1.40%~1.65%

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

Investment of equity instruments at fair value through other comprehensive income

	December 31, 2018
Non-current	
Investment in domestic	
Unlisted/OTC	$ 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. Under the classification of IAS 39, these assets are classified as financial assets based on cost. The detail of reclassification and information for 2017 was specified in Note 3 and Note 10.

8. Notes and accounts receivable, net

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

2018

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

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

December 31, 2018

	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 the book value is from the decision not to reverse the loss allowance.

2017

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

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

The age analysis of accounts receivables is as follows:

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

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

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

	December 31, 2017
1 ~ 120 days	$ 14,541
121 ~ 180 days	-
181 ~ 365 days	23
Total	$ 14,564

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

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

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

9. Inventory

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

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

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

10. Other financial assets -non-current - 2017

	December 31, 2017
Financial assets at cost	
Non-listed (OTC) stocks	$ 700

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

11. Other assets

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

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

13. Property, plant, and equipment

	2018						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
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
Disposal for the year	-	(48)	(616)	-	(268)	(125)	(1,057)
Reclassification	-	-	1,186	-	-	(1,186)	-
Net exchange differences	-	(249)	(1,958)	(87)	(52)	(647)	(2,993)
Balance, end of year	$ 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
Disposal for 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

	2017						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
Cost							
Balance, beginning of year	$ 56,172	$ 53,436	$ 115,567	$ 4,369	$ 31,150	$ 21,330	$ 282,024
Increase in current period		14,158	18,013	-	2,331	12,957	47,459
Disposal for the year	-	(170)	(13,408)	(647)	(12,466)	(2,856)	(29,547)
Reclassification	-	-	(4,010)	-	-	4,010	-
Net exchange differences	-	155	(1,576)	(88)	9	60	(1,440)
Balance, end of year	$ 56,172	$ 67,579	$ 114,586	$ 3,634	$ 21,024	$ 35,501	$ 298,496
Accumulated depreciation							
Balance, beginning of year	$ -	$ 10,875	$ 58,199	$ 3,907	$ 27,399	$ 13,189	$ 113,569
Increase in current period	-	3,772	9,002	49	1,248	2,332	16,403
Disposal for the year	-	(170)	(13,063)	(607)	(12,454)	(2,812)	(29,106)
Reclassification	-	-	(4,170)	-	-	4,170	-
Net exchange differences	-	15	(696)	(78)	(5)	1	(763)
Balance, end of year	$ -	$ 14,492	$ 49,272	$ 3,271	$ 16,188	$ 16,880	$ 100,103
Net amount at the end of the year	$ 56,172	$ 53,087	$ 65,314	$ 363	$ 4,836	$ 18,621	$ 198,393

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

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

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

14. Intangible assets

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

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

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

15. Loans

Long-term debt

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

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

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

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

16. Other payables

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

17. Retirement benefits plan

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

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

18. Equity

(1) Capital stock

	December 31, 2018	December 31, 2017
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)	23,703	23,703
Outstanding capital	$ 237,030	$ 237,030

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

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

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

(2) Capital surplus

	December 31, 2018	December 31, 2017
Other capital surplus of shares	$449,000	$449,000

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

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

(3) Retained earnings and Dividend Policy

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

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

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

(a) Payment of tax and duty;

(b) Covering of accumulated loss of prior years (if any);

(c) Set aside 10% as the legal reserve per public company related laws, unless the legal reserve has achieved the Corporation's paid-in capital.

(d) Set the special reserve per public company related laws or Authority's request;

(e) The earnings of the year after deducting item (a) to (d) previously mentioned, adding the accumulated undistributed earnings of the prior year is the distributable earnings. The earnings shall be distributed after the plan proposed by the Board of directors and approved by the stockholders' meeting. The dividend can be distributed in cash or stock. To be consistent with Cayman Islands laws, the minimum dividend should be 10% of earnings of the year after deducting item (a) to (d) previously mentioned, and the cash dividend percentage is no lower than 10% of the total stockholders' dividend and the upper limit is 100%.

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

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

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

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

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

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

(4) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

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

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

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

(5) Treasury stock

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

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

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

19. Consolidated net income

(1) Other income

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

(2) Other profits and losses

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

(3) Financial cost

	2018	2017
Bank's debt	$ 756	$ 1,157

(4) Depreciation, and amortization

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

(5) Employee benefits expenses

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

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

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

(6) Remuneration to employees, Directors and Supervisors

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

Estimate on ratio

	2018	2017
Remuneration to employees	2.5%	2.5%
Remuneration to directors/supervisors	2.0%	2.0%

Amount

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

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

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

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

20. Income tax

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

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

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

	2018	2017
Income before tax from continuing operations	$107,938	$137,315

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

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

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

(3) Current income tax asset and liability

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

(4) Deferred income tax assets and liabilities

2018

	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
Deferred income tax assets				
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				
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

2017

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

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

	December 31, 2018	December 31, 2017
Loss deduction	$ 1,384	$ 5,780

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

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

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

21. Earnings per share

Unit: NT$ per share

	2018	2017
Basic earnings per share		
Business units in continuing operation	$ 3.12	$ 4.26
Diluted earnings per share		
Business units in continuing operation	$ 3.11	$ 4.25

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

Net income in current year

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

Quantity

Unit: Thousand shares

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

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

22. Operating lease agreement

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

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

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

23. Financial instruments

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

1. Fair value level

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

(2) Categories of financial instruments

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

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

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

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

(3) Financial risk management purpose and policies

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

1. Market Risk

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

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

(1) Exchange rate risk

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

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

Sensitivity analysis

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

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

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

(2) Interest rate risk

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

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

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

Sensitivity analysis

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

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

2. Credit Risk

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

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

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

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

3. Liquidity Risk

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

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

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

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

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

December 31, 2018

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

December 31, 2017

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

(2) Financing facilities

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

24. Related party transactions

Remunerations to the management

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

25. Pledged assets

The below assets are collaterals for bank borrowings:

	December 31, 2018	December 31, 2017
Land, buildings and architecture	$ 91,717	$ 93,253

26. Significant subsequent events

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

(1) Total Issued: NT$ 150,000 thousand.

(2) Face value and issuance price: the face value is NT$100 thousand each, fully issued at the face value.

(3) Stated rate: annual interest 0%

(4) Duration: 3 years; January 3, 2019 to January 3, 2022.

(5) Redemption method of the Company:

1. Redemption at maturity date:

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

2. Redeem before maturity date

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

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

(6) Sell back:

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

(7) Conversion:

1. Conversion period:

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

2. Conversion price:

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

3. Conversion price adjustment:

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

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

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

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

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

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

December 31, 2018

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

December 31, 2017

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

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

	2018		2017	
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
NT$	1 (NT$: NT$)	$ 8,408	1 (NT$: NT$)	($ 5,253)
RMB	4.560 (CNY: NT$)	12,022	4.554 (CNY: NT$)	(22,931)
		$ 20,430		($ 28,184)

28. Notes of disclosure

(1) Material transactions (2) and transfer investment information:

1. The Loaning of funds: Attached table 1.
2. Endorsement and Guarantee: Attached table 2.
3. Securities held at period end (excluding investment in subsidiaries, affiliate, and Joint Ventures equities): Attached table 3.
4. The accumulated amount of purchasing or selling the same securities reaching NT$ 300 million or more than 20% of the paid-in capital: None.
5. Acquisition of real estate properties amounting to more than NT$ 300 million or 20% of paid up capital: None.
6. Disposition of real estate properties amounting to more than NT$ 300 million or 20% of paid up capital: None.
7. Purchase and sales transactions with related party amount over 100 million NT$ or 20% and above of paid-in capital: Attached table 4.
8. Related party receivables amounting to more than NT$ 100 million or 20% of paid up capital: None.
9. Information on investees: Attached table 5.
10. Engagement in derivative trade: None.
11. Business relationship and significant transactions between the parent company and subsidiaries: Attached table 6.

(3) Information regarding investment in the territory of mainland china

1. The names of investees in China, operation items, paid-in capital, investment method, fund remittance – in and out, share-holding proportion, investment profit or loss, book value of investment of period end, wired-back investment profit or loss and investment limitation in China: Attached table 7.
2. The significant transactions conducted with the investee company in China directly or indirectly, and the price, payment terms, and unrealized profit and loss: None.

    (1) Purchase amount and percentage and the related payables ending balance and percentage.

    (2) Sale amount and percentage and the related receivables ending balance and percentage.

    (3) Property transaction amount and the profit and loss arising from the acquisitions.

    (4) Notes endorsement and guarantee, or the provided collateral ending balance and its purpose.

    (5) The maximum financing balance, ending balance, interest rate interval, and total interest amount.

    (6) Others transactions with significant influences on the profit and loss or financial position, such as, the offer or acceptance of labor services.

29. Capital risk management

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

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

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

30. Segment information

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

(1) Main revenues from products and service

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

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

(2) Information by areas

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

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

Non-current asset excludes financial instrument and deferred tax asset.

(3) Information on key customers

Income generated from a single customer for more than 10% of the consolidated company's total income is as follows:

	2018	2017
Customer A	$ 392,594	$ 486,492
Customer B	240,747	257,048
	$ 633,341	$ 743,540

SUN MAX TECH LIMITED and its subsidiaries

The Loaning of Funds

2018

Attached table 1

Unit: Unless otherwise stated, NT$ Thousand

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period	Balance, ending	The actual amounts disbursed	Interest rate collars	Nature of financing	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note)	Total limit of financing (Note)	Remarks
													Name	Value			
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Other receivables - related parties- Other	Yes	$ 123,340 (USD 4,000)	$ 61,430 (USD 2,000)	$ - (USD -)	3%	The necessity of short-term financing	$ -	Operation turnover	$ -	-	-	$ 354,359	$ 354,359	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	38,255 (RMB 8,500)	38,040 (RMB 8,500)	- (RMB -)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	27,004 (RMB 6,000)	26,852 (RMB 6,000)	26,852 (RMB 6,000)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	29,094 (RMB 6,231)	27,886 (RMB 6,231)	27,886 (RMB 6,231)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	Other receivables - related parties	Yes	169,829 (USD 5,486)	168,512 (USD 5,486)	168,512 (USD 5,486)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	UNITED STRATEGY INC.	Other receivables - related parties	Yes	1,011 (RMB 216)	- (RMB -)	- (RMB -)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC (YI QUAN) CO., LTD	Other receivables - related parties	Yes	35,025 (RMB 7,500)	- (RMB -)	- (RMB -)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	25,369 (RMB 5,500)	- (RMB -)	-	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties- Other	Yes	29,982 (RMB 6,500)	- (RMB -)	- (RMB -)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	440,358	440,358	
9	POWER LOGIC (YI QUAN) CO., LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	28,015 (RMB 6,000)	- (RMB -)	- (RMB -)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	30,331	30,331	

Note: Should fill in the operating procedure of lending company's money to others, lending limitation for individual party and total lending amount.

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

SUN MAX TECH LIMITED and its subsidiaries

Endorsement and Guarantee

January 1 to December 31, 2018

Attached table 2

Unit: Unless otherwise stated, NT$ Thousand

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the current period	The ending balance of endorsements and/or guarantees	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation											
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	$ 61,910 (USD 2,000)	$ 61,430 (USD 2,000)	$ -	$ -	7%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	185,730 (USD 6,000)	184,290 (USD 6,000)	-	-	21%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	92,865 (USD 3,000)	92,145 (USD 3,000)	-	-	10%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	6,191 (USD 200)	6,143 (USD 200)	-	-	1%	Note 3	Y	N	N	
0	Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	Parent Company and Subsidiaries	Note 2	102,183 (USD 3,500)	61,430 (USD 2000)	-	-	7%	Note 3	Y	N	N	
0	Sun Max Tech Limited	DONG GUAN DONG LI DIAN ZI CO. LTD	Parent Company and Sub-subsidiary	Note 2	9,287 (USD 300)	9,215 (USD 300)	-	-	1%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-subsidiary	Note 2	77,388 (USD 2,500)	76,788 (USD 2,500)	-	-	9%	Note 3	Y	N	Y	

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

(2) The investees are sequentially numbered from 1 and so forth.

Note 2: The endorsement guarantee amount to individual company by the Company cannot exceed 10% of the latest net financial statements audited by a CPA: 885,898×10%=88,590, but the endorsement guarantee amounting to 100% directly or indirectly owned company by the Company is not subjected to the previous limitation. The endorsement guarantee amount to individual company do not exceed 150% net value of the Company: 885,898×150%=1,328,847.

Note 3: The total endorsement guarantee amount by the Company do not exceed 20% of latest net financial statements audited by CPA: 885,898×20%=177,180, but the endorsement guarantee amount to 100% direct or in-direct owned company by the Company is not subjected to the previous limitation. The total endorsement guarantee amount do not exceed 150% net value of the Company: 885,898×150%=1,328,847.

SUN MAX TECH LIMITED and its subsidiaries

Marketable securities held at yearend

December 31, 2018

Attached table 3

Unit: except noted otherwise, presented in thousand Taiwan dollars and shares.

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Remarks
				Quantity	Book value	Ratio of Shareholding	Fair value	
POWER LOGIC TECH. INC	Private equity-SONG JYE TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive profit or loss- non-current	700	$ 1,640	14%	$ 1,640	

SUN MAX TECH LIMITED and its subsidiaries

The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attached table 4

Unit: Unless otherwise stated, NT$ Thousand

Purchasing (selling) company	Name of Counterparty	Relation	Transaction				The situation and reason for terms different from general transactions		Account receivable (payable)		Remarks
			Purchas (Sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage to total account receivable (payable)	
DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC (YI QUAN) CO., LTD	Affiliate	Sale	$ 38,120	10.39%	Payment terms: 90 days	-	-	$ -	-	
POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	Affiliate	Sale	445,541	51.78%	Payment terms: 90 days	-	-	35,726	21.17%	
POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	Affiliate	Sale	131,060	15.23%	Payment terms: 90 days	-	-	32,095	19.02%	
SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	POWER LOGIC TECH (TAI YI) CO., LTD	Affiliate	Sale	241,462	60.69%	Payment terms: 90 days	-	-	45,692	64.70%	

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

SUN MAX TECH LIMITED and its subsidiaries

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

January 1 to December 31, 2018

Attached table 5

Unit: Unless otherwise stated, NT$ Thousand

Investor	Investee's name (Note 1, 2)	Location	Principal business	Initial investment amount		Ending shareholding			Invested company's profit and loss	Investment profit/loss recognized in the current period	Remarks
				Current yearend	Last yearend	Quantity	Proportion	Book value			
Sun Max Tech Limited	POWER LOGIC TECH. INC	Taiwan	Sales of cooling fans	$ 45,000	$ 45,000	4,500	100	$ 75,943	$ 27,780	$ 27,780	
Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Samoa	Investment in holding company and sales of cooling fans	163,037 (USD 5,445)	12,508 (USD 423)	5,100	100	249,122	8,836	8,836	
Sun Max Tech Limited	UNITED STRATEGY INC.	Samoa	Investment in holding company	141,995 (USD 4,572)	141,995 (USD 4,572)	1,530	100	409,358	30,579	30,579	
Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	BVI Suzhou	Investment in holding company and sales of cooling fans	46,741 (USD 1,550)	46,741 (USD 1,550)	490	100	84,571	14,195	18,702 (Note 4)	
Sun Max Tech Limited	SUNNY FAITH INVESTMENTS LIMITED	Samoa	Investment in holding company	15,469 (USD 500)	15,469 (USD 500)	500	100	30,648	(2,405)	(2,405)	

Note 1: If the public company is a foreign registered holding company and takes the consolidated statements as the major statement according local laws, it is acceptable to disclose to the holding company only for foreign invested disclosure.

Note 2: Fill in by following regulations if not belongs to Note 1:

(1) Columns of "Investee name", "Area", "Operating items", "Original investment amount" and "Shares-holding at period end" should be filled in order according to the (public) Company reinvestment and the reinvestment of the investee. The relationship between the (public) Company and investee is required to be indicated in the remarks column (e.g. it is a subsidiary or subordinate).

(2) "The investee income" column should be filled in with profit or loss amount of the investee of the period.

(3) "The investee income" column is filled in with the recognized direct invested subsidiaries and investee profit and loss under equity of the Company only. No need to fill in other than these two. The subsidiary profit and loss including re-investment profit and loss to be recognized according to the regulations should be confirmed when filling in the "Recognized direct invested subsidiary profit and loss of the period".

Note 3: For the detailed information of investees in China, please refer to the Attached table 7.

Note 4: Including unrealized gross from intercompany transactions.

SUN MAX TECH LIMITED and its subsidiaries

The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts

January 1 to December 31, 2018

Attached table 6

Unit: Unless otherwise stated, NT$ Thousand

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			
				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	$ 12,155	Note 4	1.00%
1	POWER LOGIC TECH. INC	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	44,907	Note 4	3.69%
2	POWER LOGIC HOLDINGS INC.	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	30,803	Note 4	2.53%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH （BVI）	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	241,462	Note 4	19.83%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH （BVI）	POWER LOGIC TECH (TAI YI) CO., LTD	3	Accounts receivable	45,692	Note 4	3.30%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	24,731	Note 4	2.03%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	3	Other receivables	54,809	Note 4	3.95%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC (YI QUAN) CO., LTD	3	Sales revenue	38,120	Note 4	3.13%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	3	Other receivables	168,512	Note 4	12.15%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Accounts receivable	35,726	Note 4	2.58%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Sales revenue	445,922	Note 4	36.62%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	3	Accounts receivable	32,095	Note 4	2.31%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH（BVI）	3	Sales revenue	130,939	Note 4	10.75%
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	13,614	Note 4	1.12%

(Continued on next page)

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:

(1) Fill in “0” for parent company.

(2) The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

(1) The company to the Subsidiary.

(2) The Subsidiary to the company.

(3) The Subsidiary to the Subsidiary.

Note 3: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the interim cumulated amount to the consolidated total income.

Note 4: The transaction term shows no apparent difference existed for a related and non-related party.

Note 5: The transaction above and over NT$ 10 million.

SUN MAX TECH LIMITED and its subsidiaries

Information regarding investment in the territory of mainland china

January 1 to December 31, 2018

Attached table 7

Unit: Unless otherwise stated, NT$ Thousand

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Invested company's profit and loss	Ratio of shareholding of investment directly or indirectly made by the Company	Investment profit/loss recognized in current period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fans	$ 101,903 (CNY 22,000)	2 (POWER LOGIC HOLDINGS INC.)	$ -	$ -	$ -	$ -	$ 14,018	100.00	$ 14,018 (Note 4)	$ 243,885 (Note 4)	$ -	
DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fans	88,456 (HKD 21,000)	2 (UNITED STRATEGY INC.)	-	-	-	-	32,580	100.00	32,521 (Note 4)	439,403 (Note 4)	3,035	
POWER LOGIC (YI QUAN) CO., LTD	Sales of cooling fans	13,080 (CNY 3,000)	2 (SUNNY FAITH INVESTMENTS LIMITED)	-	-	-	-	(2,945)	100.00	(2,945)	30,331	-	

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Compliance with the limit of investment in Mainland China set forth by Investment Commission of MOEA
Not applicable	Not applicable	Not applicable

Note 1: investment methods divided into three as below, and it is acceptable by itemized it

(1) Direct investment in China.

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

(3) Other methods.

Note 2: in the investment profit or loss column for this period:

(1) The phase still under preparation and no investment profit or loss generated should be indicated.

(2) There are three bases for investment profit and loss and should be indicated.

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

B. Financial statements audited by CPA of Taiwan parent company.

C. Others.

Note 3: all figures presented in new Taiwan dollars.

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