



Stock Code: 6591

SUN MAX TECH LIMITED

2019 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System:

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

2019/Annual Report is available at: <http://www.sun-max.com.tw>

1. Spokesperson and Deputy Spokesperson:

Item	Spokesperson	Acting Spokesman
Name	HSU Wen-Faung	LIN, Chih-Feng
Title	Chairman	Chief Finance Officer
TEL	(886)2-8226-3300	(886)2-8226-3300
E-mail address	spokesman@powerlogic.tw	cfo@powerlogic.tw

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

(I) Head office

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

(II) Taiwan Office

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

(III) Subsidiaries, Sub-subsidiary

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

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

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

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

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

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

Name: POWER LOGIC TECH (TAI YI) CO., LTD. Website: -
 Address: Building 2, No. 3, Chaiohing West 2nd Road, Dazhou Community, Qiaotou Town, Dongguan City Tel: (86)769-8293-9380

Name: POWER LOGIC (YI QUAN) CO., LTD. Website: -
 Address: Office 2011, Unit 2, Building 1, Jiajun Center, Banshi Village, Changping Town, Dongguan City Tel: (86)769-3339-6030

Name: Taiyi (Jiangxi) Electronic Technology Co., Ltd. Website: -
 Address: Anfu Industrial Park, Jiangxi Province Tel: (86)796-7362-666

Shares Registrar:

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

3. Independent auditor for the financial report of the most recent year

Accountant Name: CPA Chengxiu Yang and CPA Wangsheng Lin Website: <https://www.deloitte.com.tw>

Name of CPA: Deloitte & Touche
 Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City Tel: (886)2-27259988

4. Name of the overseas stock exchange: None
5. The Company's Website: [http : //www.sun-max.com.tw](http://www.sun-max.com.tw)

6. List of Company's Board of Directors

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

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

SUN MAX TECH LIMITED

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One. Message to the Shareholders

Dear shareholders,

In the first half year of 2019, the overall revenue performance slightly decreased due to the influence of the display card market digesting the inventory of old chip display cards. In the second half year of 2019, due to the introduction of enhanced performance advanced graphics chips by NVIDIA and AMD chip factories, the end of the market of display cards digesting the inventory of old models and the solution of Intel CPU shortage, the overall display card market in the second half year of 2019 showed significant warming momentum, further boosting the company's competitive display card cooling fan shipments.

In recent years, new niche cooling fan product market has been actively distributed, and preliminary results have been achieved. In terms of AI intelligent fan products, the company has passed the customer certification and jointly developed the AI intelligent fan with digital built-in artificial intelligence function and remote control. In addition to being used in the electric competition products, it can also be used in the high-level basic product market such as cloud network, smart home appliances and efficient computing system. As AI intelligent fan is a technology independently developed and patented by the company, it is expected to widen the gap between the Company and its competitors. With the increasing demand for 5G high-frequency and high-speed transmission, the heat dissipation effect, stability and product life of Netcom products have increased significantly. We continue to develop a number of high-level Netcom cooling fan products with our customers. In 2020, we are expected to cross the 5G server, switch and relay station and other high-level Netcom products market.

In June 2019, we purchased more than 22,000 Ping plants and land at the Anfu Industrial Park, Jiangxi Province, China, which will be the main production base of the group in the future. With the diversification of products and the increase of flexible demand for production line configuration, in the second half year of 2019, some production lines will be gradually moved to the Jiangxi plant. In addition to further improving the operating efficiency and effectively controlling the cost, it is expected that Jiangxi plant will start its trial production in the first quarter of 2020 and enter the mass production stage in the second half of the year. The overall production capacity of the company is expected to increase again, which will create more benefits for the company.

I. 2019 business overview

(I) 2019 financial performance:

The consolidated turnover of Power Technology in 2019 is NT\$1,184,812 thousand, a decrease of 2.69% compared with NT\$1,217,595 thousand in the previous year. The gross operating profit was NT\$313,931 thousand, an increase of 30.33% compared with NT\$240,877 thousand in the previous year. The net operating profit was NT\$137,267 thousand an increase of 63.85% compared with NT\$83,778 thousand in the previous year, mainly due to different types of production models and efficiency has been improved. In 2019, the earnings per share (EPS) of SUN MAX TECH LIMITED was NT\$ 3.44, and the ROE was 9.35%.

(II) Status of R&D:

- (1) The Company had 25 new fan structure patents in 2019. As the end of 2019, a total of 80 new practical patents have been obtained from the Mainland; 80 new patents from Taiwan; and 1 invention patent from the U.S.
- (2) The Company's 2019 and 2018 R&D expenses were NT\$ 35,949,000 and NT\$ 31,063,000, respectively, and R&D expenses accounted for approximately 3.03% and 2.55% of revenue. In order to meet the needs of various R&D projects, the company will not only expand the scale of the laboratory, purchase the related testing equipment, enhance professional R&D capabilities, cultivate professional R&D talents, cooperate closely with manufacturers and use the company's professional technology to design innovative products, develop new production processes to enhance the company's competitiveness, expand the application fields of non-computer and intelligent fans and servers, and develop new market application projects to expand overall benefits.

II. Summary of 2020 business plan, the Company's future development strategy and impact from external environment

(I) Business policy of 2020:

- (1) With the rapid growth of 5G, IOT, AI, Edge, Cloud, Telcom equipment, high-efficiency and high-speed computing, the company will continue to increase the development of diversified markets and develop the design and application of fans in various industries to maintain technological and product advantages in order to drive new business opportunities and increase market share.
- (2) Continue to promote AI intelligent fans to multiple products for applications in markets.
- (3) Strengthening long-term trust partnerships with customers and continuing to maintain competitive advantage.
- (4) Through innovative R&D design, continue to expand the R&D department manpower and actively train outstanding R&D talents. Strengthen manufacturing ability, improve application, continuously improve the Company's core competitiveness and creativity.

(II) The Company's future development strategy:

- (1) With the rise of AI and 5G industries, the rapid design of intelligent fan products that meet the needs of customers has become a competitive indicator and new business opportunities for fan manufacturers.
- (2) With the development of the technology industry and the trend of consuming electronics integration, the Company continues to enhance its core competitiveness and creativity through innovative R&D and design, enhanced manufacturing capabilities and improved application technology.
- (3) The new R&D department has officially set-up. With fan motor as the core technology, it independently develops mobile platform smart home appliances,

and develops with customers ODM / JDM / OEM to create more opportunities for win-win.

- (4) With the development of the company's organizational scale, strengthen the pre-service and on-the-job training of the company's employees, cultivate internal talents, improve the quality of employees and optimize the working conditions, and promote the harmony between labor and capital.

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

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

In recent years, the global e-sports market is booming and the output value of e-sports industry is growing steadily. E-sports industry is also included in the scope of application of sports, leisure and education service industry stipulated in the Sports Industry Development Act. The Hangzhou Asian Games, the International Olympic Committee and other sports events have also included e-sports in the official events. It is expected that the medium and long-term development prospect of e-sports industry is promising.

In the first quarter of 2020, affected by the epidemic of coronavirus pneumonia, it impacted the global electronic industry supply chain. In order to prevent the epidemic, the initial control measures had a partial impact on the production capacity. With the high-intensity epidemic prevention measures and the production line personnel returning to work in place, the production momentum has been recovered. In 2020, NVIDIA and AMD chip manufacturers will launch a new generation of chips, which is expected to drive the demand for display cards to flourish. They will fully cooperate with customers to ship, give full play to their advantages in production and marketing, and maintain the best competitiveness. The coronavirus pneumonia epidemic has no significant impact on the company's development and operation.

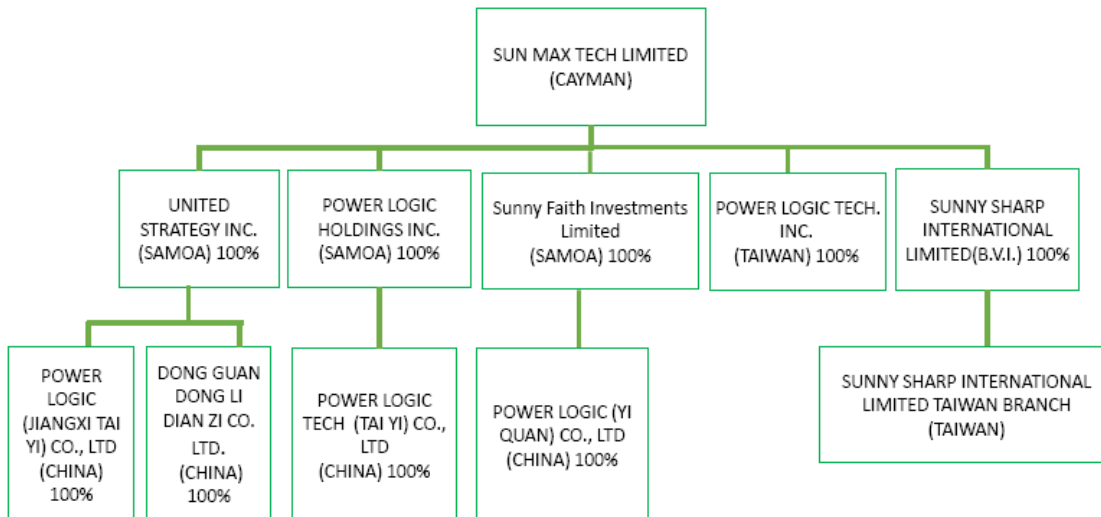
Chairman: SINOTEAM HOLDINGS INC
Legal representative: HSU Wen-Faung

Two. Company Profile

I. Company and group profile

SUN MAX TECH LIMITED (hereinafter referred to as “SUN MAX” or “the Company”) is an investment holdings company established in the British Cayman Islands (hereinafter referred to as “Cayman Islands Merchants”), which was founded by Mr. HSU Wen-Faung. The Company was founded in 1998. The founder of the Company raised funds from friends and then invested in Dongguan Power Logic Co., Ltd. through UNITED STRATEGY INC., which was registered in Samoa. In 2013, reorganized the investment structure. The invested company of the Company is mainly engaged in the research and development, production, and sales of professional cooling fans. As of December 31, 2019, the paid-in capital of the Company was NT\$275,270,180. Power Logic Tech. Inc., a subsidiary of the Taiwan Office of the Company, is mainly engaged in the integration of finance and information. POWER LOGIC HOLDINGS INC. registered in Samoa is responsible for the sales of deep processing transit in the Mainland China area. POWER LOGIC TECH (TAI YI) CO., LTD. is responsible for sales in the Mainland China. SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH is responsible for sales in the European, American, and Asian region (excluding Mainland China area), and the Company’s research and development. The production base is mainly the responsibility of Dongguan Power Logic Co., Ltd., POWER LOGIC TECH (TAI YI) CO., LTD. and Taiyi (Jiangxi) Electronic Technology Co., Ltd..

II. Group structure



Note: The cancellation registration of POWER LOGIC (YI QUAN) CO., LTD. was completed on January 20, 2020.

III. Date of establishment

The company was established on November 28, 2013.

IV. Organization and operations

Year	Milestones
1998	Power Logic Tech. Inc. was established in New Taipei City.
1998	Huangjiang Power Electronic Products Factory was established.
1998	ISO 9001 certified
2003	UNITED STRATEGY INC. was registered and set up in Samoa.
2003	Dongguan Power Logic Co., Ltd. was 100% invested by UNITED STRATEGY INC. and established in Guangdong Province as a leading manufacturer of cooling fans.
2005	ISO 14001 certified
2007	We are a qualified supplier for AMD, and officially entered the area of graphics cards fans.
2008	Registered POWER LOGIC HOLDING INC. in Samoa.
2009	Huangjiang Power Electronic Products Factory was merged by DONG GUAN DONG LI DIAN ZI CO. LTD.
2013	The parent company, SUN MAX TECH LIMITED, was established with an organizational restructure initiated at the same time, and the subsidiaries merged.
2014	POWER LOGIC TECH (TAI YI) CO., LTD. located in Guangdong Province was 100% invested in by Power Logic Holding Inc.
2015	Sunny Sharp International Limited was registered and established in B.V.I.
2015	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH was established in New Taipei City.
2016	SUN MAX TECH LIMITED, the parent company, was approved for public trade on 11/16/2016.
2016	SUN MAX TECH LIMITED, the parent company, was approved for registration on the emerging market on 11/30/2016. (Stock No: 6591)
2016	POWER LOGIC TECH (TAI YI) CO., LTD. expanded and relocated its factory to Building 2, No. 3, Chaiohing West 2 nd Road, Dazhou Community, Qiaotou Town, Dongguan City.
2017	Sunny Faith Investments Limited was registered and established in Samoa.
2017	POWER LOGIC (YI QUAN) CO., LTD. was 100% invested by Sunny Faith Investments Limited and established in Guangdong Province.
2017	SUN MAX TECH LIMITED, the parent company, was officially listed on 12/28/2017. (Stock No: 6591)
2019	Taiyi (Jiangxi) Electronic Technology Co., Ltd. in Jianxi Province is established with 100% of United Strategy Inc.'s reinvestment.
2019	Industrial Park in Anfu County, Jian City, Jianxi Province is the Group's manufacturing base.

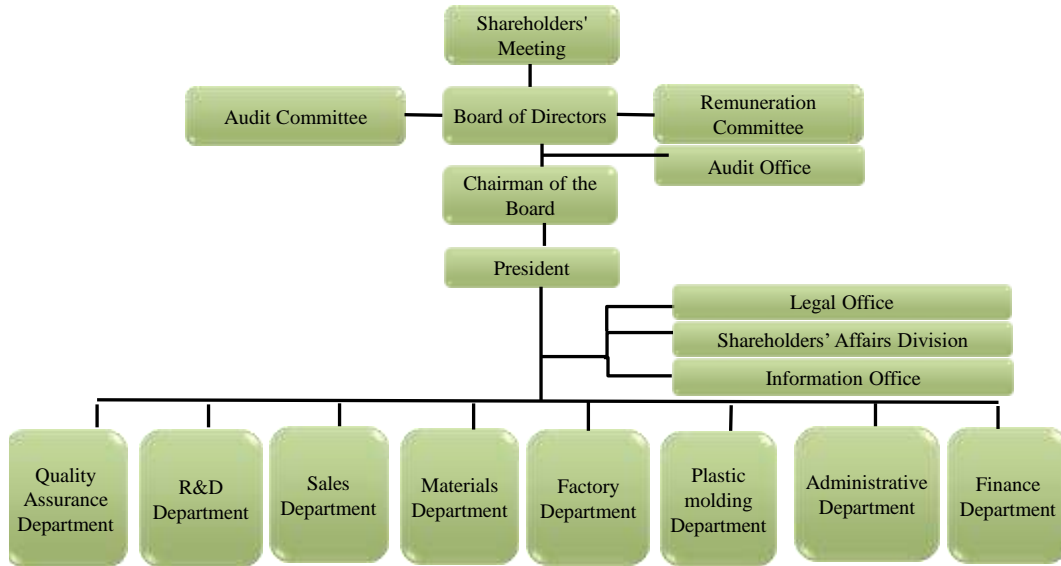
V. Risk disclosure:

Refer to Page 178-182 of the annual report.

Three. Corporate Governance

I. Organization:

1. Organizational Structure:



2. The responsibilities of various divisions:

Department name	Business and scope of responsibility
Board of Directors	Plan the company's business operations and policies, set operational goals, and appoint the management of the company to implement and promote the company's business.
Remuneration Committee	Formulate the policy system and standards for the performance evaluation and remuneration of the company's directors and managers, and regularly evaluate the remuneration of the company's directors and managers.
Audit Committee	Supervise the company's business and financial conditions, the appropriate expression of financial statements, and the effective implementation of internal controls.
Audit Office	Responsible for the company's various auditing businesses and evaluation and implementation of internal control, proposing suggestions for improvement and continuously following up on the improvement progress.
Office of Chairman and President	Plan the company's business operations and policies, set operational goals, and appoint the management of the company to implement and promote the company's business.

Department name	Business and scope of responsibility
Information Management Office	Responsible for the planning, implementation, and management of the company's information operations.
Legal Affairs Office	Responsible for the Group's contract drafting and review, offering legal opinions, application and interpretations of relevant law and regulations, litigations, amendments of regulations, and patent, trademark, and intellectual property rights-related regulatory operations.
Shareholders' Affairs Division	Responsible for meeting coordination such as Shareholders' Meeting, Board of Directors' meeting, functional committees, earning results conference, information filing and announcement on the Market Observation Post System and corporate governance evaluation.
Financial Market and Production and Sales Overview Department	Develop financial development plans and annual plans and implementation of supervision according to the company's development strategy and business progress.
	Formulate and improve the company's financial management system and process construction.
	Responsible for the company's implementation of annual budget management, tax planning and management, accounting statement management, and fund management.
	Financial statement analysis, investment and transfer investment planning, and fund raising and dispatching.
Administration Department	Coordinate the overall administrative affairs of the company, including personnel, administrative general affairs, and safety and health.
	Supplier development and selection, and purchase delivery control.
	Responsible for formulating and improving the procurement system and procurement process, formulating and implementing procurement plans, procurement cost budgeting and control, selecting and managing suppliers as well as the construction of the department.
Molding Department	Production of plastic parts needed for production and the design of injection molds.
Factory Operation Department	Meet sales order needs and avoid market supply shortages.
	Planning, introduction, and management of product quality.
	Design and production of molds and fixtures needed for production.
	Develop and produce production jigs and automatic assembly machines for the production processes developed by the R&D department.
	Initiate process transformation for current production processes.
	Supervise, inspect, coordinate, and manage the company's products, work, and service quality.
	Responsible for the operation, maintenance, and management of the department's equipment and facilities.
	Control of production and manufacturing yields, capacity planning and other objectives and operations.
	Factory public safety and health management

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

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

(I) Directors and Supervisors:

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

April 21, 2020; Unit: thousand shares

Title	Nationality or place of registration	Name	Gender	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative			Remarks
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Chairman	Samoa	SINOTEAM HOLDINGS INC.		2019/6/12	3	2014/12/31	5,978	22.78%	5,978	21.20%	0	0%	0	0%		-	None	None	None	
	R.O.C.	Representative: HSU Wen-Faung	Male				960	3.66%	960	3.41%	19	0.07%	0	0%	Department of Civil Engineering, Tamkang University Engineer of CTCL Advanced Systems Inc. Director of Hefeng Construction Co., Ltd. Director of Hefeng Construction Co., Ltd.	Note 2	None	None	None	Note 1
Director	R.O.C.	LAI, Jen-Chung	Male	2019/6/12	3	2016/4/30	427	1.63%	390	1.38%	0	0%	0	0%	Taipei Municipal Chenggong High School Sales Manager of Hefeng Construction Co., Ltd. Supervisor of Power Logic Tech. Inc. Chairman, Kandlee Trading Co., Ltd. Division Manager of CviLux Corporation	Note 2	None	None	None	
Director	R.O.C.	LIN, Chun-Yen	Male	2019/6/12	3	2016/4/30	135	0.52%	136	0.48%	0	0%	0	0%	National Kaohsiung University of Science and Technology- Institute of Finance Manufacturing Department Manager of Shenzhen plant of Asia Vital Components Co., Ltd. Lecturer at Fintech and Innovation Management Center, National Kaohsiung University of Science and Technology	Note 2	None	None	None	
Director	R.O.C.	LI, Yung-Yi	Male	2019/6/12	3	2016/4/30	85	0.32%	67	0.24%	0	0%	0	0%	Department of Electrical Engineering, Hwa Hsia Institute of Technology Special Aide to the	Note 2	None	None	None	

Title	Nationality or place of registration	Name	Gender	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative			Remarks
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
															Chairman of Taiwan Dalong Industrial Co., Ltd. Project Manager of Shih Yi Technology Co., Ltd.					
Independent director	R.O.C.	CHEN, Tien-Szu	Male	2019/6/12	3	2016/4/30	0	0%	0	0	0	0%	0	0%	Department of Electronics Engineering, NCTU Cameo Communications, Inc.	Note 2	None	None	None	
Independent director	R.O.C.	CHIU, Shih-Fang	Male	2019/6/12	3	2016/4/30	0	0%	0	0	0	0%	0	0%	Department of Law, National Chung Hsing University Attorney of PwC Legal Managing Attorney of De Kai Law Firm	Note 2	None	None	None	
Independent director	R.O.C.	HSIEH, Yu-Tien	Male	2019/6/12	3	2016/4/30	0	0%	0	0	0	0%	0	0%	Master's Program of Business Management, Chinese Culture University Assistant Officer of the Administration Office of the Bank of Communications Assistant Vice President of Jien Hung International Securities and Investment Consulting Co., Ltd. Instructor of Jinwen University of Science and Technology Lecturer of Department of Business Administration of Shih Chien University	Note 2	None	None	None	

Note 1: Where the Company's Chair of the Board and General Manager or an equivalent position (the highest managerial officer) are the same person or are spouses or relatives within the first degree of kinship, information relating to reasons, reasonableness, necessity and response measures (such as increasing independent directors, and a majority of the directors may not serve concurrently as an employee or managerial officer) shall be explained:

Reason: Considering the Company's current operation scale and situation, the requirement for professionalism, familiarity to the industry, decision-making ability and long-term business planning and strategy, the Company's Chair of the Board and General Manager is the same person.

Reasonableness: Except for the Chair of the Board and General Manager being the same person, the rest of the members of the Board (including directors and independent directors) are not spouses or within first degree of kinship, so the General Manager could fully execute the Board of Director's decisions, and the Board of Directors may independently and properly perform its oversight function.

Necessity: In response to the Company's mid-term human resources and organizational development plan, the status quo is the best for the Company's operational needs.

Response Plan: The Company anticipates to revise the Guidelines for Corporate Governance Practice, and increase an independent director when electing directors in 2022.

Note 2: Summary of the directors also assuming a job position with the Company and other companies is as follows:

Title	Name	Positions with other companies
President	HSU Wen-Faung	SINOTEAM HOLDINGS INC.: President UNITED STRATEGYINC.: President POWER LOGIC HOLDINGS INC.: President Sunny Sharp International Limited.: President SUNNY FAITH INVESTMENTS LIMITED: President POWER LOGIC TECH. INC.: President Sunny Sharp International Limited Taiwan Branch: Litigation and Non-contentious Representative Power Logic Tech. (DongGuan) Inc.: President POWER LOGIC TECH (TAI YI) CO., LTD.: President POWER LOGIC (YI QUAN) CO., LTD.: President Taiyi (Jiangxi) Electronic Technology Co., Ltd.: President
Chairman	SINOTEAM HOLDINGS INC. Representative: HSU Wen-Faung	SINOTEAM HOLDINGS INC. Director UNITED STRATEGYINC.: Director POWER LOGIC HOLDINGS INC.: Director Sunny Sharp International Limited.: Director SUNNY FAITH INVESTMENTS LIMITED: Director POWER LOGIC TECH. INC.: Director Sunny Sharp International Limited Taiwan Branch: Litigation and Non-contentious Representative Power Logic Tech. (DongGuan) Inc.: Director POWER LOGIC TECH (TAI YI) CO., LTD.: Director POWER LOGIC (YI QUAN) CO., LTD.: Director Taiyi (Jiangxi) Electronic Technology Co., Ltd.: Director
Director	LAI, Jen-Chung	Power Logic Tech. (DongGuan) Inc.: Supervisor POWER LOGIC TECH (TAI YI) CO., LTD.: Supervisor POWER LOGIC (YI QUAN) CO., LTD.: Supervisor Taiyi (Jiangxi) Electronic Technology Co., Ltd.: Director
Director	LIN, Chun-Yen	UNITED STRATEGYINC.: Vice President POWER LOGIC HOLDINGS INC.: Vice President Sunny Sharp International Limited.: Vice President SUNNY FAITH INVESTMENTS LIMITED: Vice President POWER LOGIC TECH. INC.: Vice President

Title	Name	Positions with other companies
		Sunny Sharp International Limited Taiwan Branch: Vice President Power Logic Tech. (DongGuan) Inc.: Vice President POWER LOGIC TECH (TAI YI) CO., LTD.: Vice President POWER LOGIC (YI QUAN) CO., LTD.: Vice President Tai-yi (Jiangxi) Electronic Technology Co., Ltd: Vice President
Director	LI, Yung-Yi	UNITED STRATEGYINC.: Assistant Vice President POWER LOGIC HOLDINGS INC.: Assistant Vice President Sunny Sharp International Limited.: Assistant Vice President SUNNY FAITH INVESTMENTS LIMITED: Assistant Vice President POWER LOGIC TECH. INC.: Assistant Vice President Sunny Sharp International Limited Taiwan Branch: Assistant Vice President Power Logic Tech. (DongGuan) Inc.: Assistant Vice President POWER LOGIC TECH (TAI YI) CO., LTD.: Assistant Vice President POWER LOGIC (YI QUAN) CO., LTD.: Assistant Vice President Taiyi (Jiangxi) Electronic Technology Co., Ltd.: Assistant Vice President
Independent director	CHEN, Tien-Szu	Santai (Cayman) Holdings Co., Limited: Supervisor Sunnyhills Foods (Shanghai) Co., Ltd.: Director
Independent director	CHIU, Shih-Fang	De Kai Law Firm: Managing Attorney Kuangli Photoelectric Technology Co., Ltd.: Independent Director Brighten Optix Co., Ltd.: Independent Director
Independent director	HSIEH, Yu-Tien	KING CORE: Director Taiwan Oasis Technology Co., Ltd.: Independent Director

Note: The cancellation registration of POWER LOGIC (YI QUAN) CO., LTD. was completed on January 20, 2020.

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

3. Major Shareholders of Corporate Shareholders:

April 21, 2020

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

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

5. Directors' and Supervisors' expertise and independence:

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

Note: Place a "✓" in the box below if the directors, supervisors met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary).
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural

person shareholders of the company.

- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
- (5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor or employee of other companies that are controlled by the person who also controls the majority of the Company's director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary).
- (7) Not a director (or governor), supervisor or person holding an equivalent position of the Company and that person in any of those positions at another company or institution are the same person or are spouses (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary).
- (8) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the shares of a particular company or institution having financial and business transactions with the Company (except such particular company or institution which holds more than 20% but less than 50% of the shares issued by the Bank, and holds a position as Independent Director of the Company who also acts as Independent Director of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).
- (9) Not a professional individual, or an owner, partner, director (or governor), supervisor or officer of a sole proprietorship, partnerships, company, or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the last 2 years had received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any descriptions stated in Article 30 of the Company Act.
- (12) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Act.

6. Implementation of the director diversification policy:

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

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

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

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

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

7. Continuing education of directors and supervisors:

Title	Name	Training date	Organizer	Course name	Training hours
Director	HSU Wen-Faung	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Director	HSU Wen-Faung	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3
Director	LAI, Jen-Chung	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Director	LAI, Jen-Chung	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3
Director	LIN, Chun-Yen	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Director	LIN, Chun-Yen	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3
Director	LI, Yung-Yi	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Director	LI, Yung-Yi	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3
Independent director	HSIEH, Yu-Tien	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Independent director	HSIEH, Yu-Tien	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3
Independent director	CHEN, Tien-Szu	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Independent director	CHEN, Tien-Szu	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3
Independent director	CHIU, Shih-Fang	2019/11/07	Corporate Governance Association in Taiwan	Group governance	3
Independent director	CHIU, Shih-Fang	2019/11/07	Corporate Governance Association in Taiwan	Impact of US–China Trade War to Taiwanese Corporations and their Responses	3

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

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

April 21, 2020; Unit: thousand shares

Title	Nationality	Name	Gender	Election Date	Status of shareholding		Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Positions with other companies	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
President	R.O.C.	HSU Wen-Faung	Male	1997/3	960	3.41%	19	0.07%	0	0%	Department of Civil Engineering, Tamkang University Engineer of CTCI Advanced Systems Inc. Director of Hefeng Construction Co., Ltd. Director of Hefeng Construction Co., Ltd.	Note 3	None	None	None	Note 4
Executive Vice President	R.O.C.	LIN, Chun-Yen	Male	2010/5	136	0.48%	0	0%	0	0%	National Kaohsiung University of Science and Technology- Institute of Finance Manufacturing Department Manager of Shenzhen plant of Asia Vital Components Co., Ltd. Lecturer at Fintech and Innovation Management Center, National Kaohsiung University of Science and Technology	Note 3	None	None	None	Note 4
Assistant VP	R.O.C.	LI, Yung-Yi	Male	2010/5	67	0.24%	0	0%	0	0%	Department of Electrical Engineering, Hwa Hsia Institute of Technology Special Aide to the Chairman of Taiwan Dalong Industrial Co., Ltd. Project Manager of Shih Yi Technology Co., Ltd.	Note 3	None	None	None	
Financial Manager (Note 1)	R.O.C.	Chen Hui-Ling	Female	2011/3	14	0.05%	0	0%	0	0%	Chihlee University of Technology - Accounting Information Department Chief Accountant of Da-Dou	Note 3	None	None	None	

											Construction Co., Ltd. Chief Accountant of Shi-Yi Construction Co., Ltd. Accounting Director of Hefeng Construction Co., Ltd. Accounting Director of Hefeng Construction Co., Ltd.				
Financial Manager (Note 1)	R.O.C.	LIN, Chih-Feng	Male	2020/3	0	0%	0	0%	0	0%	Department of Economics, National Chi-Nan University Manager, Deloitte & Touche Chief Auditor/Chief Financial Officer, Sirtec International Co., Ltd.	Note 3	None	None	None
Audit Manager (Note 2)	R.O.C.	CHOU,YI-HSIN	Female	2016/7	0	0%	0	0%	0	0%	National Chengchi University - Accounting Graduate School Deputy Manager, Deloitte & Touche	Note 3	None	None	None
Audit Manager (Note 2)	R.O.C.	CHEN,CHI-CHENG	Male	2019/3	0	0%	0	0%	0	0%	National Central University - Industrial Economics Graduate School Audit Department Assistant Manager of David Electronics Company Ltd. Audit Department Assistant Manager of Kaibo Enterprise Co., Ltd.	Note 3	None	None	None
R&D Manager (Note 2)	R.O.C.	CHEN,PING-CH	Male	2014/3	0	0%	0	0%	0	0%	National Cheng Kung University – Aeronautics and Astronautics Engineer of Simplo Co., Ltd. Engineer of Delphi Corporation (Taiwan) Engineer of GOTREND Technology Co., Ltd.	Note 3	None	None	None
R&D Manager	R.O.C.	HSIEH,JUNG-CHUNG	Male	2015/8	0	0%	0	0%	0	0%	National Taipei University of Technology - Mechatronics Mechanical engineer of Jowle Technology Co., Ltd. Manager of Engineering Department of Lextar Technology Co., Ltd.	Note 3	None	None	None

											(Dongguan Plant) R&D Manager of Dynaeon Industry R&D Manager of Arx Co., Ltd. R&D Manager of Apistek Technology Company Limited				
Sale Manager	R.O.C.	WANG, Chien-Ta	Male	2020/01	3	0.00%	0	0%	0	0%	Chia Nan University of Pharmacy & Science Sale Controller of Sunonwealth Electric Machine Industry Co. Ltd. Sales Manager, SUN MAX Technology Co., Ltd.	Note 3	None	None	None

Note 1: Financial manager, Chen Hui-Ling, was transferred on March 19, 2020, and financial manager, Lin Chih-Feng assumed office on March 19, 2020.

Note 2: Audit manager, Chou Yi-Hsin resigned on February 28, 2019, and the audit manager, Chen, Chi-Chen assumed office on March 11, 2019. Research and development manager, Chen, Ping-CH resigned on August 19, 2019.

Note 3: The President, Vice President, Junior Vice President, and heads of various departments and branches who also hold a job position with the other companies are listed in the table below.

Title	Name	Positions with other companies
President	HSU Wen-Faung	SINOTEAM HOLDINGS INC.: Director/ President UNITED STRATEGYINC.: Director/ President Director/ President of POWER LOGIC HOLDINGS INC. Sunny Sharp International Limited.: Director/ President SUNNY FAITH INVESTMENTS LIMITED: Director/ President POWER LOGIC TECH. INC.: Director/ President Sunny Sharp International Limited Taiwan Branch: Litigation and Non-contentious Representative Power Logic Tech. (DongGuan) Inc.: Director/ President POWER LOGIC TECH (TAI YI) CO., LTD.: Director/President POWER LOGIC (YI QUAN) CO., LTD.: Director/President Tai-yi (Jiangxi) Electronic Technology Co., Ltd: Director/ President

Executive Vice President	LIN, Chun-Yen	UNITED STRATEGYINC.: Vice President POWER LOGIC HOLDINGS INC.: Vice President Sunny Sharp International Limited.: Vice President SUNNY FAITH INVESTMENTS LIMITED: Vice President POWER LOGIC TECH. INC.: Vice President Sunny Sharp International Limited Taiwan Branch: Vice President Power Logic Tech. (DongGuan) Inc.: Vice President POWER LOGIC TECH (TAI YI) CO., LTD.: Vice President POWER LOGIC (YI QUAN) CO., LTD.: Vice President Tai-yi (Jiangxi) Electronic Technology Co., Ltd: Vice President
Senior Manager of Sale department	LI, Yung-Yi	UNITED STRATEGYINC.: Assistant Vice President POWER LOGIC HOLDINGS INC.: Assistant Vice President Sunny Sharp International Limited.: Assistant Vice President SUNNY FAITH INVESTMENTS LIMITED: Assistant Vice President POWER LOGIC TECH. INC.: Assistant Vice President Sunny Sharp International Limited Taiwan Branch: Assistant Vice President Power Logic Tech. (DongGuan) Inc.: Assistant Vice President POWER LOGIC TECH (TAI YI) CO., LTD.: Assistant Vice President POWER LOGIC (YI QUAN) CO., LTD.: Assistant Vice President Taiyi (Jiangxi) Electronic Technology Co., Ltd.: Assistant Vice President
Financial Manager (Note 1)	Chen Hui-Ling/ LIN, Chih-Feng	UNITED STRATEGYINC.: Head of Finance and Accounting POWER LOGIC HOLDINGS INC.: Head of Finance and Accounting Sunny Sharp International Limited.: Head of Finance and Accounting SUNNY FAITH INVESTMENTS LIMITED: Head of Finance and Accounting POWER LOGIC TECH. INC.: Head of Finance and Accounting Sunny Sharp International Limited Taiwan Branch: Head of Finance and Accounting DONG GUAN DONG LI DIAN ZI CO. LTD: Head of Finance and Accounting POWER LOGIC TECH (TAI YI) CO., LTD: Head of Finance and Accounting POWER LOGIC (YI QUAN) CO., LTD: Head of Finance and Accounting Taiyi (Jiangxi) Electronic Technology Co., Ltd.: Head of Finance and Accounting
R&D Manager	CHEN,PING-CH	POWER LOGIC TECH. INC.: R&D Manager President of R&D Department, DONG GUAN DONG LI DIAN ZI CO. LTD President of R&D Department, Sunny Sharp International Limited Taiwan Branch
R&D Manager	HSIEH,JUNG-CHUNG	Sunny Sharp International Limited Taiwan Branch: R&D Manager DONG GUAN DONG LI DIAN ZI CO. LTD: R&D Manager POWER LOGIC TECH (TAI YI) CO., LTD.: R&D Manager Tai-yi (Jiangxi) Electronic Technology Co., Ltd: R&D Manager

Audit Manager (Note 2)	CHOU, YI-HSIN/ CHEN, CHI-CHENG	UNITED STRATEGY INC.: Chief Auditor POWER LOGIC HOLDINGS INC.: Chief Auditor POWER LOGIC TECH. INC.: Chief Auditor SUNNY SHARP INTERNATIONAL LIMITED: Chief Auditor SUNNY FAITH INVESTMENTS LIMITED: Chief Auditor DONG GUAN DONG LI DIAN ZI CO. LTD: Chief Auditor POWER LOGIC (YI QUAN) CO., LTD: Chief Auditor Sunny Sharp International Limited Taiwan Branch: Chief Auditor POWER LOGIC (YI QUAN) CO., LTD.: Chief Auditor Taiyi (Jiangxi) Electronic Technology Co., Ltd.: Chief Auditor
Sale Manager	WANG, Chien-Ta	UNITED STRATEGY INC.: Sales Manager POWER LOGIC HOLDINGS INC.: Sales Manager Sunny Sharp International Limited.: Sales Manager SUNNY FAITH INVESTMENTS LIMITED: Sales Manager POWER LOGIC TECH. INC.: Sales Manager Sunny Sharp International Limited Taiwan Branch: Sales Manager Power Logic Tech. (Dong Guan) Inc.: Sales Manager POWER LOGIC TECH (TAI YI) CO., LTD.: Sales Manager Tai-yi (Jiangxi) Electronic Technology Co., Ltd: Sale Manager

Note 4: Where the Company's General Manager or an equivalent position (the highest managerial officer) and Chair of the Board are the same person or are spouses or relatives within the first degree of kinship, information relating to its reasons, reasonableness, necessity and response measures (such as increasing independent directors, and a majority of the directors may not serve concurrently as an employee or managerial officer) shall be explained:

Reason: Considering the Company's current operation scale and situation, the requirement for professionalism, familiarity to the industry, decision-making ability and long-term business planning and strategy, the Company's Chair of the Board and General Manager is the same person.

Reasonableness: Except for the Chair of the Board and General Manager being the same person, the rest of the members of the Board (including directors and independent directors) are not spouses or within first degree of kinship, so the General Manager could fully execute the Board of Director's decisions, and the Board of Directors may independently and properly perform its oversight function.

Necessity: In response to the Company's mid-term human resources and organizational development plan, the status quo is the best for the Company's operational needs.

Response Plan: The Company anticipates to revise the Guidelines for Corporate Governance Practice, and increase an independent director when electing directors in 2022.

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

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants	Manager
1	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	LIN, Chun-Yen	Senior Manager of Sales
2	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	LIN, Chun-Yen	Senior Manager of Sales
3	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	HSU Wen-Faung	Chairman
4	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	HSU Wen-Faung	Chairman
5	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	LI, Yung-Yi	Senior Manager of Sales
6	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	LI, Yung-Yi	Senior Manager of Sales
7	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	Chen Hui-Ling	Finance Manager
8	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	Chen Hui-Ling	Finance Manager
9	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	HSIEH, JUNG-CHUNG	R&D Manager
10	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	CHEN,CHI-CH ENG	Audit Manager
11	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	CHEN,CHI-CH ENG	Audit Manager
12	External Training	Specialized Knowledge and Technical Training	The Institute of Internal Auditors, R.O.C	Function and Mission of Corporate Governance Personnel under Corporate Governance	2019/11/15	6	CHEN,CHI-CH ENG	Audit Manager
13	External Training	Specialized Knowledge and Technical Training	Economic Division, Straits Exchange Foundation	2019 Cross-Straits Economy and Industry Trend Forecast	2019/1/16	2	Chen Hui-Ling	Finance Manager
14	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Chen Hui-Ling	Finance Manager

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

1. Remuneration of directors and independent directors

Unit: NT\$ thousand; thousand Shares

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to Earnings		Remuneration paid to directors from an invested company other than the company's subsidiary
		Director fees (A)		Pension (B)		Remuneration to directors (C)		For services (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)						
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements			The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements				
Chairman	SINOTEAM HOLDINGS INC. Representative: HSU Wen-Faung	802	802	0	0	1,945	1,945	0	0	3.08%	3.08%	0	10,748	0	0	720	0	720	0	3.88%	15.93%	0
Director	LAI, Jen-Chung																					
Director	LIN, Chun-Yen																					
Director	LI, Yung-Yi																					
Independent director	CHEN, Tien-Szu																					
Independent director	CHIU, Shih-Fang	2,020	2,020	0	0	0	0	0	0	2.26%	2.26%	0	0	0	0	0	0	0	0	2.26%	2.26%	0
Independent director	HSIEH, Yu-Tien																					

1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time:
The Company has established a compensation committee, and the remuneration payment to independent directors is based on the Rules Governing Remuneration of Directors and Managerial Officers passed by the Compensation Committee and the Board of Directors, as well as the position, contribution to operation and referring to the performance evaluation of the Board of Directors/functional committees, then adopted by the Compensation Committee and the Board of Directors before payment. Such compensation payment evaluation procedure has considered business performance and risks. Please refer to the Company's website at <http://www.sun-max.com.tw> for the Corporate Governance/Important Articles for the Company's Rules Governing Remuneration of Directors and Managerial Officers.

2. Except for those disclosed in the above table, the remuneration of the Company's directors by providing services (e.g., serving as the non-employee consultant) to all companies included in the financial report in the most recent year: None.

Classification of remuneration

Remunerations to individual directors in respective brackets along the salaries scale	Name of Directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements
Less than 1,000,000	LAI, Jen-Chung; LIN, Chun-Yen; LI, Yung-Yi; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien	LAI, Jen-Chung; LIN, Chun-Yen; LI, Yung-Yi; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien	LAI, Jen-Chung; LIN, Chun-Yen; LI, Yung-Yi; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien	LAI, Jen-Chung; CHEN, Tien-Szu; CHIU, Shih-Fang; HSIEH, Yu-Tien
1,000,000(inclusive) to 2,000,000 (exclusive)	SINOTEAM HOLDINGS INC	SINOTEAM HOLDINGS INC	SINOTEAM HOLDINGS INC	
2,000,000(inclusive) to 3,500,000 (exclusive)				
3,500,000(inclusive) to 5,000,000 (exclusive)				LIN, Chun-Yen; LI, Yung-Yi
5,000,000(inclusive) to 10,000,000 (exclusive)				SINOTEAM HOLDINGS INC
10,000,000(inclusive) to 15,000,000 (exclusive)				
15,000,000(inclusive) to 30,000,000 (exclusive)				
30,000,000(inclusive) to 50,000,000 (exclusive)				
50,000,000(inclusive) to 100,000,000 (exclusive)				
100,000,000 above				
Total	7 persons	7 persons	7 persons	7 persons

Note

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

3. Remuneration to President and Executive Vice Presidents

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

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration paid to directions from an invested company other than the company's subsidiary
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash Dividends	Free-Gratis Dividends	Cash Dividends	Free-Gratis Dividends			
President	HSU Wen-Faung	0	6,651	0	84	0	1,355	520	0	520	0	0.58%	9.65%	0
Executive Vice President	LIN, Chun-Yen													

Classification of remuneration

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Name of Presidents and Executive Vice Presidents	
	The Company	Consolidation
Less than 1,000,000	HSU Wen-Faung; LIN, Chun-Yen	
1,000,000(inclusive) to 2,000,000 (exclusive)		
2,000,000(inclusive) to 3,500,000 (exclusive)	LIN, Chun-Yen	
3,500,000(inclusive) to 5,000,000 (exclusive)		
5,000,000(inclusive) to 10,000,000 (exclusive)	HSU Wen-Faung	
10,000,000(inclusive) to 15,000,000 (exclusive)		
15,000,000(inclusive) to 30,000,000 (exclusive)		
30,000,000(inclusive) to 50,000,000 (exclusive)		
50,000,000(inclusive) to 100,000,000 (exclusive)		
100,000,000 above		
Total	2 persons	2 persons

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

Unit: NTD

	Title	Name	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	President	HSU WEN-FAUNG	0	871,404	871,404	0.98%
	Executive Vice President	LIN, CHUN-YEN				
	Audit Manager	LI, YUNG-YI				
	Senior Manager of Sales	CHEN HUI-LING				
	Finance Manager	CHEN,CHI-CHENG				
	R&D Manager	HSIEH,JUNG-CHUNG				

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

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

Unit: NTD thousands

Item	2018		2019	
	Amount	Proportion	Amount	Proportion
Director, President and Vice President	17,573	23.82%	16,632	18.64%
Consolidated net income	73,777	100.00%	89,248	100.00%

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

The Company has established a compensation committee formed by all independent directors. Remuneration policy for directors and managerial officers is made in accordance with the Rules Governing Remuneration of Directors and Managerial Officers passed by the Compensation Committee and the Board of Directors, which was determined based on the position, contribution to operation and performance evaluation by the Board of Directors. It is periodically re-evaluated and will be paid after adopted by the Compensation Committee and the Board of Directors.

Each year, the Company has the Board of Directors evaluate Rules Governing Remuneration of Directors and Managerial Officers and Remuneration Standards for Managerial Officers. The managerial officers' performance evaluation is the basis for the Board of Directors to adopt all compensations. Each remuneration payment policy, standards, portfolio, determination procedures of directors (independent directors) and managerial officers has considered business performance and risks.

6. For the individuals who are not directors of the securities issuer but perform the duties of the directors or actually control the company's personnel, finance, or business operations; also, instruct the directors to executive business, their name, experience (education),

shareholdings, current position held with the issuer and other companies, relationship with the issuer's directors and supervisors, and substantive control over the issuer should be detailed, in addition, foreign issuers shall state the legal responsibilities of the aforementioned individuals according to the laws of the country of registration.

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

IV. Status of Corporate Governance

1. The function of the Board:

1.1 Board of Directors meetings (A) were held 7 times in the 2019; Directors' attendance are listed below:

Title	Name	Attendance rate % (B)	Attend through proxy	Attendance rate % (B/A)	Remarks
Chairman	Representative of SINOTEAM HOLDINGS INC.: HSU WEN-FAUNG	7	0	100%	Note
Director	LAI, JEN-CHUNG	7	0	100%	Note
Director	LIN, CHUN-YEN	7	0	100%	Note
Director	LI, YUNG-YI	7	0	100%	Note
Independent director	CHEN, TIEN-SZU	7	0	100%	Note
Independent director	CHIU, SHIH-FANG	7	0	100%	Note
Independent director	HSIEH, YU-TIEN	7	0	100%	Note

Other notes:

- I. 1. The content of the particulars inscribed in Article 14-3 of the Securities and Exchange Act, and of the adverse opinions or qualified opinions of the independent directors with record or declaration in writing shall be stated with the date of the Board meeting, the session, the content of the motions, the opinions of all independent directors, and the response to such opinions: The Board of Directors Meeting held by the company in 2019 has no such situation.
2. Except for the aforementioned matters, resolutions that have been objected to or qualified by independent directors with a record or written statement retained: for the board meeting convened by the Company in 2019, the attending independent directors did not object or qualify the proposals.
- II. The avoidance of the conflict of interest by the Directors on related motions, specify the names of the Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots:
 1. On January 11, 2019, the Board of Directors passed the proposal for the distribution of bonus of 2018. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.
 2. On March 22, 2019, the Board of Directors passed the 2019 salary adjustment. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.
 3. On March 22, 2019, the Board of Directors passed the 2018 remuneration for employees, directors, and supervisors. Chairman, HSU Wen-Faung, Director, LIN, Chun-Yen, and Director LI, Yung-Yi had themselves recused due to the fact that they were also an employee of the Company with a risk of a conflict of interest.
 4. On June 21, 2019, the Board of Directors passed the proposal of the third term director

remuneration payment. The Chair of the Board, HSU Wen-Faung, and Directors LIN Chun-Yen and Li Yung-Yi all recused because they are also employees and have a conflict of interests.

III. TWEX listed companies shall disclose the self-evaluation (or peer-evaluation) frequency, period, scope, method and evaluation content, and fill out the exhibit of the Board of Directors evaluation execution for explanation:

1. Evaluation frequency and period: Evaluation frequency is once a year and shall be completed before the first quarter of the following ends. Evaluation period: January 1, 2019 to December 31, 2019.
2. Evaluation scope: Including performance review of the entire Board of Directors, each member of the Board of Directors and functional committees.
3. Evaluation method: Based on the Rules Governing Remuneration of Directors and Managerial Officers passed by the Board of Directors and Article 3 of the Rules, the Company's Board of Directors shall, each year, implement internal evaluation of the Board of Directors' performance according to the evaluation procedures and evaluation indicators provided in Articles 6 and 8.
4. Evaluation content:
 - (1). The assessment items for the Board of Directors' performance evaluation: A. Participation in operation, B. Evaluation of the Board of Directors' decision quality, C. Composition and structure of the Board of Directors, D. Election and continuing education of directors, E. Internal control and F. Other items.
 - (2). The assessment items for members of the Board's performance evaluation: A. Understanding of the goal and mission of the Company, B. Recognition of a director's duties, C. Participation in operation, D. Internal relationship and communication, E. Professionalism and continuing education of the director, F. Internal control and G. Other items.
 - (3). The assessment items for functional committees' performance evaluation: A. Participation in operation, B. Recognition of a functional committee's duties, C. Evaluation of the functional committee's decision quality, D. Composition and structure of the functional committee, E. Internal control and F. Other items.
5. Implementation of evaluation of the Board of Directors: Please refer to pages 26 to 28.

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

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

The Company has established Audit Committee and Remuneration Committee.

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

(Note): The Shareholders' Meeting elected the third term of directors on June 12, 2019.

1.2 Direction and implementation of the Board of Directors' evaluation.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Evaluated once a year.	2019/01/01 to 2019/12/31	Board of Directors	According to Article 3 of the Rules for Performance Evaluation of the Board of Directors adopted and revised by the Board of Directors, the	A. Participation in operation, B. Evaluation of the Board of Directors' decision quality, C. Composition and structure of the Board of Directors, D. Election and continuing education of directors, E. Internal control and F. Other items.
		Individual members of the Board	Company's Board of Directors shall implement internal performance evaluation of the Board of Directors in accordance with Articles 6 and 8 of evaluation procedures and evaluation indicators.	A. Understanding of the goal and mission of the Company, B. Recognition of a director's duties, C. Participation in operation, D. Internal relationship and communication, E. Professionalism and continuing education of the director, F. Internal control and G. Other items.
		Functional committees		A. Participation in operation, B. Recognition of a functional committee's duties, C. Evaluation of the functional committee's decision quality, D. Composition and structure of the functional committee, E. Internal control and F. Other items.

SUN MAX TECH LIMITED
2019 Performance Evaluation of the Board of Directors, Members of the
Board and Each Functional Committee
Summary of questionnaire results

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

I. The questionnaire of the 2019 Self-assessment for the Board of Directors of SUN MAX TECH LIMITED:

1. Evaluator: Manager Chen, Chi-Cheng of Audit Division is responsible for evaluation.
2. Statistics of the self-assessment results: There are a total of 45 questions in 6 aspects (A to F). All board directors had participated in and fully understood the operation of the Board of Directors in 2019. The Board of Directors self-assessment questionnaire is attached in Table 1.
3. Advice and comments to the Board of Directors: The Company's Board of Directors operates in accordance with relevant laws and regulations, and has fulfilled its duties in overall operation, strengthening supervision and management.

II. The questionnaire of the 2019 Self-assessment of the board directors of SUN MAX TECH LIMITED:

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

1. Evaluator: SINOTEAM HOLDINGS INC. Representatives HSU Wen-Faung, Director LAI, Jen-Chung, Director LIN, Chun-Yen, Director LI, Yung-Yi, Independent Director CHEN, Tien-Szu, Independent Director HSIEH, Yu-Tien, and Independent Director CHIU, Shih-Fang.
2. Statistics of self-assessment results: There are a total of 23 questions in 7 aspects (A to G). All board directors had participated in and fully understood the operation of the Board of Directors in 2019. The Board of Directors self-assessment questionnaire is attached in Table 2.
3. Advice and comments to the Board of Directors:

- Independent Director Hsieh, Yu-Tien: The Board of Directors operates well.
- Independent Director Chen, Tien-Szu: The Board of Directors has operated well in this term. The Board clearly understands the company operation and relevant environment, fully participates in all important decision making and sufficiently performs pre-evaluation and post-supervision.
- Independent Director Chiu, Shih-Fang: The Board of Directors operates well and shall be affirmed.
- Director Lai, Jen-Chung: The Board of Directors operates well and smoothly. Each member of the Board complies with their duties and fully understands the Company's direction and goals.

III. The questionnaire of the 2019 Self-assessment for the audit committee of SUN MAX TECH LIMITED:

1. Evaluator: Hsieh, Yu-Tien, Chair of the Audit Committee and Independent Director
2. Result of Self-Evaluation: 24 questions in six dimensions of A–F. Participation rate of all members of the Audit Committee in 2019 was 100%. The members fully understood and participated in the operation of the Audit Committee in 2019. The self-evaluation questionnaire for the Audit Committee is in Exhibit 3.
3. Advice and comments to the Audit Committee: The Company's Audit and Compensation Committee operates well and is effective.

IV. The questionnaire of the 2019 Self-assessment for the remuneration committee of SUN MAX TECH LIMITED:

1. Evaluator: Chen, Tien-Szu, Chair of the Compensation Committee and Independent Director
2. Result of Self-Evaluation: 24 questions in six dimensions of A–F. Participation rate of all members of the Compensation Committee in 2019 was 100%. The members fully understood and participated in the operation of the Compensation Committee in 2019. The self-evaluation questionnaire for the Audit Committee is in Exhibit 4.
3. Advice and comments to the Compensation Committee: Participation rate of all members was 100% in 2019. The operation was smooth. All clearly understood the Company's operation and industry. The Committee could promptly report laws and regulations and audit items to the Board of Directors and fulfill its duty of supervision.

January 8, 2019

2. The operation of the Auditing Committee:

(1) The Company's Audit Committee has 3 members, and the term of the members runs from June 12, 2019 to June 12, 2022.

(2) The Auditing Committee convened for 7 times (A) in 2019. The attendance of the independent directors is shown below:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)	Remarks
Convener	HSIEH, Yu-Tien	7	0	100%	
Committee	CHEN, Tien-Szu	7	0	100%	
Committee	CHIU, Shih-Fang	7	0	100%	

Other notes:

I. 1. On issues stated in Article 14-5 of the Securities and Exchange Act and issues not passed by the Auditing Committee by passed by a two-third majority of all directors, the date of Board session, the term of the Board, the content of the motions, the resolutions of the Auditing Committee, and the opinions of the Auditing Committee: None.

The Audit Committee convened by the Company in 2019 does not have such situations.

2. Except for the matters stated in the preceding paragraph, the matters that are not approved by the Audit Committee, but resolved with the consent of two thirds of the board directors should be handled as follows: In addition to the descriptions stated in 2019, the attending independent directors at the Audit Committee meeting convened by the Company did not have any objections or reservations raised against other proposals.

II. For independent directors who have themselves recused for any proposals with a risk of conflict of interest, the name of said independent director(s), the content of the proposal, the reasons for recusal, and the participation in the voting should be detailed: There is not any risk of conflict of interest for the independent directors to have themselves recused in the most recent year and as of the annual report printing date.

III. The communication between the Independent Directors and the Chief Internal Auditor and the certified public accountants (including the communications related to the financial position and state of operation of the Company, in materiality, the means of communications, and the result).

1. The internal audit officer of the company will regularly report the audit results and the follow-up to the members of the Audit Committee. For any special circumstances, the internal audit officer will immediately notify the members of the Audit Committee. The communication between the Audit Committee and the internal audit officer of the Company is good.

2. The Company's Audit Committee will commission the Company's public accountants to attend the Audit Committee meeting depending on the actual needs, and will report the audit results.

3. Communication between independent directors and accountant

Date of communication	Main points of communication	Implementation by the company
2019/03/22	The audit procedures in the Auditing Standards Bulletin No. 57 applies to the 2018 financial statements.	Independent directors do not dispute. The communication content is saved for reference.

2019/03/22	2018 consolidated financial statements	Independent directors do not dispute. It is submitted to the Board of Directors for resolution.
2019/05/02	2019 Q1 consolidated financial statements	Independent directors do not dispute. It is submitted to the Board of Directors for resolution.
2019/08/03	2019 Q2 consolidated financial statements	Independent directors do not dispute. It is submitted to the Board of Directors for resolution.
2019/11/11	2019 Q3 consolidated financial statements	Independent directors do not dispute. It is submitted to the Board of Directors for resolution.
2020/03/19	The audit procedures in the Auditing Standards Bulletin No. 57 applies to the 2019 financial statements.	Independent directors do not dispute. It is submitted to the Board of Directors for resolution.
2020/03/19	2019 Q4 consolidated financial statements	Independent directors do not dispute. It is submitted to the Board of Directors for resolution.

4. Communication between independent directors and internal audit executive:

Date of communication	Main points of communication	Implementation by the company
2019/03/22	Audit report and mistake tracking report of 2018 Q4 are submitted to independent directors, and internal control system statement report in 2018.	Independent directors have no objection.
2019/05/02	Presented the 2019 Q1 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2019/08/03	Presented the 2019 Q2 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2019/11/11	Presented the 2019 Q3 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2020/03/19	Presented the 2019 Q4 audit report and nonconformities follow-up report to the independent directors for review.	Independent directors have no objection.
2020/03/19	Audit report and mistake tracking report of 2019 Q4 are submitted to independent directors, and internal control system statement report in 2019.	Independent directors have no objection.

(3) Major resolutions reached in the 2019 Audit Committee meeting and their handling:

Meeting date	Meeting	Major resolutions reached in the 2019 Audit Committee meeting
2019/1/11	19 th Meeting of the 1 st Board of Directors	Proposal 1: The Company plans to endorse and guarantee the loan the 100% owned sub-subsidiary, POWER LOGIC TECH (TAI YI) CO., LTD., took out from CTBC Bank Guangzhou Branch for RMB 12,000,000.

Meeting date	Meeting	Major resolutions reached in the 2019 Audit Committee meeting
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
2019/3/22	20 th Meeting of the 1 st Board of Directors	Proposal 1: Communications with the Audit Committee after the financial statements are audited by Deloitte & Touche Taiwan (hereinafter, "Deloitte") in 2018.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: Please review the Company's business report and consolidated financial statements in 2018.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 3: The Company's 2018 earnings distribution.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 4: The declaration of the Company's 2018 internal control system
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 5: We plan to authorize the Chair of the Board to find the real estate subject matter of factory.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 6: The Company plans to endorse and guarantee the short-term loan taken out by subsidiaries, POWER LOGIC HOLDINGS INC. and SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH, from Taishin International Bank being USD 8,000,000.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal7: Amendments to the Articles of Association.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 8: Amendments to "Standard Operating Procedures for Handling Directors' Requests".
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 9: Amendments to "Rules Governing the Performance Evaluation of the Board of Directors".
Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.		
Proposal 10: Amendments to "Corporate Governance Best-Practice Principles".		
Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.		
Proposal 11: A proposal revising the Company's "Regulations Governing the Acquisition or Disposal of Assets".		
Situation: Three members attended the meeting and the proposal was		

Meeting date	Meeting	Major resolutions reached in the 2019 Audit Committee meeting
		resolved and reported to the Board of Directors.
		Proposal 12: Amendments to “Procedures for Financial Derivatives Transactions”.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 13: Amendments to “Procedures for Loaning of Funds to Others.”
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 14: Amendments to “Regulations Governing of Endorsements/Guarantees”.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
2019/5/2	21 st Meeting of the 1 st Board of Directors	Proposal 1: The consolidated financial statements covering 2019 Q1.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: The Company intends to endorse and guarantee a short-term loan of US\$3 million from KGI Commercial Bank for its subsidiary, POWER LOGIC HOLDINGS INC.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 3: It is for the loaning of fund by Dongguan Power Logic Co., Ltd., the sub-subsidiary, to POWER LOGIC HOLDINGS INC., its subsidiary for an amount of US\$5,486,307.88 and to POWER LOGIC TECH (TAI YI) CO., LTD., the sub-subsidiary, for an amount of RMB 6,231,028.26.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 4: It is for the loaning of fund by DONG GUAN DONG LI DIAN ZI CO. LTD, the 100% invested sub-subsidiary, to POWER LOGIC TECH (TAI YI) CO., LTD., the 100% invested sub-subsidiary, for an amount of RMB 14,500,000.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 5: Expand the transaction model of the real estate subject matter of the factory sought by the Chair of the Board.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 6: Presenting the Company’s amended “Procedures for Acquisition or Disposal of Assets”.
Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.		
2019/6/21	1 st Meeting of the 2 nd term	Proposal 1: Reinvest in the newly established and 100% owned sub-subsidiary Taiyi (Jiangxi) Electronic Technology Co., Ltd. (TBC) by the 100% owned subsidiary UNITED STRATEGY INC.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.

Meeting date	Meeting	Major resolutions reached in the 2019 Audit Committee meeting
		<p>Proposal 2: Increase the registered capital and operational fund of a 100% owned subsidiary, UNITED STRATEGY INC.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 3: With the intention of enriching the working capital of the 100% invested subsidiary, POWER LOGIC HOLDINGS INC., the company is expected to invest US\$2,800,000.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 4: Purchase the real estate of land and factory used as the Group's manufacturing base through 100% owned sub-subsidiary, Taiyi (Jiangxi) Electronic Technology Co., Ltd. (TBC).</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2019/8/3	2 nd Meeting of the 2 nd Board of Directors	<p>The consolidated financial statements covering 2019 Q2.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2019/10/2	3 rd Meeting of the 2 nd term	<p>Proposal 1: Re-prepare the Company's budget for 2019 Q4.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 2: Amendment of the "Rules Governing Budget Management."</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p> <p>Proposal 3: The Company intends to endorse and guarantee a short-term bank loan of US\$3 million for its subsidiary, POWER LOGIC HOLDINGS INC., Dongguan Power Logic Co., Ltd., the sub-subsidiary, and POWER LOGIC TECH (TAI YI) CO., LTD., the sub-subsidiary.</p> <p>Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.</p>
2019/11/11	The 4 th meeting of the 3 rd term	<p>Proposal 1: The consolidated financial statements covering 2019 Q3.</p> <p>Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 2: The Company's 2020 operating plan and budget</p> <p>Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 3: Purchase Taipei Office through subsidiary, Power Logic Tech. Inc.</p> <p>Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 4: Apply for loan from Taishin Bank through subsidiary, Power Logic Tech. Inc.</p>

Meeting date	Meeting	Major resolutions reached in the 2019 Audit Committee meeting
		Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.
		Proposal 5: The Company plans to endorse and guarantee the loan taken by 100% owned sub-subsidiary POWER LOGIC TECH (TAI YI) CO., LTD. from CTBC Bank Guangzhou Branch for RMB 14,000,000.
		Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.
		Proposal 6: The Company plans to loan USD 1,000,000 to 100% owned subsidiary, Power Logic Holdings Inc.
		Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.
		Proposal 7: According to Article 13 of the “Regulations Governing Establishment of Internal Control System by Public Companies,” the Company’s Audit Office has formulated the 2020 audit plan according to the results of risk assessment.
		Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.
		Proposal 8: Stipulate the internal control system in writing for 100% owned sub-subsidiary Taiyi (Jiangxi) Electronic Technology Co., Ltd. (hereinafter, “Taiyi (Jiangxi)”) according to Article 38 of Regulations Governing Establishment of Internal Control Systems by Public Companies.
		Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.
		Proposal 9: A report on the results of the regular assessment of the independence of accountants.
		Resolution: Three members presented, and all presented members resolved to pass the proposal without objection.

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

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	
		Summary	
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?	V	The Company has set up the "Code of Practice for Corporate Governance" and persists in safeguarding shareholders' rights, strengthening the board's functions, bringing the board's functions into full play, respecting stakeholder rights, enhancing information transparency, and other important corporate governance principles. It also establishes relevant corporate governance regulations, such as the "Board Meeting Rules," "Remuneration Committee Regulations," "Internal Major Information Processing and Inside Trading Prevention Management," "Internal Audit System," "Code of Business Integrity and Conduct Guidelines," etc. Further, according to relevant laws and regulations, it discloses major company information, as well as financial and non-financial information. The board shall also comply with responsibilities given by shareholders to guide corporate management and effectively supervise management functions.	No significant difference
2. Shareholding structure and shareholders' equity			
(1) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V	The Company has commissioned a stock agency to handle stock affairs and set up dedicated stock units, as well as spokespersons and representative spokesperson mechanisms in order to handle shareholder suggestions, inquiries, disputes, and legal affairs.	No significant difference
(2) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	V	The Company learns about the Company's main shareholders and changes in the final controllers of main shareholders through the internal declaration system.	No significant difference
(3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V	The assets and financial management responsibilities among conglomerates are independent and handled in accordance with the Company's internal control system, thereby properly executing risk control and firewall mechanisms.	No significant difference

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies	
	Yes	No		Summary
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		The Company has set up “Internal Major Information Processing and Insider Trading Prevention Management,” which is intended to prohibit internal company staff from trading securities based on undisclosed market information. Internal regulatory compliance advocacy should be strengthened for staff to understand and abide by its relevant provisions.	No significant difference
3. The constitution and obligations of the board of directors				
(1) Has the board devised diversified guidelines and implemented them based on member makeup?	V		The Company’s board member makeup takes into consideration its own operations, business model, and business development needs. The makeup consists of those with industrial backgrounds, as well as those with expertise in business management, financial accounting, and law. 1. The Company has set up the “Board Diversification Policy” and diversified guidelines for implementation based on board member structure refer to Page 13 of this year’s annual report. 2. For information on the company chairman’s name, gender, nationality, professional background, and main work (education) experience, refer to Page 8-11 of this year’s annual report.	No significant difference
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		The Remuneration Committee and the Audit Committee both currently exist. Other respective functional committees shall be set up in the future as needed.	No significant difference
(3) Has the Company had the rules governing the performance evaluation of the board of directors and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference	V		The Company has set up the Guidelines for Board Performance Assessment and related assessment methods. Refer to Page 27 of this year’s annual report for descriptions on the 2019 board performance assessment implementation status. Implementation of performance evaluation of the Board of Directors for 2019 has been submitted to the Board of Directors on January 8, 2020. The Company stipulated Rules Governing Director and Officer Remuneration, and the	No significant difference

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	
for individual director's remuneration and nomination for re-election?			remuneration of directors and independent directors shall refer to the performance evaluation result of the Board of Directors, and adjust the same.
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		The Company's appointment of certified public accountants (CPA) shall be passed by the board, and the independence of CPAs shall be periodically assessed. The Company's CPA firm is a large accounting firm that takes an impartial stand and inspects the Company's financial situation in compliance with regulatory norms.
4. Has the Company had an adequate number of corporate governance personnel with appropriate qualifications, and appointed a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to law, handling the registration and change registration of the company, producing minutes of board meetings and shareholders meetings, etc.)?	V		<p>The Company stipulated Corporate Governance Practice Guidelines, where the legal department and the shareholder affairs department are responsible for corporate governance with two people, who are responsible for corporate governance related matters, and implement audit procedures according to audit plan by the audit department, and periodically report the implementation and improvement to the Board of Directors.</p> <p>The legal department assists directors and independent directors to understand relevant laws and regulations. The audit department will evaluate the compliance with relevant laws, regulations, policies and procedures.</p> <p>The Company is a foreign company, and related corporate change registration operations are commissioned to Deloitte Taiwan to conduct changes within the local legal time of the Cayman Islands.</p>
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers,	V		Depending on the situation, the Company's shareholders, employees, clients' suppliers, and other communication channels have a spokesman and representative spokesperson system, with dedicated personnel for these undertakings. The Company's litigation and non-litigation representatives are responsible for the disclosure of

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	
and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?			<p>representative information and serve as communication channels between the Company and stakeholders.</p> <p>The Company's website has a "stakeholder area" and "stakeholder" contact in order to respond to important corporate social responsibility issues of concern to stakeholders.</p> <p>The Company reports the status of all external emails of the year to the Board of Directors, including spokespersons' email, acting spokesperson's email, related persons' (client/supplier/employee) email, complaint email, complaint report email to independent directors.</p>
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		<p>The Company has commissioned "Concorde Securities Co., Ltd.," a professional stock representative institution in Taiwan, to handle all stock matters.</p>
7. Disclosure of information			
(1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		<p>The Company has set up its website (www.sun-max.com.tw), and relevant company information will continue to be disclosed thereupon. In addition, according to relevant provisions, relevant information will be disclosed on the Public Information Observatory.</p>
(2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		<p>The Company has set up its website (www.sun-max.com.tw) and has set up company finance related information and corporate governance information. In addition, designated personnel are responsible for company information collection and disclosure, and the Company has set up a spokesperson and representative spokesperson system. In the future, investor conferences will be convened in accordance with the provisions of the Taiwan Stock Exchange.</p>
(3) Has the Company announced and declared its financial report within 2 months after the end of the fiscal		V	<p>The Company filed revenue for each month in 2019 on the 10th day of each month. The Company announced and filed the financial statements for 2019 Q1, Q2 and Q3 within forty-five days after the end of</p>
			<p>The Company's financial statements for 2019 Q1, Q2 and Q3 and monthly revenues were announced prior to the legally</p>

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies	
	Yes	No		Summary
year, and announced and declared the quarterly financial report of Q1, Q2, and Q3 and the monthly business report before the deadline?			Q1, Q2 and Q3 of each year. The Company announced and filed the annual financial statement for 2019 within three months after the fiscal year ended.	required announcement date. However, 2019 financial statements could not be announced within two months after the fiscal year ended due to the accounting process and accountant audit. Subsequently, we will coordinate based on the accounting process and accountant audit schedule to announce it to the investors as early as possible.
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		Important Information Conducive to an Insight into the Company's Corporate Governance Operations: 1. Employee Rights and Employer Care: The Company attaches importance to employees' rights and unobstructed communication channels, as well as adequate education training and reasonable remunerations and welfare measures. 2. Employment Care: Through a welfare system that enriches and stabilizes employees' lives, mutually trusting and good relationships with employees are established. Perks such as irregularly held meal gatherings, providing employees with parking spaces, fixed payments for birthday celebrations, etc. 3. Investor Relations: The Company has designated personnel and a mailbox to establish unobstructed communication channels. 4. Supplier Relations: Explicit agreements with suppliers are set up to regulate each other's rights and obligatory relations. 5. Rights of Shareholders: Shareholders may communicate, give suggestions, and main proper legal rights through the Company's spokesperson and representative spokesperson system. 6. Education Situation of Board of Directors and Supervisors: The Company's directors have all joined education courses on corporate	No significant difference

Items for evaluation	Implementation Status		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	
			<p>governance; the Company has set up an Audit Committee, without supervisors.</p> <p>7. Risk Management Policy and Risk Measurement Standard Execution Situation: The Company has set up its internal control system and relevant management guidelines, through which executions are carried out. In addition, auditors shall conduct executions and inspections according to the annual audit plan in order to reduce and prevent any possible risks.</p> <p>8. Customer Policy Execution Situation: The dedicated department is responsible for client inquiries and complaint channels.</p> <p>9. Professional liability insurance for the protection of the Directors and the Supervisors: The Company has taken professional liability insurance for the protection of the Directors of the Company.</p>
<p>8. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.</p> <p>The Company's corporate governance result for 2019 is 73.33 with a ranking between 21%~35%. The Company will continue to improve the items not scored.</p> <p>Items expected to achieve and improve in 2020:</p> <p>Indicator 2.28: Whether the company stipulates approval process to submit appointment and dismissal, review, remuneration of internal control personnel to the Board of Directors or be signed by audit managers and reported to the Chair of the Board, and the same is disclosed on the company's website.</p> <p>Indicator 3.2: Whether the company announces material information in English.</p> <p>Indicator 3.10: Whether the company's financial statement is passed by the Board of Directors or submitted to the Board of Directors 7 days before the announcement deadline and announced within 1 day after the passage date or report date.</p> <p>Indicator 3.11: Whether the company's annual report discloses the future research plan and the estimated expenses.</p>			

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

(1) Information on the members of the Remuneration Committee

By identity	Name	Condition	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note)										Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies	Remarks
			Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the company	1	2	3	4	5	6	7	8	9	10		
Independent director	CHEN, Tien-Szu			√	√	√	√	√	√	√	√	√	√	√	√	-	
Independent director	HSIEH, Yu-Tien	√		√	√	√	√	√	√	√	√	√	√	√	√	1	
Independent director	CHIU, Shih-Fang		√	√	√	√	√	√	√	√	√	√	√	√	√	1	

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

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary).
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
- (5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor or employee of other companies that are controlled by the person who also controls the majority of the Company's director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary).
- (7) Not a director (or governor), supervisor or person holding an equivalent position of the Company and that person in any of those positions at another company or institution are the same person or are spouses (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company or any subsidiary, as appointed in accordance with the Act or with the law of the country of the parent or subsidiary).
- (8) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the shares of a particular company or institution having financial and business transactions with the Company (except such particular company or institution which holds more than 20% but less than 50% of the shares issued by the Bank, and holds a position as Independent Director of the Company who also acts as Independent Director of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable law of the host country).
- (9) Not a professional individual, or an owner, partner, director (or governor), supervisor or officer of a sole proprietorship, partnerships, company, or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the last 2 years had received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Does not meet any descriptions stated in Article 30 of The Company Act.

(2) The operation of the Remuneration Committee (TINA)

1. The Remuneration Committee of the Company is consisted of 3 persons.

2. Term of Office of Current Commissioners: From June 12, 2019 to June 12, 2022, three (A) Remuneration Committee meetings were held in 2019. The qualifications and attendance of the commissioners are as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)	Remarks
Independent director	CHEN, Tien-Szu	3	0	100%	Note
Independent director	HSIEH, Yu-Tien	3	0	100%	Note
Independent director	CHIU, Shih-Fang	3	0	100%	Note

Other notes:

1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.
2. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members: None.

(Note): On June 12, 2019, the Shareholders' Meeting elected directors (independent directors) for the third term. On June 12, 2019, the Special Shareholders' Meeting resolved the members of the Remuneration Committee for the second term, and the original three independent directors were elected again. The first term convened the meeting twice, and the second term convened the meeting once in 2019.

Important Resolutions and Handling Situation of the Remuneration Committee in 2019.

Meeting date	Meeting	Important Resolutions of The Remuneration Committee in 2019
2019/1/11	1 st Meeting of the 1 st Board of Directors	Proposal 1: The 2018 Year-end Bonus Distribution Case in
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: Performance evaluation standard and salary standard in 2019.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
2019/3/22	12 th Meeting of the 1 st Board of Directors	Proposal 1: The Company's hiring and remuneration of internal control manager.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: Amendments to Procedures on Salary and Remuneration Committee.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 3: The Company's 2018 Employee Remuneration and Supervisor Remuneration Distribution Case
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 4: The Company's salary adjustment for 2019.
Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.		
2019/6/21	1 st Meeting of the 2 nd term	Proposal 1: Salary adjustment for the Company's internal control manager.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 2: Amendments to the Company's Rules Governing Remuneration of Directors and Managerial Officers.
		Situation: Three members attended the meeting and the proposal was resolved and reported to the Board of Directors.
		Proposal 3: Remuneration payment to Independent Director of the third term, Chen, Tien-Szu.
		Situation: The chair, Chen, Tien-Szu, recused because of conflict of interest in this case. Independent Director, Hsieh, Yu-Tien, acted as chair in this case. Three members attended, with Independent Director, Chen, Tien-Szu, recused for conflict of interests, and the two members voted in majority without objection. The proposal passed.
		Proposal 4: Remuneration payment to Independent Director of the third term, Hsieh, Yu-Tien.
		Situation: Three members attended, with Independent Director, Hsieh, Yu-Tien, recused for conflict of interests, and the two members voted in majority without objection. The proposal passed.
		Proposal 5: Remuneration payment to Independent Director of the third term, Chiu, Shih-Fang.
		Situation: Three members attended, with Independent Director, Chiu, Shih-Fang, recused for conflict of interests, and the two members voted in majority without objection. The proposal passed.
Proposal 6: Remuneration payment to directors of the third term.		
Situation: Three members attended, and all attending members passed the proposal without objection.		

5. The Bank's social responsibility performance and its difference from the "Corporate Social Responsibility Best-Practices Principles for TWSE/GTSM Listed Companies" and the root causes

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 3)	V		The Company stipulates rules governing risk control, under which business operation, production, human resources planning, new product development, and health and safety risks are evaluated and managed in accordance with the principle of materiality.	No significant difference
2. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?		V	The Company has not yet set up corporate social responsibility promotion related units, but the management and departments shall maintain the social responsibility status.	The setup will depend on the Company's future needs.
3. Environmental Issues				
(1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		In order to fulfill the corporate responsibility of environmental protection and cater to employees' safety and health and based on environmental protection self-awareness and pollution prevention and control management.	No significant difference
(2) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		The main raw material of the Company's surplus is plastic material, and there are also defective materials or scraps during the production process, which are all declared scrap and recycled by a legitimate cleaning company. The Company has comprehensively promoted in e-operation, advocating paper recycling and double-sided printing to reduce document paper usage.	No significant difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(3) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?		V	The Company has not evaluated current and potential risks and opportunity relating to climate change, but the management and each department will note the needs of stakeholders to effectively communicate the positive and negative impact of climate change to the Company’s substantive finance.	In the future, it may be integrated with the Company’s risk control depending on the Company’s needs.
(4) Does the Company count greenhouse gas emissions, water consumption, and total weight of waste over the last two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?		V	The Company does not have information about greenhouse gas emission, water consumption and waste weight; however, waste process and monitoring, effluent treatment and monitoring procedures, and waste management procedures are already stipulated to strengthen the Company’s management of exhaust, effluent, and waste to reduce adverse impact on the environment and staff.	In the future, it may be integrated with the Company’s risk control depending on the Company’s needs.
4. Social Issues				
(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		The Company has set up the “Human Rights Policy” according to international human rights conventions, with relevant files archived and placed on the Company’s website. In addition, according to relevant labor regulations, the job rules have been set up, clearly standardizing respective labor conditions, ensure employees’ legal rights, and set up complaint channels and disposal teams. Employees may express their opinions through email or the mailbox and receive fair and reasonable disposal.	No significant difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(2) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration?	V		The Company provides employee welfare in accordance with the Labor Standards Act, including leave (such as absence of leave, marriage leave, funeral leave, injury/sick leave, maternity leave, and paternity leave). The salary structure and employee welfare are stipulated in the work rules. The Company conducts performance review at the end of the year and appropriately reflects business performance in employee salary based on the result thereof.	No significant difference
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		The Company has its own work environment requirements and advocates environmental safety concepts to employees.	No significant difference
(4) Does the Company have an effective career capacity development training program established for the employees?	V		The Company adopts basic external training. Depending on employees’ job needs, related education courses are also used.	No significant difference
(5) Regarding customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer protection policies and appeal procedures?	V		The Company stipulates customer complaint process procedures to accept and handle customer complaints and to improve and meet customer needs. It also provides a private complaint channel to customers to continuously improve customer satisfaction.	No significant difference
(6) Whether the company has supplier management policy and requests suppliers to comply with environment conservation, occupational safety and health or labor rights and their implementation.	V		The Company stipulates supplier management policy, which includes environment conservation and improving safety and health provisions to the standard of supplier evaluation.	No significant difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
			The Company has realized the supplier audit plan for 2019. The evaluation result is recorded in the supplier evaluation form, and the relevant evaluation items are management audit, quality system management audit, manufacture process management audit and hazardous materials management audit.	
5. Has the Company consulted the standard or directions commonly used worldwide in compiling the corporate social responsibility report for the disclosure of non-financial information on the Company? Is the aforementioned report subject to the validation or guarantee by a third-party accreditor?		V	<p>The Company has not referred to international regulations or guidelines governing preparation for reports or other reports disclosing company or non-financial information, such as preparing reports for corporate social responsibility.</p> <p>However, the Company’s website has a corporate social responsibility section to respond to the stakeholders’ expectations, social responsibility, and corporate citizens to achieve the goal of sustainable operation.</p>	The Company does not meet Article 2 of Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, which requires the preparation and filing of corporate social responsibility reports in Chinese. The Company will issue relevant reports in the future depending on the needs.
6. For companies who had established corporate responsibility code of conducts in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct: The Company has set up the “Code of Practice for Corporate Social Responsibility” and is committed to promoting corporate social responsibility, without major deviations from that of the Code of Practice.				
7. Other important information that help understand the CSR operation: In addition to emphasizing on regulatory compliance to protect all stakeholders, it also has its own social responsibility requirement of concern to the society and expected of enterprises, forming a part of its corporate culture.				

6. The Bank’s ethical corporate management performance and its difference from the “Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies” and the root causes

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
1. The policy and plan of business integrity				
(1) Has the Company specified its policy and method for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to pursue the policy of ethical corporate management?	V		(1) The Company has set up the “Ethical Corporate Management and Complaints Reporting Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” “Procedures for Handling Material Inside Information,” and other rules, and approved by the board of directors on June 28, 2017 and April 29, 2016. (2) The Company values and adheres by justice, honesty, and integrity. Therefore, all managers and employees must abide by relevant conduct rules when engaging in any activities. (3) Refer to Page 48 of the Annual Report for the Company’s implementation of the business integrity education training.	No significant difference
(2) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?”		V	Currently, the Company does not have a risk evaluation mechanism relating to dishonest behavior, nor regulate and prevent dishonest behaviors relating to business activity with higher risks of dishonest behavior within the evaluation of business scope. However, honest operation guidelines expressly stipulate the prohibition of dishonest behavior. The Company prohibits any bribery and law-breaking conducts from the managers and all employees. Those in violation of the above shall be punished or	Depending on the Company’s needs, risk evaluation mechanism and control and prevention of dishonest business activity with higher risks after evaluation.

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			reported to judiciary agency for disposal depending on actual circumstances. All incoming employees are required to sign the "Confidentiality Agreement" and will be provided with the Job Rules that clearly convey employees' rights and obligations.	
(3) Whether the company has plans for dishonest behavior prevention, and each plan has procedures, behavior guidelines, penalty for violations and complaints, which are strictly implemented and periodically reviewed and corrected.	V		The Company has work rules and promotes the importance of integrity and periodic review thereof. The Company also has an award and penalty system for employees. In case an employee breaches integrity, s/he will be punished.	No significant difference
2. The Materialization of Business Integrity				
(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		Prior to transacting, the Company shall investigate the credibility of transacting parties in accordance with internal control related guidelines and find out if the involved parties incurred dishonest transaction conducts.	No significant difference
(2) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of supervision?		V	Currently, the Company does not have a dedicated unit, and the legal department is responsible for matters relating to company's integral operation promotion. In addition, the audit department includes the integrity operation policy in other management cycle based on the audit plan and implement audit procedures. They also report the implementation and track improvement to the Board of Directors periodically.	Currently, the Company's scale does not require a dedicated unit, and it is done by double duty.
(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		In order to establish the corporate culture and robust development of business integrity, implement the conflict of interest avoidance policy, and provide appropriate channels for presenting statements in order for all employees to explain whether the said persons are potentially in conflict of	No significant difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			interest with the Company.	
(4) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check?		V	In order to implement business integrity, the Company has set up an effective accounting system and internal control system. Internal audit personnel shall inspect the compliance situation in accordance with the Audit Plan. Currently, the Company does not have a risk evaluation mechanism relating to dishonest behavior, nor regulate and prevent dishonest behaviors relating to business activity with higher risks of dishonest behavior within the evaluation of business scope. However, honest operation guidelines expressly stipulate the prohibition of dishonest behavior.	Depending on the Company's needs, risk evaluation mechanism and control and prevention of dishonest business activity with higher risks after evaluation.
(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		Refer to Page 48 of the Annual Report for the Company's implementation of the business integrity education training.	In the future, education training shall continue based on the Company's developmental needs and laws and regulations.
3. The operations of the Company's Report System				
(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		The Company has set up the "Guidelines for Reporter Exercise and Protection" and has designated an email box for reporting cases, ensuring reporters' unobstructed communication channels, protecting specific reporting and incentive systems, and maintaining the Company's business integrity related operations. The Guidelines stipulated relevant dedicated personnel for handling reported cases. Investors may visit the "Corporate Governance Area" on the company website for	No significant difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			details.	
(2) Has the Company established the standard operation procedures for the investigation of complaints as reported, follow-up actions after the investigation, and related mechanisms for confidentiality?	V		The Company has stipulated Rules for Whistleblower Exercise and Protection and established an e-mail dedicated to reporting. This provides a clear communication channel for whistleblowers. After the investigation is completed, the result is recorded and filed with approval. Investors can refer to the Company's website Corporate Governance section for details.	No significant difference
(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		The Company has set up the "Guidelines for Reporter Exercise and Protection," which stipulate measures protecting reporters from inappropriate disposal for reporting a case. Investors may visit the "Corporate Governance Area" for details.	No significant difference
4. Enhancing Information Disclosure (1) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company has disclosed business integrity fulfillment and measures adopted on the company website and the Public Information Observatory.	No significant difference
<p>Where the Company may have establish its own business integrity best-practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", and shall elaborate the practice of business integrity and the variations from the aforementioned regulation: The Company has set up Business Integrity Rules. All company staff, managers, and board members must abide by the norms and relevant provisions in the guidelines. The Company's business integrity rules-based operations and the contents of the norms show no difference. Refer to Page 48 of the annual report for the Company's implementation of the business integrity education training.</p>				
<p>Other important information that helps to understand the practice of business integrity of the company (e.g., the review and revision of the best-practice principles of the Company in business integrity)</p> <ol style="list-style-type: none"> 1. The Company regularly arranges corporate governance courses for directors to attend and irregularly advocates the business integrity policy through internal meetings. 2. The Company strictly complies with the Company Act, Securities and Exchange Act, relevant regulations for TAIEX listed and OTC listed companies, and other relevant business conduct regulations, which shall serve as the basis for implementing business integrity. 3. Refer to the company website: "Business Integrity Rules" and "Business Integrity Operating Procedures and Conduct Guidelines" at http://www.sun-max.com.tw. 				

7. The method of inquiry shall be disclosed if the Company has established the Corporate Governance Best Practice Principles and related rules and regulations:

The Company has set up a Code of Practice for Corporate Governance. Targeting relevant regulations applicable for the Code of Practice for Corporate Governance, in addition to disclosure on the Public Information Observatory regulated by the competent authority, the Corporate Governance Area has also been set up on the company website to fully disclose the Company's corporate governance situation.

8. Any other vital information that helps to understand the performance of corporate governance of the Company shall also be disclosed: (Audit) (TINA)
- (1) Comply with the internal control system, implement internal control self-assessments, and strengthen audits and submissions to the board, thereby achieving the purpose of receiving board concern and supervision.
 - (2) Implement the spokesperson system, make timely major information announcements on the Public Information Observatory, and strengthen information transparency and the maintenance of investors' rights.
 - (3) In order to strengthen corporate governance, the company board has passed the "Code of Practice for Corporate Governance," the "Business Integrity Rules, the "Business Integrity Operating Procedures and Operational Guidelines," the "Code of Practice for Corporate Social Responsibility," "Moral Conduct Standards," "Major Accidental Event Notification Procedure," "Risk Control Operation Norms," Board Diversity Policy," and "Guidelines for Board Performance Assessment." Other relevant norms will continue to be modified to implement the highest principle of corporate governance.
 - (4) Continue to schedule courses and arrange education courses for directors and supervisors to take education courses, thereby achieving the spirit of corporate governance implementation by the board.

Company Business Integrity Policy Implementation and Education Training Conduction Situation in 2019

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants	Title
1	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	HSU Wen-Faung	Chairman
2	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	HSU Wen-Faung	Chairman
3	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	LAI, Jen-Chung	Chairman
4	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	LIN, Chun-Yen	Vice President / Director
5	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	LIN, Chun-Yen	Vice President / Director
6	External Training	corporate governance	Excellent Director Academy, Taiwan	Impact of US–China Trade War	2019/11/7	3	LI, Yung-Yi	Senior Manager of

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants	Title
			Corporate Governance Association	to Taiwanese Corporations and their Responses				Sales/ Director
7	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	LI, Yung-Yi	Senior Manager of Sales/ Director
8	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	CHIU, Shih-Fang	Independent director
9	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	CHIU, Shih-Fang	Independent director
10	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	CHEN, Tien-Szu	Independent director
11	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	CHEN, Tien-Szu	Independent director
12	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	LAI, Jen-Chung	Independent director
13	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	HSIEH, Yu-Tien	Independent director
14	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	HSIEH, Yu-Tien	Independent director
15	External Training	corporate governance	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Chen Hui-Ling	Finance Manager
16	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	Chen Hui-Ling	Finance Manager
17	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	Chen Hui-Ling	Finance Manager
18	External	corporate	Taiwan Securities	Listed company	2019/9/1	3	CHEN,CHI-C	Audit Manager

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants	Title
	Training	governance	Exchange Corporation	business propaganda	2		HENG	
19	External Training	corporate governance	The Institute of Internal Auditors, R.O.C	Function and Mission of Corporate Governance Personnel under Corporate Governance	2019/11/15	6	CHEN,CHI-C HENG	Audit Manager
20	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	CHEN,CHI-C HENG	Audit Manager
21	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	CHEN,CHI-C HENG	Audit Manager
22	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Impact of US–China Trade War to Taiwanese Corporations and their Responses	2019/11/7	3	HSIEH,JUNG-CHUNG	R&D Manager
23	External Training	corporate governance	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Hung Wei-Liang	Legal Affairs
24	External Training	corporate governance	Excellent Director Academy, Taiwan Corporate Governance Association	Group governance	2019/11/7	3	Hung Wei-Liang	Legal Affairs
25	External Training	corporate governance	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Chen Ying-Ju	Stock Matters
26	External Training	corporate governance	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Peiling Wu	Finance
27	External Training	corporate governance	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Lui Wan-Ling	Finance
28	External Training	corporate governance	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Lixang Zhang	Finance
					Total time	87		

9. The following shall be disclosed in the pursuit of the internal control system:

(1) Declaration of Internal Control:

SUN MAX TECH LIMITED

Statement of Declaration of Internal Control System

Date: March 19, 2020

The following declaration is based on the 2019 self-audit over the Company's internal control policies:

- I. The Company and its subsidiaries are well aware that the establishment, implementation, and maintenance of the internal control system are the responsibility of the board and managers, and the Company has already set up such a system. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
- V. The Company, according to the aforementioned evaluation results, thinks the Company's internal control system (including the supervision and management over the subsidiaries) on December 31, 2019, including understanding the effectiveness and efficiency of operations, reporting the internal control design and implementation with effectiveness, timeliness, transparency, and compliance with the relevant requirements and regulations and laws; therefore, a reasonable assurance on the achievement of the aforementioned goals is provided.
- VI. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This declaration was approved by The Company's Board of Directors in the meeting dated March 19, 2020. None of the 7 directors present to the meeting held any objections, and had unanimously agreed to the contents of this declaration.

SUN MAX TECH LIMITED

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

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

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
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內部控制制度審查報告

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

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

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

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

勤業眾信聯合會計師事務所

會計師 楊 承 修



會計師 林 旺 生



西 元 2019 年 3 月 27 日

10. Where the Company and its insiders receive penalties for violations, the Company's punishment on its internal personnel for violating internal control system, and where the punishment may have material impact on shareholders' equity or securities price, the penalty, main mistake and improvement shall be expressly listed: none.
11. In the current year and as of the date of annual report printing, the important resolutions and execution status of the shareholders' meetings, board, Remuneration Committee, and Audit Committee:

(1) The resolution execution situation of the shareholders' meeting on June 12, 2019:

First case acknowledged: Passed the Company's 2018 annual business report and financial statements.

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: Submit for Shareholders' Meeting recognition. After voting, the proposal was passed as is.

Second case acknowledge: Passed the Company's 2018 annual earnings distribution case.

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: The shareholders are requested to acknowledge and pass the case to distribute dividends in the amount of NT\$38,959,500 before July 26, 2019.

First case of discussion: Amendments to the Company’s “Articles of Association”

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: Request shareholders to discuss and pass the case. On July 14, 2019, registration for changes in company Articles in the registered country, Cayman Islands.

Second case for discussion: Amendment the Company’s Company’s “Regulations Governing the Acquisition or Disposal of Assets”.

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: Submit for Shareholders’ Meeting recognition. After voting, the proposal was passed as is.

Third case of discussion: Amendments to “Procedures for Financial Derivatives Transactions”.

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: Submit for Shareholders’ Meeting recognition. After voting, the proposal was passed as is.

Fourth Case: for discussion: Amend the Company’s “Procedures for Loaning of Funds to Others.”

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: Submit for Shareholders’ Meeting recognition. After voting, the proposal was passed as is.

Fiveth case of discussion: Amend the Company’s “Regulations Governing of Endorsements/Guarantees”

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 202,357 of electronic voting rights)	90.33%
Cons: 0 (Including 5,000 of electronic voting rights)	0.03%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 14,030 of electronic voting rights)	9.64%

Execution status: Submit for Shareholders’ Meeting recognition. After voting, the proposal was passed as is.

Election: Election of all directors.

Election results:

SUN MAX TECH LIMITED
List of Elected Directors in Shareholders' Meeting for 2019

Title	Name	I.D. Card number	Elected shareholding
Director	SINOTEAM HOLDINGS INC		15,157,715
	Representative: HSU Wen-Faung	F1216 XXXXX	
Director	LAI, Jen-Chung	F1220 XXXXX	14,599,533
Director	LIN, Chun-Yen	E1223 XXXXX	14,445,173
Director	LI, Yung-Yi	H1212 XXXXX	14,392,753
Independent director	HSIEH, Yu-Tien	R1018 XXXXX	13,677,251
Independent director	CHEN, Tien-Szu	F1203 XXXXX	13,645,313
Independent director	CHIU, Shih-Fang	R1212 XXXXX	13,688,580

Other matters: Proposal for canceling the non-compete restriction for new directors and their representatives.

The voting status on the case is:

Poll result	% of voting rights of attending shareholders
Pros: 14,065,317 (Including 181,072 of electronic voting rights)	90.20%
Cons: 0 (Including 25,200 of electronic voting rights)	0.16%
Weight of no-votes: 0. (Including 0 of electronic voting rights)	0.00%
Waiver and non-voting weights: 1,508,022 (Including 15,115 of electronic voting rights)	9.64%

Execution status: Submit for Shareholders' Meeting recognition. After voting, the proposal was passed as is.

(2) Important Resolutions Passed by the Board:

Meeting date	Meeting	Major Board of Directors resolutions
2019/1/11	23 rd Meeting of the 2 nd Board of Directors	Proposal 1: <By Remuneration Committee> The Company's annual bonus payment for 2018.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 2: <By Remuneration Committee> Evaluation for Manager Performance Evaluation Standards and Salary Standards for 2019.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 3: <By Audit Committee> The Company plans to endorse and guarantee the loan taken by 100% owned sub-subsidiary POWER LOGIC TECH (TAI YI) CO., LTD. from CTBC Bank Guangzhou Branch for RMB 12,000,000.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 4: Performance evaluation review for the Board of Directors and all directors in 2018.
2019/3/22	24 th Meeting of the 2 nd Board of Directors	Proposal 1: <By Remuneration Committee> The Company's internal audit manager hiring and remuneration.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 2: <By Remuneration Committee> Amendment to Procedures on Salary and Remuneration Committee.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 3: <By Remuneration Committee> The Company's employee remuneration and directors and supervisors remuneration distribution for 2018.
		Resolution: Seven directors presented. The Chair of the Board, Hsu, Wen-Faung, and Directors Lin, Chun-Yen and Li, Yung-Yi are also employees and recused themselves because of conflict of interests. Independent Director, Chen, Tien-Szu, acted as the chair and the remaining four directors resolved to pass the proposal without objection.
		Proposal 4: <By Remuneration Committee> The Company's salary adjustment for 2019.
		Resolution: Seven directors presented. The Chair of the Board, Hsu, Wen-Faung, and Directors Lin, Chun-Yen and Li, Yung-Yi are also employees and recused themselves because of conflict of interests. Independent Director, Chen, Tien-Szu, acted as the chair and the remaining four directors resolved to pass the proposal without objection.
Proposal 5: <By Audit Committee> The Company's business report and consolidated financial statements for 2018.		

Meeting date	Meeting	Major Board of Directors resolutions
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 6: <By Audit Committee> The Company's revenue distribution for 2018.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 7: <By Audit Committee> The Company's internal control statement for 2018.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 8: <By Audit Committee> The Chair of the Board was authorized to seek the object for real estate subject matter of factory.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 9: <By Audit Committee> The Company plans to endorse and guarantee the short-term loan taken out by subsidiaries, POWER LOGIC HOLDINGS INC. and SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH, from Taishin International Bank being USD 8,000,000.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 10: <By Audit Committee> Amendment to the Company's Articles.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 11: <By Audit Committee> Stipulation of Standard Operational Procedures for Handling Directors' Requests.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 12: <By Audit Committee> Amendment to Rules Governing Performance Evaluation for the Board of Directors.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 13: <By Audit Committee> Amendment to Guidelines for Corporate Governance Practice.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 14: <By Audit Committee> Amendment to the Company's Regulations Governing Acquisition or Disposal of Assets.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.
		Proposal 15: <By Audit Committee> Amendment to the Company's Procedures for Financial Derivatives Transactions.
		Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.

Meeting date	Meeting	Major Board of Directors resolutions
		<p>Proposal 16: <By Audit Committee> Amendment to the Company's Procedures for Loaning of Funds to Others.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 17: <By Audit Committee> Amendment to the Company's Regulations Governing of Endorsements/Guarantees.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 18: Election of all directors for the third term.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 19: Proposal for canceling the non-compete restriction for new directors and their representatives.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Twelfth Case: "Convening the Company's 2019 Shareholders' Meeting related matters"</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p>
2019/5/2	25 th Meeting of the 2 nd Board of Directors	<p>Proposal 1: <By Audit Committee> The Company's consolidated financial statement for 2019 Q1.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 2: (Audit Committee) The Company intends to endorse and guarantee a short-term loan of US\$3 million from KGI Commercial Bank for its subsidiary, POWER LOGIC HOLDINGS INC.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 3:(Audit Committee) It is for the loaning of fund by Dongguan Power Logic Co., Ltd., the sub-subsidiary, to POWER LOGIC HOLDINGS INC., its subsidiary for an amount of US\$5,486,307.88 and to POWER LOGIC TECH (TAI YI) CO., LTD., the sub-subsidiary, for an amount of RMB 6,231,028.26.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 4: (Audit Committee) It is for the loaning of fund by DONG GUAN DONG LI DIAN ZI CO. LTD, the 100% invested sub-subsidiary, to POWER LOGIC TECH (TAI YI) CO., LTD., the 100% invested sub-subsidiary, for an amount of RMB 14,500,000.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 5: <By Audit Committee> Expand the transaction model of the real estate subject matter of factory sought by the Chair of the Board.</p> <p>Resolution: Seven directors presented, and all presented members</p>

Meeting date	Meeting	Major Board of Directors resolutions
		<p>resolved to pass the proposal without objection.</p> <p>Proposal 6: <By Audit Committee> Amendment to the Company's Regulations Governing Acquisition or Disposal of Assets.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p>
2019/6/12	The First Special Meeting for the Board of Directors of the Third Term	<p>Proposal 1: Election of the Company's Chair of the Board.</p> <p>Resolution: Director, Lai, Jen-Chung, proposed the representative of Sinoteam Holdings Inc., Hsu, Wen-Faung, to be the Chair of the Board. All present directors resolved to pass the proposal without objection.</p> <p>Proposal 2: Appointment of Audit Committee for the second term.</p> <p>Resolution: All present directors passed the proposal without objection. The 3 members elected Independent Director, Hsieh, Yu-Tien, among themselves to be the chair of the Audit Committee of the second term.</p> <p>Proposal 3: Appointment of Remuneration Committee for the second term.</p> <p>Resolution: All present directors passed the proposal without objection. The 3 members elected Independent Director, Chen, Tien-Szu, among themselves to be the chair of the Remuneration Committee of the second term.</p>
2019/6/21	The 1 st meeting of the 3 rd term	<p>Proposal 1: <By Remuneration Committee> Salary adjustment of the Company's internal control manager.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 2: <By Remuneration Committee> Amendment to the Company's Rules Governing Remuneration of Directors and Managerial Officers.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 3: <By Remuneration Committee> Remuneration payment to independent directors of the third term.</p> <p>Resolution: Seven directors presented. Independent Directors Hsieh, Yu-Tien; Chen, Tien-Szu; and Chiu, Shi-Fang recused themselves because of conflict of interests. Four directors resolved to pass the proposal without objection.</p> <p>Proposal 4: <By Remuneration Committee> Remuneration payment to Representatives of Sinoteam Holdings Inc. for the third term, Directors Hsu, Wen-Faung and Lai, Jen-Chung.</p> <p>Resolution: Because the chair, the representative of Sinoteam Holdings Inc., Director, Hsu, Wen-Faung, has conflict of interests in this case, he recused himself, and Independent Director, Chen, Tien-Szu acted as the chair.</p> <p>Seven members presented. Representatives of Sinoteam Holdings Inc., Directors Hsu, Wen-Faung and Lai, Jen-Chung recused for their conflict of interests. Five members voted and the proposal passed without objection.</p>

Meeting date	Meeting	Major Board of Directors resolutions
		<p>Proposal 5: <By Remuneration Committee> Remuneration payment to Directors of the third term, Lin, Chun-Yen and Li, Yung-Yi.</p> <p>Resolution: Seven members presented. Directors Lin, Chun-Yen and Li, Yung-Yi recused for their conflict of interests. Five members voted and the proposal passed without objection.</p> <p>Proposal 6: <By Audit Committee> Reinvestment in the newly established and 100% owned sub-subsidiary Taiyi (Jiangxi) Electronic Technology Co., Ltd. (TBC) by the 100% owned subsidiary UNITED STRATEGY INC.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 7: <By Audit Committee> Increase of registered capital and operational fund of a 100% owned subsidiary, UNITED STRATEGY INC.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 8: (Audit Committee) With the intention of enriching the working capital of the 100% invested subsidiary, POWER LOGIC HOLDINGS INC., the company is expected to invest US\$280,000.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 9: <By Audit Committee>Purchase of the real estate of land and factory used as the Group’s manufacturing base through 100% owned sub-subsidiary, Taiyi (Jiangxi) Electronic Technology Co., Ltd. (TBC).</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p>
2019/8/3	The 2 nd meeting of the 3 rd term	<p>Proposal 1: The consolidated financial statements covering 2019 Q2.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p>
2019/10/2	The 3 rd meeting of the 3 rd term	<p>Proposal 1: Re-prepare the Company’s budget for 2019 Q4.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 2: Amendment of the “Rules Governing Budget Management.”</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p> <p>Proposal 3: The Company intends to endorse and guarantee a short-term bank loan of US\$3 million for its subsidiary, POWER LOGIC HOLDINGS INC., Dongguan Power Logic Co., Ltd., the sub-subsidiary, and POWER LOGIC TECH (TAI YI) CO., LTD., the sub-subsidiary.</p> <p>Resolution: Seven directors presented, and all presented members resolved to pass the proposal without objection.</p>
2019/11/11	The 4 th meeting of the	<p>Proposal 1: The consolidated financial statements covering 2019 Q3.</p>

Meeting date	Meeting	Major Board of Directors resolutions
	3 rd term	<p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 2: The Company's 2020 operating plan and budget</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 3: Purchase Taipei Office through subsidiary, Power Logic Tech. Inc.</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 4: Apply for loan from Taishin Bank through subsidiary, Power Logic Tech. Inc.</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 5: The Company plans to endorse and guarantee the loan taken by 100% owned sub-subsidiary POWER LOGIC TECH (TAI YI) CO., LTD. from CTBC Bank Guangzhou Branch for RMB 14,000,000.</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 6: The Company plans to loan USD 1,000,000 to 100% owned subsidiary, Power Logic Holdings Inc.</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 7: According to Article 13 of the "Regulations Governing Establishment of Internal Control System by Public Companies," the Company's Audit Office has formulated the 2020 audit plan according to the results of risk assessment.</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 8: Stipulate the internal control system in writing for 100% owned sub-subsidiary Taiyi (Jiangxi) Electronic Technology Co., Ltd. (hereinafter, "Taiyi (Jiangxi)") according to Article 38 of Regulations Governing Establishment of Internal Control Systems by Public Companies.</p> <p>Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.</p> <p>Proposal 9: A report on the results of the regular assessment of the independence of accountants.</p>

Meeting date	Meeting	Major Board of Directors resolutions
		Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.
		Proposal 10: The Company's 2020 Board of Directors meeting date scheduled
		Resolution: Seven members presented. All directors voted by hand. Seven members approved and the proposal passed without objection.

- (3) The Audit Committee has resolved and passed important resolution matters: see Pages 30-33 of the annual report for descriptions.
- (4) Important resolution matters resolved and passed by the Remuneration Committee: See Page 41 of the annual report for descriptions.
12. Adverse opinions from the Directors or the Supervisors against major resolutions of the Board on record or in written declaration in the most recent year to the date this report was printed. The key content: Not applicable in this year.
13. Resignation or relief from office of the Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance and chief R&D officer in aggregate: None.
Summary of resignation and dismissal of relevant people in the Company:

May 20, 2020

Title	Name	Election Date	Termination Date	Cause of Resignation or Termination
Audit Manager	CHOU, YI-HSIN	2015/08/10	2019/02/28	Resignation for personal career planning
R&D Manager	CHEN, PING-CH	2015/05/02	2019/08/19	Resignation for personal career planning
Chief accountant	Chen Hui-Ling	2011/03/01	2020/04/01	Switching to financial consultant
Chief financial officer	Chen Hui-Ling	2011/03/01	2020/04/01	Switching to financial consultant

Note: The persons related to as referred to in this context are the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance and Chief R&D Officer.

V. Disclosure of the accountant's fee:

Firm Name	CPA Name		Duration of Audit	Remarks
Deloitte & Touche	Yang Cheng-Hsiu	Lin Wang-Sheng	January 1, 2019 to December 31, 2019	

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

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

Amount Unit: NT\$ 1000

Firm Name	CPA Name	Auditing fee	Non-Auditing fee					Subtotal	The duration of the audit	Remarks
			System design	Corporate Registration	Human Resources	Others (Note)				
Deloitte & Touche	Yang Cheng-Hsiu	4,380	0	640	0	1,962	6,982	2019/01/01 to 2019/12/31	1. Internal control review: \$900,000	
	Lin Wang-Sheng							2019/01/01 to 2019/12/31	2. Filing to the MOEAIC: 200,000 dollars 3. Transfer price: \$500,000 4. Tax check: \$100,000 5. Document application and verification expense: 146,000 dollars 6. Election of directors and change of the Chair of the Board term: 89,000 dollars 7. Economic substance filing and revision of overseas financial statements: 27,000 dollars. °	

2. If a change in accounting firm resulted in a lower audit remuneration for that year compared to the previous year, the amount, percentage, and reason of the reduction must be disclosed: Not applicable.
3. If the auditing fee of the current year is more than 15% less than the year before, the reduced fee amount, ratio, and the root cause should be disclosed: Not applicable.

VI. Change of CPA

No such cases in the current year.

VII. The Chairman, President, manager charged with finance or accounting of the Company has been working with the CPA firm retained as an external auditor or its affiliate in the last year

No such cases in the current year.

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

1. In accordance with Article 29 of the “Code of Practice for Corporate Governance,” results of CPA independence shall be reviewed periodically. Companies that have not replaced CPAs for seven consecutive years or have been subject to disciplinary or events detrimental to independence need to reconsider the necessity of CPA replacement and report evaluation results to the board.
2. The Company’s CPAs are Deloitte Taiwan’s CPAs Yang Cheng-Hsiu and Ling Wang-Sheng. Assessments were carried out in accordance with Article 47 of Accountant Law and No. 10 of the Code of Professional Ethics for Accountants, as well as the Independence and Eligibility Assessment Form. After the assessments, the two CPAs above were not found to have incurred independence violations, nor were there records of disciplinary action by the competent authority in the recent year. Therefore, there is currently no need to replace CPAs.
3. The CPA independence assessment were passed and registered by the 4th Meeting of the 2nd Audit Committee on November 11, 2019 and 4th Meeting of the 3rd Board of Directors on November 11, 2019.

IX. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, supervisors, managers and shareholders with more than 10% ownership interest

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

Unit: shares

Title	Name	2019		Year-to-date April 30	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman	SINOTEAM HOLDINGS INC.	0	0	0	0
SINOTEAM HOLDINGS IN: Representative	HSU Wen-Faung	0	0	0	0
Director	LAI, Jen-Chung	(45,000)	0	(37,000)	0
Director	LIN, Chun-Yen	(40,000)	0	0	0
Director	LI, Yung-Yi	(35,000)	0	0	0
Independent director	HSIEH, Yu-Tien	0	0	0	0
Independent director	CHIU, Shih-Fang	0	0	0	0
Independent director	CHEN, Tien-Szu	0	0	0	0
Financial Manager (Note 1)	Chen Hui-Ling	(85,125)	0	(5,000)	
Financial Manager (Note 1)	LIN, Chih-Feng	0	0	0	0
Audit Manager (Note 2)	CHOU, YI-HSIN	0	0	0	0
Audit Manager (Note 2)	CHEN, CHI-CHENG	0	0	0	0
R&D Manager	CHEN, PING-CH	0	0	0	0
R&D Manager	HSIEH, JUNG-CHUNG	0	0	0	0
Business Development Manager (Note 3)	WANG, Chien-Ta	0	0	(1,000)	0

Note 1: Financial manager, Chen Hui-Ling, was transferred on March 19, 2020, and financial manager, Lin Chih-Feng assumed office on March 19, 2020.

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

Research manager, Chen, Ping-CH, resigned on August 19, 2019.

Note 3: Business development manager, Wang, Chien-Ta became an insider on January 8, 2020.

2. Transfer of shareholding:

Name (Note 1)	Reasons for Transferring Shares (Note 2)	Date of transaction	Counterparty	Counterparty's relationship with The Company, Directors, Supervisors, Manager and shareholders with more than 10% ownership interest	Quantity	Transaction price
LAI, Jen-Chung	Gift	2019/03/25	LAI, Kuan-Lun	Father-Son	45,000	@\$44
LAI, Jen-Chung	Gift	2020/01/06	LAI, Kuan-Lun	Father-Son	37,000	@\$59.2

Note 1: Filled out with the names of the Company's directors, supervisors, managerial offers, and shareholders with more than ten percent of the shares.

Note 2: Filled out with acquisition or disposal.

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

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

April 21, 2020

Name	Own shareholdings		Shares Held by Spouse & Dependents		Shareholdings under the title of a third party		Spouse, Relative Of Second Degree Or Closer, Or Related Parties Defined In Statement Of Financial Accounting Standards No. 6 Among The Top Ten Shareholders; State Their Names And Relationships.		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name (or Name)	Relation	
Taishin Custodian Investment Account of Hsin Ting Holding Limited	5,977,844	21.20%	0	0%	0	0%			
Taishin trustee Xinting Holdings Co., Ltd. Investment Account: Corporate Representative HSU Wen-Faung	960,273	3.41%	19,007	0.07%	0	0%	HSU Wen-Faung	Self	
HSU Wen-Faung	960,273	3.41%	19,007	0.07%	0	0%	Taishin Custodian Investment Account of Hsin Ting Holding Limited	Legal representative: HSU Wen-Faung	
Investment account of Jet Investment Co., Ltd. trusted to Taishin (Note 1)	542,935	1.93%	0	0%	0	0%	-	-	
Li Chung-Cheng	400,247	1.42%	0	0%	0	0%	-	-	
Kao Hsin Chang Iron & Steel Corp.	400,000	1.42%	0	0%	0	0%	-	-	
Legal representative of KAO HSING CHANG IRON & STEEL CORP.: Lu Tai-Jung	0	0%	0	0%	0	0%	-	-	
LAI, Jen-Chung	390,337	1.38%	0	0%	0	0%	-	-	
Li Cheng-Hsu	324,662	1.15%	0	0%	0	0%	-	-	
Investment account of Credit Suisse Group trusted to Standard Chartered (Note 1)	304,681	1.08%	0	0%	0	0%	-	-	
Power Logic Holdings Inc. trusted to Taishin International Bank (Note 2)	230,000	0.82%	0	0%	0	0%	-	-	Treasury stock
Li Lung-Chu	228,819	0.81%	0	0%	0	0%	-	-	

Note 1: The juristic person shareholder is an investment account of a foreign juristic person, and is not represented.

Note 2: The account for the Company to purchase back treasury stocks.

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

Unit: share; %

Transfer investment business (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
United Strategy Inc.	2,005	100%	0	0	2,005	100%
Power Logic Holding Inc.	6,850	100%	0	0	6,850	100%
Sunny Sharp International Ltd.	490	100%	0	0	490	100%
Sunny Faith Investments Limited	500	100%	0	0	500	100%
POWER LOGIC TECH. INC	7,000	100%	0	0	7,000	100%
DONG GUAN DONG LI DIAN ZI CO. LTD	Note 1	100%	0	0	Note 1	100%
POWER LOGIC TECH (TAI YI) CO., LTD	Note 1	100%	0	0	Note 1	100%
POWER LOGIC (YI QUAN) CO., LTD (Note 2)	Note 1	100%	0	0	Note 1	100%
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Note 1	100%	0	0	Note 1	100%

Note 1: Company limited without shares

Note 2: Cancellation registration for POWER LOGIC (YI QUAN) CO., LTD was completed on January 20, 2020.

Four. Funding Status

I. Capital and outstanding shares

(I) Capital Sources (TINA)

April 21, 2020

Year and month	Issuing price (NT\$)	Authorized shares capital		Paid-in shares capital		Remarks		
		Quantity	Amount	Quantity	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
2013/11	USD 1	10,000,000	10,000,000	1	1	Set up	None	Note 1
2013/12	USD 1	10,000,000	10,000,000	570,093	570,093	Cash capitalization USD570,092	None	Note 2
2013/12	USD 1	10,000,000	10,000,000	2,026,996	2,026,996	Equity transfer of USD1,456,903	None	Note 3
2015/12	USD 1	10,000,000	10,000,000	2,526,996	2,526,996	Cash capitalization USD500,000	None	Note 4
2016/02	0	100,000,000	1,000,000,000	8,300,000	83,000,000	Equity currency conversion	None	Note 5
2016/03	TWD11	100,000,000	1,000,000,000	9,400,000	94,000,000	Capital increase by cash NT\$ 11,000 thousand	None	Note 6
2016/06	TWD60	100,000,000	1,000,000,000	12,400,000	124,000,000	Capital increase by cash NT\$ 30,000 thousand	None	Note 7
2016/09	TWD10	100,000,000	1,000,000,000	16,120,000	161,200,000	Capitalization of retained earnings NT\$ 37,200 thousand	None	Note 8
2017/05	TWD78	100,000,000	1,000,000,000	18,320,000	183,200,000	Capital increase by cash NT\$ 22,000 thousand	None	Note 9
2017/08	TWD10	100,000,000	1,000,000,000	21,068,000	210,680,000	Capitalization of retained earnings NT\$ 27,480 thousand	None	Note 10
2017/12	TWD10	100,000,000	1,000,000,000	23,703,000	237,030,000	IPO cash increase of \$26,350,000	None	Note 11
2019/01	TWD10	100,000,000	1,000,000,000	26,203,000	262,030,000	Capital increase by cash NT\$ 26,203 thousand	None	Note 12
2019/04	TWD10	100,000,000	1,000,000,000	26,244,811	262,448,110	Corporate bond conversion of NT\$ 418,110	None	Note 13
2019/07	TWD10	100,000,000	1,000,000,000	26,264,092	262,640,920	Corporate bond conversion of NT\$ 192,810	None	Note 14
2019/09	TWD10	100,000,000	1,000,000,000	26,288,194	262,881,940	Corporate bond conversion of NT\$ 241,020	None	Note 15
2019/10	TWD10	100,000,000	1,000,000,000	26,317,116	263,171,160	Corporate bond conversion of NT\$ 289,220	None	Note 16
2019/11	TWD10	100,000,000	1,000,000,000	26,326,756	263,267,560	Corporate bond conversion of NT\$ 96,400	None	Note 17
2019/12	TWD10	100,000,000	1,000,000,000	27,527,018	275,270,180	Corporate bond conversion of NT\$ 12,002,620	None	Note 18
2020/01	TWD10	100,000,000	1,000,000,000	28,192,229	281,922,290	Corporate bond conversion of NT\$ 6,652,110	None	Note 19

Note 1: Funding capital

Note 2: Capital increase

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

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

Share exchange with SUN MAX TECH LIMITED by 13 people including Li Lung-Chu, exchanging all

ADVANCE PLUS LIMITED. shares issued for 63,356 regular shares of SUN MAX TECH LIMITED. The equity transfer totaling 456,903 shares. After the share exchange, UNITED STRATEGY INC. and POWER LOGIC HOLDINGS INC. and ADVANCED PLUS LIMITED are 100% reinvestment subsidiaries of SUN MAX LIMITED.

Note 4: Capital increase

Note 5: The shareholders' meeting reached the resolution on February 2nd, 2016 that the 2,526,996 shares issued each at the denomination of USD1, totaling USD2,526,996. With the exchange rate of NTD 32.845323: 1USD, the issued 8,300,000 shares each at the denomination of NTD10, totaling NTD83,000,000.

Note 6: Capital increase

Note 7: Capital increase

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

Note 9: Capital increase

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

Note 11: Cash increase before IPO

Note 12: Capital increase

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

Note 14: Corporate bond conversion shares increased by 19,281, and capital increased by NT\$ 192,810.

Note 15: Corporate bond conversion shares increased by 24,102, and capital increased by NT\$ 241,020.

Note 16: Corporate bond conversion shares increased by 28,922, and capital increased by NT\$ 289,220.

Note 17: Corporate bond conversion shares increased by 9,640, and capital increased by NT\$ 96,400.

Note 18: Corporate bond conversion shares increased by 1,200,262, and capital increased by NT\$ 12,002,620.

Note 19: Corporate bond conversion shares increased by 665,211, and capital increased by NT\$ 6,652,110.

April 21, 2020

Stock Type	Authorized shares capital			Remarks
	Outstanding shares (Note 1)	Unissued Shares	Total	
Common stock	28,192,229	71,807,771	100,000,000	

Note 1: Under TAIEX listed shares

(II) Shareholders structure

April 21, 2020

Composition of Shareholders Amount	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign institution and foreigners	Total
No. of Person	0	0	15	4,158	19	4,192
Shares	0	0	647,856	19,616,057	7,928,316	28,192,229
Ratio of Shareholding	0%	0%	2.3%	69.58%	28.12%	100%

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

(III) Ownership diversification

NTD10/share April 21, 2020

<u>Range of Shares</u>			No. of Shareholders	Shares	Ratio of Shareholding (%)
<u>1</u>	<u>~</u>	<u>999</u>	543	35,436	0.13
<u>1,000</u>	<u>~</u>	<u>5,000</u>	2,983	5,773,656	20.48
<u>5,001</u>	<u>~</u>	<u>10,000</u>	359	2,832,167	10.05
<u>10,001</u>	<u>~</u>	<u>15,000</u>	94	1,205,999	4.28
<u>15,001</u>	<u>~</u>	<u>20,000</u>	78	1,438,035	5.10
<u>20,001</u>	<u>~</u>	<u>30,000</u>	44	1,097,166	3.89
<u>30,001</u>	<u>~</u>	<u>40,000</u>	23	831,905	2.95
<u>40,001</u>	<u>~</u>	<u>50,000</u>	12	556,000	1.97
<u>50,001</u>	<u>~</u>	<u>100,000</u>	31	2,113,188	7.50
<u>100,001</u>	<u>~</u>	<u>200,000</u>	10	1,460,604	5.18
<u>200,001</u>	<u>~</u>	<u>400,000</u>	11	2,966,774	10.52
<u>400,001</u>	<u>~</u>	<u>600,000</u>	2	943,182	3.35
<u>600,001</u>	<u>~</u>	<u>800,000</u>	0	0	0
<u>800,001</u>	<u>~</u>	<u>1,000,000</u>	1	960,273	3.41
<u>1,000,001 and above</u>			1	5,997,844	21.20
<u>Total</u>			4,192	28,192,229	100.00

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

April 21, 2020

Name of Principle shareholder	Shares	Shareholding percentage (%)
Taishin Custodian Investment Account of Hsin Ting Holding Limited	5,977,844	21.20%
HSU Wen-Faung	960,273	3.41%
Investment account of Jet Investment Co., Ltd. trusted to Taishin	542,935	1.93%
Li Chung-Cheng	400,247	1.42%
Kao Hsin Chang Iron & Steel Corp.	400,000	1.42%
LAI, Jen-Chung	390,337	1.38%
Li Cheng-Hsu	324,662	1.15%
Investment account of Credit Suisse Group trusted to Standard Chartered	304,681	1.08%
Power Logic Holdings Inc. trusted to Taishin International Bank	230,000	0.82%
Li Lung-Chu	228,819	0.81%

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

Unit: NTD

Item	Year		2018	2019	Until March 31, 2020
	Market Price Per Share	The Highest		127	61.8
	The Lowest		39.8	36.5	28.35
	Average		76.07	44.63	50.92
Net Value Per Share	Before Distribution		37.37	37.14	37.45
	After dividend distribution (Note 1)		35.87	Note 3	—
Earnings per share	Weighted average shares		23,703 thousand Shares	27,527 thousand Shares	28,192 thousand Shares
	Earnings per share (Note 2)		3.12	3.44	0.47
Dividend Per Share	Cash dividends		1.5	Note 3	—
	Free-Gratis Dividends	Retained Shares Distribution	—	—	—
		Capital Reserve Shares Distribution	None	None	—
	Retained Dividends		None	None	—
Return on investment Analysis	P/E ratio		24.38	12.97	—
	Dividend Yield		50.71	29.75	—
	Cash Dividend Yields		1.97%	3.36%	—

Source: consolidated audited financial statements in 2017 and 2018.

Note 1: Net value per share /number of regular shares for the current year

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

Note 3: The Company passed the resolution reached by the board on March 19, 2020 to distribute cash dividends in the amount of NT\$ 40,945,527 (NTD1.5/share), which is pending resolution passing at the shareholders' meeting on June 19, 2020.

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

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

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

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

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

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

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

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

The Company shall not pay interest on undistributed dividends.

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

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

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

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

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

dispose distorted shares or corporate bonds by means deemed appropriate; and
(4) Will take all necessary stands to execute provisions in this article.

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

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

The Company's 2019 earnings distribution passed the board resolution on March 19, 2020 distributing cash dividends of NT\$ 40,945,527 (NT\$ 1.5/shares) and pending resolution passing by the board on June 19, 2020.

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

The Company offered no share dividend distribution in 2019 and is thus not account applicable.

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

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

According to Article 129 of the Corporate Charter, the Company shall distribute profits according to the profit distribution plan proposed by the board and resolved and passed at the shareholders' meeting. In addition, after making up for the losses incurred over the years, in accordance with the provisions in the company public offering regulations, or inaccuracies with the competent authority's request to list or turnaround of special surplus reserve, no more than 2% of the remaining profit shall be used as director remunerations and 10% at most and 1.5% at least as employee bonuses. The employee bonuses shall be distributed in accordance with provisions in Article 17 of the Employee Incentive plan. The board shall stipulate in the surplus distribution agenda regarding the percentage of bonuses distributed to employees. Shareholders may modify the proposal before the resolution. Directors concurrently serving as company executives are entitled to bonuses as company employees.

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

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

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

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

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

(1) Actual Distribution Situation:

Actual distribution situation for the previous year (2018): distributed items.	The number of distributions originally proposed by the board.	The actual distribution amount resolved in the shareholders' meeting	Amount of difference
Employees' stock bonus	-	-	-
Employees' cash bonus	2,162 thousands	2,162 thousands	-
Remuneration to directors/supervisors	1,730 thousands	1,730 thousands	-

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

(IX) Shares repurchased by The Company:

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

Period No.	The 1st time
Date of Board resolution	2018/08/08
Purpose of repurchase	Transferring stocks to employees
Repurchase period	2018/08/10 to 2018/10/08
Price range at which scheduled to be repurchased (NT\$)	NT\$ 110 to NT\$ 55
Type and amount (shares) of the repurchased shares	230,000 ordinary shares
Amount of the repurchased shares (NT\$)	NT\$ 15,286,879
Average repurchase price per share (NT\$)	NT\$ 66.46
Ratio of repurchased shares to shares repurchase planned	57.50%
Shareholdings that have been cancelled and transferred (shares)	0 Shares
Accumulated shareholdings of the Company (shares)	230,000 Shares
Percentage of accumulated shareholdings of the Company to total issued shares (%)	0.82%
Reasons for not completing the repurchase during the repurchase period	In order to take care of both the market mechanism and the shareholders' interests, the Company conducts the repurchase in batches based on the change of stock price, and thus the Company has not completed the repurchase of treasury shares this time.

2. Up to the publication date of the annual report, the market share price is still lower than the average repurchase price, so currently, there is no plan to transfer shares to employees.

II. Disclosure relating to corporate bonds

Bond type	The 1st Unsecured Convertible Bond in R.O.C.	
Issue date	January 3, 2019	
Face Value	NT\$ 100,000	
Place of Issue and Trading	Taipei Exchange (TPEX)	
Issuing price	The bond is issued with 100% par value of NT\$ 100,000.	
Total amount	NT\$ 150,000,000	
Interest rate	Coupon rate 0%	
Maturity	3 years, matured on January 3, 2022.	
Guarantee Institution	None	
Trustee	Taishin International Bank	
Consignee	Concord Securities Co., Ltd.	
Certified Lawyer	Jheding International Law Offices Lawyer, Yu-Liang Chen	
Certified CPA	Deloitte & Touche CPA, Cheng-Hsiou Yang; CPA, Wang-Sheng Lin	
Repayment Methods	Except for the case where the holders of the convertible bonds convert them into the Company's ordinary shares in accordance with Article 13 of the Regulations or exercise the put options in accordance with Article 22 of the Regulations, and where the Company calls the bonds or purchases them back from the security houses for cancellation in advance in accordance with Article 21 of the Regulations, the Company redeems the bonds with cash at the face value when the convertible bonds are due.	
Amount not repaid	NT\$ 150,000,000	
Redemption or earlier redemption	It is handled in accordance with the regulation of bond redemption right defined in Article 22 of the issuing rules.	
Limitation Article	Please refer to the Regulations on the Issuance and Conversion of the 1st Secured Convertible Bonds in R.O.C.	
Name of the credit rating agency, rating date, and rating results	Not applicable	
Other equity attached	The amount of converted (swapped or purchased) ordinary shares, GDRs or other securities as of the date when the annual report was printed	As of the date on which the annual report was printed, the date for the suspension of share transfer, 826 corporate bonds were converted into 1,989,229 ordinary shares for the first time in Republic of China.
	For the Regulations on Issuance and Conversion (Swap or Purchase),	Please refer to the bond issuance data on the section of bond credit rating on the MOPS.
Rules for issuing, conversion, exchange or purchase, possible dilutions of equity from the issuing conditions, and the impacts on the rights of the	By the end of April 21, 2020, the date for suspension of share transfer, the first unsecured convertible corporate bonds issued by the company in the Republic of China, 826 pieces of the first secured convertible corporate bonds had been converted and 674 pieces were not converted. The current	

Bond type	The 1st Unsecured Convertible Bond in R.O.C.
existing shareholders	conversion price is NT\$41.49. Assume that all bondholders unconvert their convertible bonds at the conversion price, the shares that will be converted into the Company's ordinary shares are 1,624 thousand shares. Based on the Company's current issued outstanding shares of 28,192 thousand shares plus convertible shares, the dilution ratio is about 5.45%, which is not significant. Furthermore, the holders of convertible bonds usually convert their bonds into ordinary shares gradually, and thus equity dilution does not occur immediately. As a result, the issuance of convertible bonds this time will not have significant impact on shareholders' equity.
Custody Agency Name for the Exchange Target	Not applicable

Status of convertible bonds:

Bond type		The 1st Unsecured Convertible Bond in R.O.C.
Item	Year	
	Year-to-date April 30, 2020	
Market price of the convertible bond	The Highest	NT\$ 147
	The Lowest	NT\$ 95.2
	Average	NT\$ 109.34
Conversion price		NT\$ 41.49
Issue date and		Issue date: January 3, 2019
Conversion price		The conversion price at the time of issue was NTD43.73.
Ways of fulfilling conversion obligation		Paid by issuing new regular shares.

- III. Disclosure relating to preference shares: none.
- IV. Disclosure relating to depository receipts: none.
- V. Situation of handling of subscription right certificate and restricted employee right for new shares: none
- VI. The new shares from restricted employee stock option: none.
- VII. Disclosure on new shares issued for the acquisition or transfer of other shares: none.

VIII. Progress on the use of funds:

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

(I) Plan Content: 2018-12-10 JIN-GUAN-ZHENG-FA-ZI No. 1070344687

1. Cash increase approval date and document number: December 10th, 2018; JIN-GUAN-ZHENG-FA-ZI No. 1070344687

Corporate bond approval date and document number: December 10th, 2018; JIN-GUAN-ZHENG-FA-ZI No. 10703446871

2. Total capital required for the plan: NTD230,000 thousand

3. Source of capital required for the plan:

(1) Cash increase issue of new shares

① Denomination: NT\$10

② Number of shares: 2,500 thousand shares

③ Issue price: NTD32 per share

④ Total amount raised: NT\$80,000 thousand

⑤ This capital increase issued is to supplement operating funds.

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

① Denomination: NT\$100 thousand

② Number: 1,500 shares

③ Period: Three years

④ Coupon rate: 0%

⑤ Issue price: Issued at the denomination amount.

⑥ Total funds raised: NT\$150,000 thousand

⑦ For supplementing operating funds

4. Capital Use Plan and Reserve Use Progress:

Unit: NTD thousands

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

5. Plan Benefits Generated:

The funds raised in the amount of NTD 230,000 thousand shall supplement the funds needed to achieve operating growth and shall replace bank loans to strengthen the financial structure and reduce capital cost. If the above funds are to be paid through bank loans instead, with current company short-term loan interest rate of about 1.70%-1.89%, an estimated NTD 2,933 thousand to NTD 3,105 thousand can be saved from April to December 2019 and NTD3,910 thousand to NTD4,140 thousand thereafter. Since the Company is in the growth phase, in coordination with future operational expansion, it is expected that with the fund input, the financial structure

and capital allocation flexibility can be enhanced.

(II) Execution:

Capital use execution situation as of the Q2 of 2019:

Plans	Status of implementation:		2019 Q1	2019 Q2	Cumulative Execution Progress	Description of Progress
	Amount Mobilized					
Replenishing operating fund	Amount Mobilized	Scheduled	150,000	80,000	230,000	Currently implementing according to the plan, after the Company collects transferrable debt of 150,000 thousands on December 28, 2018, it is appropriated in 2019 Q1. Cash capital increase of 80,000 thousands was collected on January 21, 2019 and appropriated in 2019 Q2.
		Actual	150,000	80,000	230,000	
	Execution progress (%)	Scheduled	65.21%	100.00%	100.00%	
		Actual	65.21%	100.00%	100.00%	

Five. Business performance

I. Content of business

1. Business scope:

(1) The main contents of the business service

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

(2) The proportion of key items to overall operation

Unit: NTD thousands

Product	2018		2019		March 31, 2020	
	Amount	Amount	Amount	Business weightage	Amount	Business weightage
E-sports	995,133	81.73%	978,568	82.59%	207,745	82.59%
General cooling	85,449	7.02%	99,525	8.40%	24,753	9.84%
Communication	61,630	5.06%	26,239	2.22%	5,115	2.03%
Industrial control and home appliances	48,640	3.99%	64,602	5.45%	8,832	3.51%
Vehicles and other	26,743	2.20%	15,878	1.34%	5,102	2.03%
Total	1,217,595	100.00%	1,184,812	100.00%	251,547	100.00%

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

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

(4) Planned developments for new products (services)

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

2. Industry overview

(1) Industrial status and development

With the trend of IoT and portable products, the global electronic information products continue heading toward the direction of light, thin, short, small, fast-computing, multi-function and energy-saving, leading to the continuous development of the internal chip operation clock. According to the theory of current thermal effect, electronic products during operation will generate unnecessary heat due to the effect of circuit current impedance. If heat fails to be effectively eliminated but instead build up in electronic components, the electronic components may be damaged due to temperature elevations. According to IEK's report, among the causes of device damage, high temperature causing dysfunction accounts for the highest ratio reaching 55%, higher than other causes such as vibration, humidity, and dust. Therefore, the quality of cooling devices has a huge impact on electronic product operations. Under this trend, the cooling efficiency requirement for cooling component also continues to rise.

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

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

Looking ahead, the Company shall enter two blocks: the e-sports industry and VR based on the current development trend of the consumer electronics industry. Incited by global professional e-sports leagues, industries and VR are two blocks to enter. With the global professional leagues, an international market survey organization Newzoo released the "2019 global e-sports market report" on February 13th, 2019, forecasting the e-sports market size will exceed the USD1 billion mark for the first time and creating a new benchmark of prosperity like never before for the continuously booming industry; the rise of the e-sports industry had depended on the construction of prerequisites such as game software, computer technology, network equipment, business models and creation of business opportunities in concerted efforts. Therefore, domestic and foreign manufacturers have actively engaged in developing e-sports business.

In addition, major manufacturers have actively engaged in the VR market. As far as the market segmentation is concerned, it can be divided into two categories: smart machines and high-performance hosts, the former with a lower barrier to entry, including Google Carboard, Samsung, Gear VR, and so on in the market. There is another type of VR headset that works with a high-performance console, which is a more favorable and anticipated market.

Currently, PlayStation VR by Sony, Oculus Rift under Facebook and Vive under HTC (2498) are in this market. Now, the mainstream market still focuses on gaming, but it is foreseeable that industries including medical imaging, movies, on-line streaming, education, science research, thematic exhibition, occupational safety, auto-pilot, commercial product design and marketing will advance and develop relevant applications and its practicability.

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

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

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

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

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

(3) Product development trends

With the rapid development of technology and ever-changing products, the applications and market demand also continue to expand and change. In recent years, in addition to the rapid popularization of smart phones, tablet PCs, and other consumer mobile devices, the rapid development of high-end technologies including 5G big data, Internet of things (IoT), cloud computing, and artificial intelligence (AI) technologies have also led to the rapid development of more emerging industries, such as cloud servers, electric vehicles, VR devices, unmanned aerial vehicles, etc. Therefore, more and more industries need cooling modules or other cooling products. Cooling product manufacturers with solid foundation and competitiveness have stepped into niche operating markets or seized market share in middle-high end product applications in recent years, reaching out to application fields other than the traditional computer industry to seek higher profits. The e-sports boom in recent years has led to the industry's increasing higher demand. Many

traditional computer and component brand manufacturers have put in more efforts to enter the niche e-sports market and actively develop e-sport-exclusive product series, in the hope of keeping up with e-sports industrial growth. However, due to the increasing number of competitors, in order to cater to the needs of module manufacturers or end customers, 3Hs and double-speed product strategies will be the key to success.

A. Three Tops

(a) High Quality:

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

(b) Long Life:

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

(c) High Performance:

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

B. Double Speed

(a) Fast Design:

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

(b) Fast Delivery:

The factory demonstrates a high degree of vertical integration, from molding, injection molding, fan processing, SMT, motor winding, rotor processing, stator assembly, wire processing, finished product assembly, high compliance with delivery dates, high production flexibility, and quality control. At the same time, well-planned inventory, supplier

management plans, and speedy and unobstructed shipment processes and transportation should be established to avoid stagnant inventory and materials.

C. Three Lows (3Ls)

(a) Low Costs:

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

(b) Low Noise:

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

(c) Low Power Consumption:

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

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

(4) Competition

The major competitors of cooling fans are classified as follows:

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

Since there are many competitors and that cooling fan applications

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

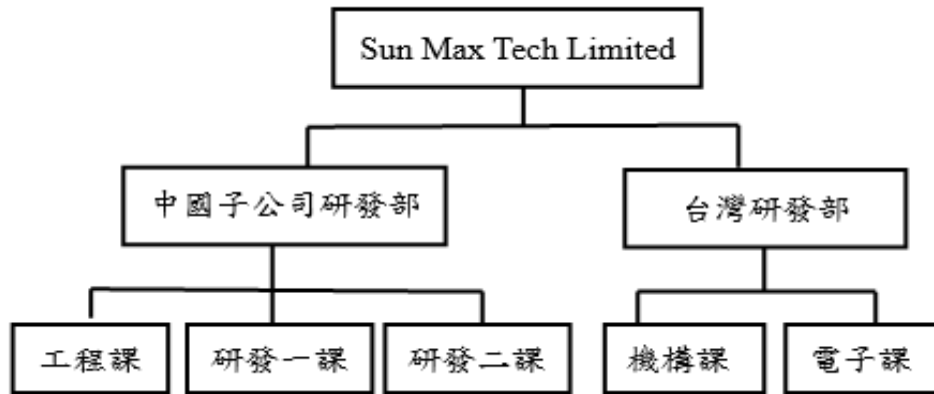
Due to the short Lifecycle of IT products, complex design, rapid R&D, and high-quality requirements, the coordination of components to technology update and speed is of greater importance. With the product differentiation inclination and in response to the customers' varied product specifications and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

3. Technological research and development

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

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

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



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

Unit: person

Item	Year	2016	2017	2018	2019	March 31, 2020
	Education	Doctoral Degree	0	0	0	1
Master		1	2	2	6	8
Bachelor		2	3	3	5	6
College		13	9	11	11	13
Senior High School (Including below)		16	19	15	17	15
Total		32	33	31	40	43

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

Unit: NT\$ thousand; %

Item \ Year	2015	2016	2017	2018	2019	2020 Q1
Research and development expenses	10,218	20,739	25,325	31,063	35,949	11,693
Net revenue	841,107	1,173,895	1,291,947	1,217,595	1,184,812	251,547
Percentage to operating revenue	1.21%	1.77%	1.96%	2.55%	3.03%	4.65%

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

Year	R&D results	R&D results
2015	Product design	2 fan structures, circuit related patents.
2016	Product design	18 fan structures, blades, water cooling system related patents
2017	Product design	15 fan structure patents
2018	Product design	43 fan structures, circuit control, and LED related application patents
2019	Product design	25 patents for fans are patents relating to AI intelligence fans and applications relating to LED fans

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

(1) Short-term business development plans

- A. Having closer cooperation with agents to introduce new customers.
- B. Proactively develop basic product market, such as electronic fans used in AI, IOT, 5G and automobile and diverse appliance design applications to earn higher profits.
- C. Refining the automation equipment to increase the flexibility of a small but a variety of production.

(2) Long-term business development plans

- A. With the development of the technology industry and the trend of consuming electronics integration, the Company continues to enhance its core competitiveness and creativity through innovative R&D and design, enhanced manufacturing capabilities and improved application technology.
- B. Develop overseas customers and markets to lead the Company toward globalized development.
- C. Develop smart fans and promote to product, adding new fan ideas.
- D. Engage in the R&D of new-energy products such as cooling fan charging cabinets and charging modules.
- E. With the rise of AI, IOT and 5G industries, the transmission of products will rise, and cooling will become more important. Fan design and application in diverse markets with the timely design of products meeting clients' needs will be the competition indicator among fan suppliers.

II. Market and sales overview

1. Market Analysis

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

Unit: NTD thousands

Sales area	2018		2019	
	Amount	Proportion %	Amount	Proportion %
China	1,001,632	82.26	888,518	74.99
Taiwan	85,995	7.06	75,997	6.42
Others	129,968	10.68	220,297	18.59
Total	1,217,595	100.00	1,184,812	100.00

(2) Market share

The Company is the world's main e-sports PC cooling fan supplier at present who provides customers with more competitive products featuring unique performance. It also continues to enter and develop new fields including new energy, automotive charging cabinets, vehicles, and NB e-sports market to take on greater and more difficult challenges. In recent years, the government has passed legislation to list e-sports as an official sporting event. The Hangzhou Asian Games to be held in 2022 will include e-sports in the official competition; the International Olympic Committee is also expected to introduce e-sports as one of the sporting events in the 2024 Paris Olympics, making e-sports a promising industry in terms of its long-term development. Countries around the world have increasing recognition for the e-sports industry. The large e-sports competition holdings and broadcasting at home and abroad also contribute to e-sports industry promotions. According to statistics of market survey institution Newzoo, the e-sports market is expected to reach USD1.65 billion in output and achieve 27.4% compound annual growth rate by 2021. According to estimates of Digi Capital, the global digital gaming market size will reach USD115 billion by 2020. The middle-term and long-term growth momentum of the e-sports industry is taken care of.

(3) Future market supply and demand and the growth

① Video Card Market

In 2020 Q2, Intel will launch a new model of 10th gen Comet Lake-S for DT CPU. In 2020 Q3, AMD and Nvidia are expected to launch a new model of 7nm graphics chip. Nvidia Ampere structure and AMD rDNA 2 structure are both equipped with optimized performance of ray tracing, low power consumption and high performance, which can satisfy the needs for high speed processing and transmission of remote conference and work, online learning and gaming. It is expected that there will be a new need for upgrading hardware and machine buying, which will increase the demand for high performance cooling fans.

② Personal Computer Market

With the wave of machine buying and gaming needs incurred from Intel's and AMD's launch of new CPU models, consumers' need for systems for high speed processing, and the promotion of otaku economy, distance learning, remote working and conferencing due to COVID-19, PC market will grow continuously.

③ Notebook Computer Market

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

④ Telcom (5G) market:

5G's transmission speed is ten times that of 4G, which is a great challenge for cooling. From the perspective of equipment, switches, routers, bridges in telecom and servers and racks in data centers will bring a new wave of machine buying. The foregoing equipment will play a main role in each country's infrastructure. 24-hour operation, fast transmission, stable signal, power-saving, and climate-resistance are the basic features required for all telecommunication products. Therefore, high air volume, high wind pressure, high and broad voltage, IP protection, power-saving, and intelligent circuit design are the focuses of development.

(4) Competitive niche

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

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

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

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

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

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

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

① Favorable factors

A. Grasp of Research and Development and Markets

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

B. Increased Market Demand

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

C. Product Competitiveness

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

(A) Provide customers with instant and rapid services.

(B) Provide unit prices with market competitiveness.

(C) Shipments are in cooperation with customers' required delivery dates.

(D) Increase production output and reduce process defective rates.

(E) Provide customers with technical support.

② Unfavorable Factors and Specific Coping Strategies

A. Fierce Market Competitiveness

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

Responsive strategies:

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

B. Rapid Increase of Labor costs

Due to rapid cross-trait development, increased national income, and yearly wage increases in recent years, labor requirements and

production costs increase every year. Moreover, the current cooling fan assembly process requires manual assembly, testing, and packaging, resulting in operational pressure.

Responsive strategies:

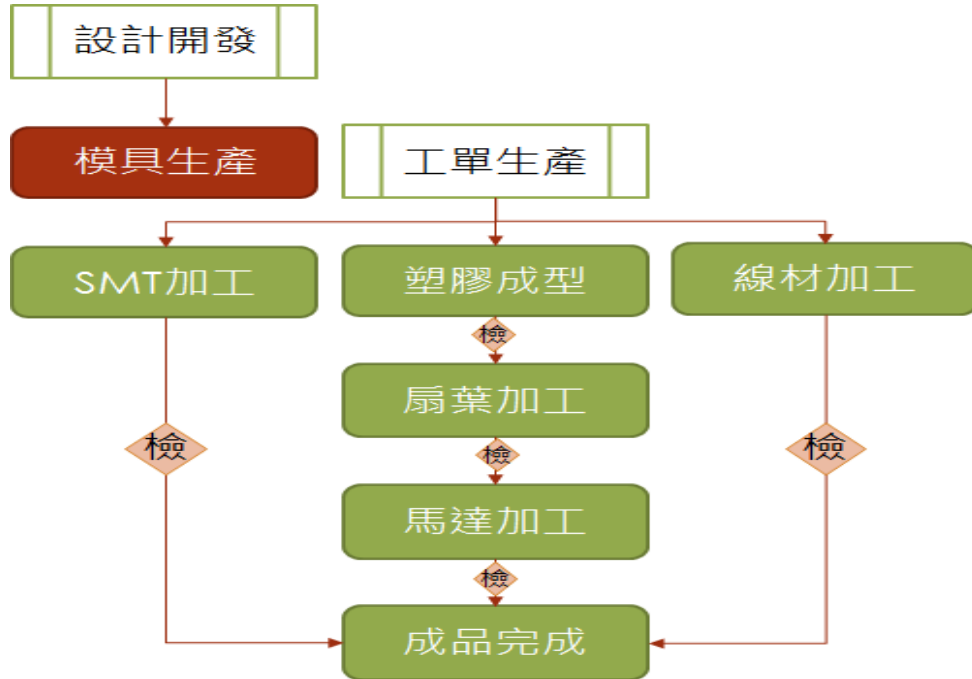
In addition to developing products with high performance and high profits, automated production is also gradually improved and accelerated to reduce demand for labor during production processes. In addition, the Company also actively engages in the research and development of cross-domain new products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

2. The purpose of key items and production process

(1) Intended use of the main products

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

(2) The production process of the main products



3. Supply of main materials (Finance) (Liu, Chia-Mou)

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

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

Unit: NTD thousands

Item	2018				2019				2020 Q1			
	Name	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer
1	Manufacturer A	86,181	17.72	None	Manufacturer A	14,009	3.54	None	Manufacturer A	2,636	2.54	None
2	Manufacturer B	52,300	10.76	None	Manufacturer B	40,000	10.10	None	Manufacturer B	12,286	11.82	None
3	Others	347,763	71.52	None	Others	342,019	86.36	None	Others	88,982	85.64	None
	Purchase - net	486,244	100.00		Purchase - net	396,028	100.00		Purchase Net	103,904	100.00	

Buyer A's purchase price decreased by 72,172 thousand dollars from 2018 to 2019. In 2018, there was a strategic stock preparation, so the purchase price in 2019 was lower than that in 2018. Manufacturer B: Compared to 2019, the net ratio in annual purchase decreased by 12,300 thousand in 2018 due to customers' changed product functional requirements and instead purchased components with market required function, leading to a reduced purchase volume.

Buyer A's purchases in 2020 Q1 shows a decrease of 31.28% year-over-year, because it purchases from multiple suppliers. Buyer B's purchases in 2020 Q1 shows an increase of 18.33% year-over-year. Net purchase amount in 2020 Q1 increased 3,353,000 dollars year-over-year. This is because the shipment amount of this quarter is less year-over-year, but the supply chain strategically stocked up in response to the global pandemic of Covid-19 and the purchase amount increased.

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

Unit: NTD thousands

Item	2018				2019				2020Q1			
	Name	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer	Name	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer
1	Customer A	392,594	32.24	None	Customer A	337,696	28.50	None	Customer A	86,003	34.19	None
2	Customer B	240,747	19.77	None	Customer B	249,643	21.07	None	Customer B	41,459	16.48	None
3	Others	584,254	47.99	None	Others	597,473	50.43	None	Others	124,085	49.33	None
	Sale Net	1,217,595	100.00		Sale Net	1,184,812	100.00		Sale Net	251,547	100.00	

The Company's clients' sales decreased in 2019, mainly because the first half of 2019 was affected by the graphics card market's sale of inventory of old models, and the overall revenue performance slightly decreased.

4. Production volume and value in the last 2 years

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

Main Products	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
E-sports	14,894	12,388	944,010	14,875	13,026	829,151
General cooling	1,673	1,392	70,629	1,728	1,513	76,863
Communication	432	359	31,305	333	292	23,210
Industrial control and home appliances	792	659	45,884	865	757	51,248
Vehicles and other	118	98	5,217	108	94	5,759
Total	17,909	14,896	1,097,045	17,909	15,682	986,231

The Company's 2019 production increased by 786 thousand dollars from 2018, where the overall production value of 2019 decreased by 110,814 thousand dollars from 2018.

5. Sale volume and value in the last 2 years

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

Main Products	2018				2019			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
E-sports	8,493	872,834	1,209	122,299	7,951	778,165	1,789	200,403
General cooling	1,128	61,228	316	24,222	1,219	82,842	219	16,683
Communication	367	28,766	395	32,864	52	4,532	279	21,707
Industrial control and home appliances	312	16,974	346	31,666	277	15,770	516	48,832
Vehicles and other	6,629	21,830	49	4,912	187	7,209	73	8,669
Total	16,929	1,001,632	2,315	215,963	9,686	888,518	2,876	296,294

The Company's overall revenue in 2019 decreased by 32,783 thousand dollars from 2018. Because in the first half of 2019, Nvidia launched mid- to high-end products of 2080TI/2080/2070, and the sales were not as high as anticipated, this led to a decrease of overall revenue.

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

Unit: person; year; years old

Year		2018	2019	March 31, 2020
Employee No.	Direct labor	524	357	688
	Indirect labor	213	273	274
	Total	737	630	962
Average age		33.73	35.35	36.82
Average seniority		3.33	3.97	2.69
Academic qualification	Doctoral Degree	0	0.16%	0.10%
	Master	0.67%	1.43%	1.25%
	College	8.96%	12.54%	8%
	Below Senior High School	90.37%	85.87%	90.65%

IV. Information on spending on environmental protection

In the last fiscal year and until the publication date of the annual report, loss caused by environmental pollution (including damages and environmental audit result indicating violation of environmental laws and regulations, where sanction date and number, violated laws and their content and sanction content shall be specified), estimated amount that could be incurred currently and in the future, as well as the response plan shall be disclosed. In the event it cannot be reasonably estimated, the fact that causes the reasonable estimate to be unavailable shall be explained: None.

The Company's expenses relating to environmental protection are explained below:

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

(1) Pollution Facility Setup and Pollutant Discharge Permit

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

Since the processes cause no pollution, only waste disposal by a commissioned certified company according to provisions needs to be done. There is no need to apply

for a pollution prevention and control certificate or set up pollution prevention and control facilities.

- A. Signed the Hazardous Waste Disposal Service Agreement with Lungshan Environmental Engineering Co., Ltd. And Baoan Environmental Solid Waste Treatment Plan (Power Logic Tech 2018/06/01-2019/05/31 for industrial waste (liquid) formed during the production processes of POWER LOGIC TECH (TAI YI) CO., LTD. 2018/05/15-2019/05/14).
- B. Signed a miscellaneous industrial wastewater transfer agreement with DONG GUAN DONG LI DIAN ZI CO. LTD.. 2018/06/01 to 2019/05/31, POWER LOGIC TECH (TAI YI) CO., LTD. 2018/04/01 to 2020/03/31.

(2) Payable fees for anti-pollution treatment

- 1. On the setup of Power Logic Tech. Inc. in Tianwei Village, wastewater treatment fees were paid to the Tianwei Village Committee. In 2014, payments were instead paid to Guangdong GDH Water Company Limited The basis of payment was computed by tap water usage. In 2014, the payment totaling RMB 82,135.36; in 2015, the payment totaling RMB 45,174.44; in 2016 the payment totaling RMB77,738.40; in 2017, the payment totaling RMB 71,570.4; in 2018, the payment totaling 61,973.40; in 2019, the payment totaling RMB 48,510.3.

POWER LOGIC TECH (TAI YI) CO., LTD. effluent processing system is set up in Wanjin Industrial Park, where effluent is processed by Wanjin Industrial Park. Total paid water fees (including effluent processing fees) for 2017 was RMB 124,442.39. Total paid water fees (including effluent processing fees) for 2018 was RMB 171,886.65. Total paid water fees (including effluent processing fees) for 2019 was RMB 292,139.61.

- 2. Specify the investment in the major equipment of the Company for environmental protection and anti-pollution, the purpose and desired result: None.
- 3. The effort of the Company in the improvement of the environment from pollution in the last 2 years to the date this report was printed. If there is dispute concerning pollution, specify the process of responding to the situation: Not applicable.
- 4. Describe the status of pollution and corrective action, and the influence on the earnings, competitive position, and capital expenditures of the Company, and the major capital expenditures for environmental protection projected in the 2 years ahead.

(1) Current problem of pollution and the influence of the remedy to pollution on the earnings, competitive position, and capital expenditure of the Company

In the recent two years and as of the annual report printing date, the Company has not incurred events related to pollution affective revenues, competitive status, and capital expenditure.

(2) Expected environmental protection capital expenditure in the next two years: None.

V. Labor-Management Relations

- (I) The implementation of employee welfare policy, continuing education and training, and retirement system, and labor-management coordination, and the protection of the rights of the employees:

1. Staff fringe benefits

Regarding welfare measures for employees of the Company's subsidiaries, in

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

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

2. Education and Training Situation

The Company focuses on talent cultivation and employees' in-service education and training, in the hope of enhancing employees' overall literacy and work skills.

(1) Pre-service Training

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

(2) Pre-service Professional Training

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

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

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

(4) Professional Skill Training

In-service development or facility management personnel shall maintain their mastery and ability to grasp appropriate basic skills, and training shall be implemented to ensure their ability to achieve or maintain relevant requirements

in order to improve existing skill-based training.

(1) The 2019 staff advanced study and training

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
1	External Training	Specialized Knowledge and Technical Training	Deloitte & Touche	Business Plan	2019/1/3	2	HO Hsiao-Wei
2	External Training	Specialized Knowledge and Technical Training	Economic Division, Straits Exchange Foundation	2019 Cross-Straits Economy and Industry Trend Forecast	2019/1/16	2	Chen Hui-Ling
3	External Training	Specialized Knowledge and Technical Training	Economic Division, Straits Exchange Foundation	2019 Cross-Straits Economy and Industry Trend Forecast	2019/1/16	2	Lui Wan-Ling
4	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Merger and Integration Work	2019/1/17	3	Lui Wan-Ling
5	External Training	Specialized Knowledge and Technical Training	Deloitte & Touche	Value Assessment of the Company	2019/1/17	2	HO Hsiao-Wei
6	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Full Analysis of New Corporate Governance Blueprint	2019/1/24	3	Lui Wan-Ling
7	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Investigate the cash flow to discover fraud	2019/2/21	3	Lixang Zhang
8	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Ansys Meshing	2019/3/5	6.5	CHANG Liang-Chi
9	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Chen Hui-Ling
10	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Hung Wei-Liang
11	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Lui Wan-Ling
12	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Chen Ying-Ju
13	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Lixang Zhang
14	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	The 2019 Corporate Governance Evaluation Propaganda	2019/3/12	3	Peiling Wu
15	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Amendment to the Company Act – Employee Compensation	2019/3/21	3	Lixang Zhang
16	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Ansys CFD	2019/3/21	6.5	CHANG Liang-Chi
17	External Training	Specialized Knowledge and Technical Training	Labor Inspection Office	2019 Labor Law Seminar	2019/3/25	3	Yating Hou
18	External Training	Specialized Knowledge and Technical Training	Deloitte & Touche	Tax forum: Change in Tax Haven	2019/3/26	3	Chen Hui-Ling
19	External Training	Specialized Knowledge and Technical Training	Deloitte & Touche	Tax forum: Change in Tax Haven	2019/3/26	3	Lui Wan-Ling
20	External Training	Specialized Knowledge and Technical Training	Deloitte & Touche	AI Time – Explosion of Practical Applications	2019/3/27	4	HSIEH,JUNG-CHUNG
21	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Design Modeler	2019/4/1	6.5	CHANG Liang-Chi
22	External Training	Specialized Knowledge and	TAIWAN AUTO-DESIGN CO.	CFX	2019/4/8	6.5	HUANG Chia-Lieh

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
		Technical Training					
23	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	CFX	2019/4/8	6.5	CHANG Ming-Chun
24	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	CFX	2019/4/8	6.5	CHANG Liang-Chi
25	External Training	Specialized Knowledge and Technical Training	Labor Insurance Bureau	Seminar for New Insured Units' Labor Insurance Officer and New Clerks	2019/4/9	3	Yating Hou
26	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	CFX	2019/4/9	6.5	HUANG Chia-Lieh
27	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	CFX	2019/4/9	6.5	CHANG Liang-Chi
28	External Training	Specialized Knowledge and Technical Training	National Health Insurance Administration, MOHW	Supplementary Premium Operation (Withholding Regulations) Seminar	2019/4/16	3	Yating Hou
29	External Training	Specialized Knowledge and Technical Training	National Taxation Bureau of the Northern Area, Ministry of Finance	Business income tax related laws and regulations and online settlement and filing	2019/4/18	1.5	WU Ya Wen
30	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	2019 Bond Market Seminar	2019/4/25	2.5	Lui Wan-Ling
31	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	2019 Bond Market Seminar	2019/4/25	2.5	Lixang Zhang
32	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	2019 Bond Market Seminar	2019/4/25	2.5	Peiling Wu
33	External Training	Specialized Knowledge and Technical Training	Accounting Research and Development Foundation	Finance and Tax Practice for Taiwanese Business Overseas	2019/4/26	3	Lui Wan-Ling
34	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Fluent	2019/5/2	6.5	CHANG Liang-Chi
35	External Training	Specialized Knowledge and Technical Training	Citibank Taiwan	Online Banking Practices Workshop	2019/5/3	2.5	Peiling Wu
36	External Training	Specialized Knowledge and Technical Training	Citibank Taiwan	Online Banking Practices Workshop	2019/5/3	2.5	HUANG Li-Chun
37	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Fluent	2019/5/3	6.5	CHANG Liang-Chi
38	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Space Claim	2019/5/6	6.5	HSIEH,JUNG-CHUNG
39	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	Space Claim	2019/5/6	6.5	CHANG Liang-Chi
40	External Training	Specialized Knowledge and Technical Training	PricewaterhouseCoopers Legal and PricewaterhouseCoopers Management Consulting Company Ltd.	Practical Issues and Responses of New System of Labor Litigations Seminar	2019/5/7	3	Hung Wei-Liang
41	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	2019 Insider Share Transaction Compliance for Listed and Non-Listed Public Companies Seminar	2019/7/17	3	CHEN Ya-Chen
42	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	2019 Insider Share Transaction Compliance for Listed and Non-Listed Public Companies Seminar	2019/7/24	3	Chen Ying-Ju
43	External Training	Specialized Knowledge and Technical Training	Taiwan Institute of Ethical Business and Forensics	Collection, Challenge and Impact of New Digital Evidence	2019/7/24	3	Hung Wei-Liang

No.	Type	Training Content	Course Unit	Course name	Class Time	Class Hours	Participants
				Seminar			
44	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	2019/8/26	3	Lui Wan-Ling
45	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	2019/8/26	3	Lixang Zhang
46	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	2019/8/26	3	HO Hsiao-Wei
47	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	2019/8/26	3	LIN Chung-Hua
48	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	“Promoting Taiwan’s Adopting the International Financial Reporting Standards” Seminar	2019/8/26	3	CHEN,CHI-CHENG
49	External Training	Specialized Knowledge and Technical Training	Labor Affairs Department, New Taipei City Government	2019 Labor–Management Conference Seminar	2019/8/30	3	Yating Hou
50	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Listed company business propaganda	2019/9/12	3	Hung Wei-Liang
51	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Listed company business propaganda	2019/9/12	3	Chen Ying-Ju
52	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Listed company business propaganda	2019/9/12	3	CHEN,CHI-CHENG
53	External Training	Specialized Knowledge and Technical Training	Taiwan Securities Exchange Corporation	Strengthening Relationship between Institutional Investor Due Diligence and Investors of Public Companies	2019/9/19	3	Chen Ying-Ju
54	External Training	Specialized Knowledge and Technical Training	Chunghe Branch	2019 Promotion of Uniform Invoices and Tax Education Program of “Cloud Invoice Classroom”	2019/9/20	3	WU Ya Wen
55	External Training	Specialized Knowledge and Technical Training	Samewells	Sound Quality Seminar	2019/9/20	6.5	WEI Chen-Lung
56	External Training	Specialized Knowledge and Technical Training	Samewells	Sound Quality Seminar	2019/9/20	6.5	LIU Chih-Hao
57	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	CAE Technology Conference	2019/10/4	1	HUANG Chia-Lieh
58	External Training	Specialized Knowledge and Technical Training	TAIWAN AUTO-DESIGN CO.	CAE Technology Conference	2019/10/4	1	LIU Chih-Hao
59	External Training	Specialized Knowledge and Technical Training	The Institute of Internal Auditors, R.O.C	How audit managers assist the Board of Directors and their consultation service	2019/10/21	6	CHEN,CHI-CHENG
60	External Training	Specialized Knowledge and Technical Training	The Institute of Internal Auditors, R.O.C	The practice of the inspection of the material system in manufacturing industry	2019/10/29	6	LIN Chung-Hua

3. Retirement system and practice

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

The Company's main operating base is located in Dongguan City, Guangdong Province, and Ji'an City, Jiangxi Province China. Insurance premiums for each employee are appropriated on a monthly basis and paid to local social insurance bureau. After the employee reaches the statutory retirement age, he/she can apply for a pension from the Social Insurance Bureau.

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

The Company establishes labor-management meeting on March 29, 2018 according to Article 83 of the Labor Standards Act "A business entity shall hold meetings to coordinate worker-employer relationships and promote worker-employer cooperation and increase work efficiency." Rules relating to the labor-management conference all proceeded in accordance with laws and regulations. In addition, the Company attaches great importance to employee rights and interests; also, it adopts a positive attitude in communicating with employees and strives for humanized management in order to strengthen labor relations and enhance employee loyalty. Apart from setting up an appeal channel and a work team, employees can reflect their opinions at any time by e-mail or suggestion box. The labor and management communication channel is smooth and its implementation is in good condition.

5. Employee working environment and personal safety protection measures:

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

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

Dongguan, Jiangxi Production Base

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

- (II) In the last fiscal year and until the publication date of the annual report, loss caused by labor disputes (including violation of the Labor Standards Act found during labor inspection, where sanction date and number, violated laws and their content and sanction content shall be specified), and the estimated amount that could be incurred currently and in the future, as well as the response plan, shall be disclosed. In the event it cannot be reasonably estimated, the fact that causes the reasonable estimate to be unavailable shall be explained:

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

VI. No loss or compensation for the time being

(I) Credit and Guarantee Contracts

No.	Contract Party	Contract Counterpart	Contract Date / contract Period	Term of Agreement	Limitation Article
1.	Samoa Power Holdings Limited	Taishin International Bank Co., Ltd.	March 19, 2020 to March 31, 2021	1. The credit line provided by Taishin Bank is US\$6 million. 2. A foreign issuer acts as a joint guarantor.	None
2.	Samoa Power Holdings Limited	KGI Bank	May 2, 2019 to August 2, 2020	1. The credit line provided by KGI Bank is US\$3 million. 2. A foreign issuer acts as a joint guarantor.	None
3.	1. Samoa Power Holdings Co., Ltd. 2. Dongguan Power Holding CO., Ltd. 3. Dongguan Tai Yi	1. Citi Bank (Taiwan) 2. Citi Bank (China) 3. Citi Bank (China)	1. October 2, 2019 to July 31, 2020 2. October 8, 2019 to July 31, 2020 3. October 8, 2019 to July 31, 2020	1. The credit line provided by Citibank Bank (Taiwan) is US\$200,000. 2. The credit line provided by Citi Bank (China) is US\$300,000. 3. The credit line provided by Citi Bank (China) is US\$2.5 million. All of the above are lent by Citi Bank to related companies of the group Shared Loan Amount: US \$ 3 million, by foreign issuers as a guarantor.	None
4.	DongGuan Tai Yi Electronics Co., Ltd.	Chinatrust Commercial	November 18, 2019 to November 30, 2020	1. The credit line provided by China	None

No.	Contract Party	Contract Counterpart	Contract Date / contract Period	Term of Agreement	Limitation Article
		Bank		Trust Bank is RMB 14 million. 2. A foreign issuer acts as a joint guarantor.	
5.	Taiwan subsidiary (POWER LOGIC TECH. INC)	Taishin International Bank Co., Ltd.	March 20, 2019 (interim guarantee loan) expires on April 24, 2025.	1. Medium-term guaranteed loan quota: NT\$33,150,000. 2. Collateral: 3th Floor-5, No. 16 Jianba Road, Zhonghe District, New North City and B1, No. 162, Jianyi Road (Region: 1159-0000, Health Section, Zhonghe District, New Taipei City, No.: Jian Kang Section of Zhonghe District, New Taipei City 02737-000, 02610-000) of real estate.	None
6	Taiwan subsidiary (POWER LOGIC TECH. INC)	Taishin International Bank Co., Ltd.	December 5, 2019 (interim guarantee loan) expires on December 10, 2024.	1. Medium-term guaranteed loan quota: NT\$42,000,000. 2. Security: Real estate at 2F-4, No.16, Jianba Road, Zhunghe District, New Taipei City (including a parking spot on B3).	None
7.	British Virgin Islands Business Mobility Technology Taiwan Branch	Taishin International Bank Co., Ltd.	March 19, 2020 to March 31, 2021	1. The credit line provided by Taishin Bank is US\$2 million. 2. A foreign issuer acts as a joint guarantor.	None

(II) Sales Contract

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

(III) Lease Contract

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

				term, RMB 4,524,300 per year; the fifth to eighth year of the lease term, RMB 4,976,730 per year; the lease term from the 9th to the 10th year, RMB 5,474,400 per year.	
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(IV) Other Contracts

No.	Contract Party	Contract Counterpart	Contract Date/contract Period	Term of Agreement	Limitation Article
1.	Taiwan Branch	BU IC Electronics Co.	January 1, 2016 to December 31, 2016 Neither party is not before the expiry of two months written notice to the other party not to renew, the automatic extension of about one year, thereafter likewise.	BU IC Electronics Co. provides marketing, after-sales services and supports for Thermal products in South Korea.	None
2.	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	People's Government of Anfu County, Jiangxi Province	Signed and effectuated on July 18, 2019.	Investment agreement, where the government is responsible for realizing business-attraction programs, investment in infrastructures and assistance programs, and the company performs agreed investment and sales amount.	None
3.	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Anfu County Industrial Construction Investment Development Co., Ltd.	Signed and effectuated on July 18, 2019.	Transfer Agreement for Real Estate. Purchase of factory building 1, factory building 2 and dormitory building 3 (total price: RMB 86,780,000). The total floor area is 36,088.31 square meters (land price RMB 4,492,790). The term began from January 8, 2018 and ends on January 7, 2068.	None

Six. Financial summary

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

1. Condense balance sheets (International Accounting Standards Board)

Unit: NTD thousands

Year		Financial information for the last five year					
		2015	2016	2017	2018	2019	Ended March 31, 2020
Current assets		540,757	812,067	1,227,447	1,136,718	1,125,867	1,105,437
Property, plant, and equipment		78,746	168,455	198,393	212,937	301,539	721,136
Right-of-use assets.						142,796	155,067
Intangible assets		10,618	9,940	7,996	8,667	7,201	6,706
Other assets		21,784	16,347	21,327	28,138	184,273	61,468
Total assets		651,905	1,006,809	1,455,163	1,386,460	1,761,676	2,049,814
Current liabilities	Before Distribution	379,393	402,179	440,081	247,087	399,386	713,416
	After Distribution	379,393	429,659	487,487	286,047	Note	Note
Non-current liabilities		64,019	93,522	126,561	253,475	339,839	280,595
Total liabilities	Before Distribution	443,412	495,701	566,642	500,562	739,225	994,012
	After Distribution	443,412	523,181	614,048	539,522	Note	Note
Equity of the parent company		208,493	511,108	888,521	885,898	1,022,451	1,055,802
Share Capital		76,422	161,200	237,030	237,030	275,270	281,922
Capital surplus		26,487	171,009	449,000	449,000	549,048	568,779
Retained earnings	Before Distribution	86,498	196,558	228,020	253,058	284,678	297,687
	After Distribution	49,298	141,598	180,614	214,098	Note	Note
Other equity		19,086	(17,659)	(25,529)	(37,903)	(71,258)	(77,299)
Treasury shares		0	0	0	(15,287)	(15,287)	(15,287)
Non-controlling interest		0	0	0	0	0	0
Total equity	Before Distribution	208,493	511,108	888,521	885,898	1,022,451	1,055,802
	After Distribution	208,493	483,628	841,115	846,938	Note	Note

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

Note: The 2019 annual earnings distribution shall be decided by the board of directors and subject to the resolution of the general meeting of shareholders' meeting.

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

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

Item	Year	Financial information for the last five year					Ended March 31, 2020
		2015	2016	2017	2018	2019	
Operating revenue		841,107	1,173,895	1,291,947	1,217,595	1,184,812	251,547
Gross profit		215,142	372,306	345,621	240,877	313,931	69,682
Operating gains and losses		129,810	214,572	164,296	83,778	137,267	18,761
Non-operating revenues and expenses		5,311	13,655	(26,981)	24,160	1,620	5,538
Profit before Income tax		135,121	228,227	137,315	107,938	138,887	24,297
Current year profit of continuing business units		85,183	147,260	86,422	73,777	89,248	13,009
gain(loss) from discontinued operations		0	0	0	0	0	0
Net profit (loss) of current period		85,183	147,260	86,422	73,777	89,248	13,009
Current period other comprehensive income (net, after tax)		(2,983)	(36,745)	(7,870)	(12,886)	(33,355)	(6,41)
Current period other comprehensive income (Gross)		82,200	110,515	78,552	60,891	55,893	6,968
Net profit attributable to parent company		85,183	147,260	86,422	73,777	89,248	13,009
Net profit attributable to non-controlling interest		0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company		82,200	110,515	78,552	60,891	55,893	6,968
Comprehensive income, gross, attributable to non-controlling interest		0	0	0	0	0	0
Earnings per share		9.78	10.19	4.26	3.12	3.44	0.47

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

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

Year	Certified CPA	Name of the affiliated unit	Opinion
2015	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2016	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2017	Yang Chengxiu, Zheng Xuran	Deloitte & Touche	Unqualified opinion
2018	Yang Chengxiu, Lin Wangsheng	Deloitte & Touche	Unqualified opinion
2019	Yang Chengxiu, Lin Wangsheng	Deloitte & Touche	Unqualified opinion

II. Financial ratio analysis

Analytical items		Year	Financial Analysis for the most recent five years				
		2015	2016	2017	2018	2019	Ended March 31, 2020
Financial structure	Debt to assets ratio (%)	68.02	49.24	38.94	36.10	41.96	48.49
	Ratio of long-term capital to property, plant and equipment (%)	346.06	358.93	511.65	535.08	451.78	185.32
Solvency	Current ratio (%)	142.53	201.92	278.91	460.05	281.90	154.95
	Liquid ratio (%)	119.57	174.75	239.38	381.56	240.80	128.89
	Interest coverage ratio (times)	29.24	108.35	119.69	143.78	11.73	9.84
Operating ability	Account receivable turnover (times)	2.84	2.82	2.23	2.44	2.75	2.64
	Days sales in account receivable	128.36	129.38	163.67	149.59	132.72	138.26
	Inventory turnover (times)	7.25	8.66	7.01	5.60	5.09	4
	Average days in sales	50.33	42.15	52.04	65.17	71.70	91.25
	Account payable turnover (times)	4.86	5.38	4.67	5.90	6.54	5.84
	Property, plant, and equipment turnover (times)	10.27	9.50	7.04	5.92	4.61	2.15
	Total assets turnover (times)	1.35	1.42	1.05	0.86	0.75	0.59
Profitability	ROA (%)	14.47	18.00	7.10	5.24	6.34	3.54
	Return on equity (%)	53.51	40.93	12.35	8.32	9.35	5.36
	Percentage of net profit before tax to the paid-in capital (%)	176.81	141.58	57.93	45.54	50.45	34.47
	Net profit rate (%)	10.13	12.54	6.69	6.06	7.53	5.17
	Earnings per share (NT\$)	9.78	10.19	4.26	3.12	3.44	0.47
Cash flows	Cash flow ratio (%)	35.67	(0.97)	6.37	46.55	44.94	49.51
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note 1	0.72	0.61	0.6
	Cash flow reinvestment ratio (%)	33.49	(0.55)	0.05	5.41	10.43	26.83
Leverage	Operating leverage	1.08	1.06	1.11	1.31	1.41	1.84
	Financial leverage	1.04	1.01	1.01	1.01	1.10	1.17

Please describe the reasons for the changes in the financial ratios over the last two years (If increase/decrease does not achieve 20%, the analysis can be waived) Cash flow adequacy ratio:

2019–2018 increase/decrease explanation:

- (1) Flow ratio /quick ratio decrease: mainly caused by an increase of 61.64% of compared to the previous period current liabilities.
- (2) Times interest earned decrease: mainly caused by implementation of IFRS 16 lease and issue of corporate bonds, which led to increase of interest expense.
- (3) Real estate, factory building and equipment turnover (times) decrease: mainly caused by the average real estate, factory building and equipment increase by 25.08% compared to last year.
- (4) Asset return increase: mainly caused by implementation of IFRS 16 lease and issue of

corporate bonds, which led to increase of interest expense.

- (5) Net profit margin increase: mainly caused by net income after tax increase of 15,471 thousand dollars year on year.
- (6) Cash reinvestment ratio increase: mainly caused by business activity net cash flow inflow increasing by 64,468 thousand dollars from the previous period, and other non-current assets increasing 155,487 thousand dollars.

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

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

The financial analysis formulas are as follows:

1. Financial structure

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

2. Solvency

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

3. Operating ability

- (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory value
- (4) Average days in sales = 365 / Inventory turnover
- (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
- (6) Property, plant and equipment turnover rate = Net sales / Net average property, plant and equipment
- (7) Total assets turnover = Net sales / Total assets

4. Profitability

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

dividends from preferred shares)/weighed average quantity of outstanding shares.

5. Cash flow

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

6. Leverage:

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

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

Audit Committee' Review Report

The board of directors has prepared the company's business report, financial statements and earnings distribution proposal for 2019. The financial statements have been audited by Yang, Cheng-Hsiu and Lin, Wang-Sheng, certified public accountants of Deloitte CPA Firm and the audit report has been issued. The above-mentioned business report, financial statement and earnings distribution proposal have not been found to be consistent by the audit committee. Therefore, the report is as the above in accordance with the relevant provisions of the Securities and Exchange Act and the Company Act. Please check.

To:
Sun Max Tech Limited

Sun Max Tech Limited
Convener of Audit Committee: HSIEH, Yu-Tien

March 20, 2019

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

Stock Code : 6591

SUN MAX TECH LIMITED
And subsidiaries

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

Address: The Grand Pavilion Commercial Centre Oleander Way, 802 West Bay
Road P.O. Box 32052, Grand Cayman KY1-1208 Cayman Islands
Tel.: (02)82263300

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

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Independent Auditors' Report

To: SUN MAX TECH LIMITED:

Opinion

We have audited the accompanying consolidated financial statements of SUN MAX TECH LIMITED and its subsidiaries (hereinafter, "the Group") which comprise the balance sheets as of December 31, 2019 and 2018 and the related consolidated statements comprehensive of income, changes in shareholders' equity and cash flows for the years then ended and the notes to consolidated financial statement as of December 31, 2019 and 2018 (including a summary of significant accounting policies).

In our opinion, the accompany consolidated financial statements present fairly, in all material respects, the financial position of SUN MAX Group and its subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance as of December 31, 2019 and 2018 with the "Regulations Governing the Preparation of Financial Reports by Securities Issuer," and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and SIC Interpretations*.

Basis for Opinion

We conducted our audits on the 2019 financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the FSC Letter Jin-Guan-Zheng-Shen-Zi No.1090360805 as of February 25, 2020, and the generally accepted auditing standards and on the 2018 consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of SUN MAX Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and with other responsibilities of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China performed. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The “Key Audit Matters” means that the independent auditor has used their professional judgment to audit the most important matters on the 2019 consolidated financial statements of SUN MAX Group. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The Key Audit Matters to be performed on the 2019 consolidated financial statements of SUN MAX TECH LIMITED follows:

Recognition of revenue

The SUN MAX Group’s operating revenue mainly comes from the sale of cooling fan sales with concentration for the top ten customers; among them, the operating revenue in 2019 of the top three customers accounted for about 57% of the total operating revenue. Since the company is in a highly competitive industry and the management is probably under pressure to achieve the expected goals, we believe that there may be a higher risk in recognizing the revenue with respect to the top three customers and adding to that the top ten customers. Therefore, the existence of revenue recognition of the top three customers and the adding top ten customers of the year is identified as a Key Audit Matters. Please refer to Note 4(11) for revenue recognition policy.

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

1. Understand and test the effectiveness of internal control related to sales revenue recognition.
2. Examine whether or not there are any changes among the top ten customers; if there is a new party, not only review its basic information and credit evaluation form, but also test the transaction details to see if there are any anomalies.
3. For the top three customers and the added top ten customers, the relevant transaction evidences were sampled to ensure the authenticity of the sales transaction, the point in time at which the revenue is recognized, issuing letters or subsequent collections.

Evaluation on inventory

The inventory of Group as of December 31, 2019 is NT\$ 157,408 thousand measured at the lower of cost or net value method. Because the rapid changes in product technology the risks of inventory become inactive or obsolete increase. Thus, the inventory value might be lower than its’ book value and the potential misstatement risk might exist in the consolidated financial statements. Accounting policy, significant accounting judgement, estimate and related information disclosure, please refer to Note 4(6) & 10 of the consolidated financial statements.

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

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

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

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

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

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

Auditors' Responsibilities for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent Auditors' Report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered 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 to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in SUN MAX Group.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SUN MAX Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditors' Report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

date of the Independent Auditors' Report. However, future events or conditions may cause SUN MAX Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of SUN MAX Group of 2019 and are therefore the Key Audit Matters. We describe these matters in our Independent Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

CPA Cheng-Hsiu Yang

CPA Wang-Sheng Lin

Financial Supervisory Commission approval
no.
Jin-Guan-Zheng-Shen-Zi No. 0980032818

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

March 19, 2020

SUN MAX TECH LIMITED
SUN MAX TECH LIMITED and subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018

Unit: NTD thousand

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

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

Chairman: HSU Wen-Faung

Manager: HSU Wen-Faung

Accounting Supervisor: Chen Hui-Ling

SUN MAX TECH LIMITED
SUN MAX TECH LIMITED and subsidiaries
Consolidated Statements of Comprehensive Income
For The Years Ended December 31, 2019 And 2018

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

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

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Code		2019		2018	
		Amount	%	Amount	%
	Other comprehensive income (Note 4 and 20)				
8310	Titles not reclassified as profit and loss accounts:				
8316	Unrealized valuation gains and losses on Investment in equity instruments at fair value through other comprehensive income	\$ 648	-	\$ 428	-
8360	Titles that could be reclassified as profits and loss accounts in the future				
8361	Exchange differences on Translating the financial statements of foreign operations	(34,003)	(3)	(13,314)	(1)
8300	Total other comprehensive income or loss	(33,355)	(3)	(12,886)	(1)
8500	Total Comprehensive Income for the year	<u>\$ 55,893</u>	<u>5</u>	<u>\$ 60,891</u>	<u>5</u>
	Net profit attributable to:				
8610	Owners of parent	\$ 89,248	8	\$ 73,777	6
8620	Non-controlling interest	-	-	-	-
8600		<u>\$ 89,248</u>	<u>8</u>	<u>\$ 73,777</u>	<u>6</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 55,893	5	\$ 60,891	5
8720	Non-controlling interest	-	-	-	-
8700		<u>\$ 55,893</u>	<u>5</u>	<u>\$ 60,891</u>	<u>5</u>
	Earnings per share (Note 23)				
9710	Basic	<u>\$ 3.44</u>		<u>\$ 3.12</u>	
9810	Diluted	<u>\$ 3.22</u>		<u>\$ 3.11</u>	

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

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

SUN MAX TECH LIMITED
SUN MAX TECH LIMITED and subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

Code		Share Capital	Capital surplus	Retained earnings			Other equity		Treasury shares	Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on Translating the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss		
A1	Balance at January 1, 2018	\$ 237,030	\$ 449,000	\$ 14,726	\$ 17,660	\$ 195,634	(\$ 25,529)	\$ -	\$ -	\$ 888,521
A3	Effect of retroactive application and retrospective restatement	-	-	-	-	(1,333)	-	512	-	(821)
A5	Balance at January 1, 2018 after recompilation	237,030	449,000	14,726	17,660	194,301	(25,529)	512	-	887,700
	Appropriation of 2017 earnings									
B1	Legal reserve	-	-	8,642	-	(8,642)	-	-	-	-
B3	Special reserve	-	-	-	7,870	(7,870)	-	-	-	-
B5	Cash dividends	-	-	-	-	(47,406)	-	-	-	(47,406)
D1	Net profit for the year ended December 31, 2018	-	-	-	-	73,777	-	-	-	73,777
D3	Other comprehensive income in 2018	-	-	-	-	-	(13,314)	428	-	(12,886)
D5	Total Comprehensive profit or loss in 2018	-	-	-	-	73,777	(13,314)	428	-	60,891
L1	Buy-back of ordinary Shares	-	-	-	-	-	-	-	(15,287)	(15,287)
Z1	Balance at December 31, 2018	237,030	449,000	23,368	25,530	204,160	(38,843)	940	(15,287)	885,898
A3	Effect of retroactive application and retrospective restatement	-	-	-	-	(18,668)	-	-	-	(18,668)
A5	Balance at January 1, 2019 after recompilation	237,030	449,000	23,368	25,530	185,492	(38,843)	940	(15,287)	867,230
	Appropriation of 2018 earnings									
B1	Legal reserve	-	-	7,378	-	(7,378)	-	-	-	-
B3	Special reserve	-	-	-	12,374	(12,374)	-	-	-	-
B5	Cash dividends	-	-	-	-	(38,960)	-	-	-	(38,960)
E1	Proceeds from issuance of ordinary shares	25,000	53,550	-	-	-	-	-	-	78,550
N1	Issuance of ordinary shares under employee share options	-	1,600	-	-	-	-	-	-	1,600
C5	Issuance of convertible corporate bonds recognized in the equity component – share options	-	5,814	-	-	-	-	-	-	5,814
I1	Conversion of corporate bonds into common shares	13,240	39,084	-	-	-	-	-	-	52,324
D1	Net profit for the year ended December 31, 2019	-	-	-	-	89,248	-	-	-	89,248
D3	Other comprehensive income in 2019	-	-	-	-	-	(34,003)	648	-	(33,355)
D5	Total Comprehensive profit or loss in 2019	-	-	-	-	89,248	(34,003)	648	-	55,893
Z1	Balance at December 31, 2019	\$ 275,270	\$ 549,048	\$ 30,746	\$ 37,904	\$ 216,028	(\$ 72,846)	\$ 1,588	(\$ 15,287)	\$ 1,022,451

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

Chairman: HSU Wen-Faung

Manager: HSU Wen-Faung

Accounting Supervisor: Chen Hui-Ling

SUN MAX TECH LIMITED
SUN MAX TECH LIMITED and subsidiaries
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2019 And 2018

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

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

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

Chairman: HSU Wen-Faung

Manager: HSU Wen-Faung

Accounting Supervisor: Chen Hui-Ling

SUN MAX TECH LIMITED
SUN MAX TECH LIMITED and subsidiaries
Notes to Consolidated financial statements
For The Years Ended December 31, 2019 And 2018
(Unless otherwise provided, Unit: NTD Thousand)

1. Organization and operations

Sun Max Tech Limited (hereinafter, “the Company”) is established in Cayman in November 2013 and mainly for DONG GUAN DONG LI DIAN ZI CO. LTD, POWER LOGIC TECH (TAIYI) CO., LTD, POWER LOGIC TECH. INC and the affiliates’ business structure adjustment (hereinafter, “the Group” or “the Consolidated Company”) under organization restructure. The Company become the holding company of Group. The main operating business of the consolidated company is the production, wholesale, retail and international trade for cooling fan. The Company was approved by Republic of China Securities Counter Trading Center on November 30, 2016 to trade at OTC and Taiwan Stock Exchange to go public on December 28, 2017.

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

2. Financial reporting date and procedures

The consolidated financial statements were approved by the Board of Directors on March 19, 2020.

3. Application of new and revised standards and interpretation

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

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

IFRS 16 “Leases”

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

Definition of lease

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

The consolidated company is the lessee

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

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

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

The following expedient methods are applicable to the consolidated company:

1. Apply a single discount rate for the measurement of specific leasehold combinations with reasonable similarity.
2. The recognized provision for onerous lease contract liability which recognized in the end of 2018, will be adjusted in right-of-use asset on January1, 2019 and not valuated impairment loss under IAS 36.

3. Lease to expire on or before December 31, 2019 will be treated as short-term lease.
4. The initial cost will not be included in the measurement of tenancy right assets on January 1, 2019.
5. Measuring leasehold liability, such as the determination of the term of leases, will be treated from hindsight.

The lease classified as financing assets per IAS17, the book value of lease asset and liability as of December 31, 2018 will be listed as book value of right-of-use asset and lease liability on January 1, 2019.

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

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

The consolidated company is the lessor

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

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

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

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

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

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

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

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

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

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

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

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates”.	Undefined
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. 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 7.

(5) Foreign currency

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

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

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

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

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

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

If the partial disposal of the subsidiaries of the foreign operation institution did not result in a loss of control, the cumulative exchange differences are re-attributed proportionally as non-controlling equity of the subsidiaries without any profit and loss

recognized. In any other event of partial disposal of an overseas operating institution, the accumulated difference in foreign exchange was reclassified to profit and/or loss pro rata to the percentage of disposal.

(6) Inventories

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

(7) Property, plant, and equipment

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

Property, plant and equipment construction in progress is recognized at cost net of the accumulated impairment loss. Costs include professional service expanses and loan costs that meet the capitalization conditions. These assets are classified to the respective property, plant and equipment upon completion and ready for use with depreciation appropriated.

Property, plant, and equipment are depreciated in accordance with the straight-line method in the expected useful lives. Depreciation of each major part is appropriated separately. The assets held under the finance lease in 2018, if the lease term of the related lease is shorter than the economic life of those lease hold, were depreciated over the shorter of the lease term and its useful life. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

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

(8) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Depreciation is recognized using the straight-line method for intangible asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each yearly reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Acquisition as part of a business combination

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

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

3. De-recognition

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

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

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

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

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

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

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

(10) Financial instruments

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

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

1. Financial assets

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

(1) Classification of measurement

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

A. Financial assets at fair value through profit or loss

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

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

B. Financial assets based on cost after amortization

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

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

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

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

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

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

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

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

(2) Impairments of financial assets and contract assets

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

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

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

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

- A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.
- B. Payments are overdue for more than 60 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

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

(3) The de-recognition of financial assets

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

When particular entry of financial assets measured on the basis of cost after amortization is removed, the difference between its book value and consideration shall be recognized as income. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) De-recognition of financial liabilities

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

4. Convertible corporate bonds

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

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

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

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

(11) Recognition of revenue

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

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

Commodity sales revenue

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

(12) Lease

2019

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

The consolidated company is the lessee

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

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

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

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

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

2018

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

1. The consolidated company is the lessee

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

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

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

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

2. Land and building under lease

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

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

(13) Borrowing costs

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

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

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

(14) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

(15) Income tax

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

1. Income tax expenses in the current period

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

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

2. Deferred tax

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

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

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

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

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

3. Current & deferred income taxes

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

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

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

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

Impairment of inventory

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

6. Cash and cash equivalents

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Time deposits	1.28%~2.28%	2.12%~3.00%

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

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

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

Investment of equity instruments at fair value through other comprehensive income

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

The consolidated company invested in SONG JYE TECHNOLOGY CO., LTD.. common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the consolidated company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.

9. Notes and accounts receivable, net

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

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

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

December 31, 2019

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

December 31, 2018

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

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

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

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

10. Inventories

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

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

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

11. Other assets

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

12. Subsidiaries

Subsidiaries included in the consolidated financial statements

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

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

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

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

13. Property, plant, and equipment

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

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

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

	2018						Total
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	
<u>Cost</u>							
Balance, beginning of year	\$ 56,172	\$ 67,579	\$ 114,586	\$ 3,634	\$ 21,024	\$ 35,501	\$ 298,496
Increase in current period	-	155	25,640	1,279	109	12,593	39,776
Disposition in the year	-	(48)	(616)	-	(268)	(125)	(1,057)
Reclassification	-	-	1,186	-	-	(1,186)	-
Net exchange differences	-	(249)	(1,958)	(87)	(52)	(647)	(2,993)
Balance, end of year	<u>\$ 56,172</u>	<u>\$ 67,437</u>	<u>\$ 138,838</u>	<u>\$ 4,826</u>	<u>\$ 20,813</u>	<u>\$ 46,136</u>	<u>\$ 334,222</u>
<u>Accumulated depreciation</u>							
Balance, beginning of year	\$ -	\$ 14,492	\$ 49,272	\$ 3,271	\$ 16,188	\$ 16,880	\$ 100,103
Increase in current period	-	5,253	12,427	312	1,298	4,061	23,351
Disposition in the year	-	(48)	(591)	-	(267)	(125)	(1,031)
Net exchange differences	-	(78)	(742)	(63)	(22)	(233)	(1,138)
Balance, end of year	<u>\$ -</u>	<u>\$ 19,619</u>	<u>\$ 60,366</u>	<u>\$ 3,520</u>	<u>\$ 17,197</u>	<u>\$ 20,583</u>	<u>\$ 121,285</u>
Net amount at the end of the year	<u>\$ 56,172</u>	<u>\$ 47,818</u>	<u>\$ 78,472</u>	<u>\$ 1,306</u>	<u>\$ 3,616</u>	<u>\$ 25,553</u>	<u>\$ 212,937</u>

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

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

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

14. Lease agreement

(1) Right-of-use assets-2019

	<u>December 31, 2019</u>
Carrying amount of the right-of-use asset	
Buildings	\$141,555
Transportation equipment	<u>1,241</u>
	<u>\$142,796</u>
	<u>2019</u>
Depreciation expense of the right-of-use asset	
Buildings	\$ 24,909
Transportation equipment	<u>1,670</u>
	<u>\$ 26,579</u>

(2) Leasehold liability-2019

	<u>December 31, 2019</u>
Carrying amount of the lease liabilities	
Current	<u>\$ 23,322</u>
Non-current	<u>\$140,077</u>

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

	<u>December 31, 2019</u>
Buildings	2.00%~5.00%
Transportation equipment	1.32%~2.00%

(3) Other lease information

2019

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

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

2018

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

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

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

	<u>2018</u>
Minimum lease payments	<u>\$ 35,131</u>

15. Intangible assets

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

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

16. Loans

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

- (1) The bank borrowing rates were 1.50%~1.70% and 1.70%~1.80% on December 31, 2019 and 2018.
- (2) The information of consolidated company registered as mortgage for secured loan, please refer to Note 26.

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

17. Other payables

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

18. Corporate bonds payable

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

The Board of directors approved to issue unsecured convertible bond in Taiwan for the first time on October 29, 2018. The issuance is approved by Letter No. Jin-Guan-Zheng-Fa-Zi 10703446871 of the Financial Supervisory Commission. The unsecured convertible bond is issued in Taiwan for the first time on January 3, 2019 with terms below,

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

1. Redemption at maturity date:

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

2. Redeem before maturity date

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

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

(6) Sell back:

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

(7) Conversion:

1. Conversion period:

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

2. Conversion price:

The conversion price is set by choosing one of the simple arithmetic average closing prices of the Company's common shares over the period of one, three or five business day(s) prior to the record date to be the benchmark price, multiplied by the conversion premium rate of 105% as the basis of the calculation. Upon issuance, the conversion price is set at NT\$43.05 per share upon issuance. As the Company distributed cash dividends in 2019, the conversion price of the Company's bonds has been adjusted to NT\$41.49 per share in accordance with the terms of the contract.

3. Conversion price adjustment:

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

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

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

19. Retirement benefits plan

The pension system of the "Labor Pension Act" that is applicable to the Consolidated Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance. The defined contributed pension cost recognized in 2019 and 2018 are NT\$ 1,723 thousand and NT\$ 1,531 thousand by consolidated company.

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

20. Equity

(1) Share Capital

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

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

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

(2) Capital surplus

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

The above (1) The Company issued 2,500 thousand new shares at NT\$10 par value per share to increase capital by cash according to a resolution adopted by the Board of Directors on October 29, 2018, among which, 250 thousand shares were retained for employees' subscriptions and the employee compensation costs of NT\$1,600 thousand were also recognized. Shares are issued at a premium of NT\$32 per share according to a resolution adopted by the Board of Directors on December 22,

2018, resulting in an additional paid-in capital of NT\$55,000 thousand. In addition, the new share issuance underwriting fee of NT\$1,450 thousand were listed as a reduction of additional paid-in capital issued at a premium.

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

(3) Retained earnings and Dividend Policy

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

According to the Articles of Incorporation, based on the capital expenditure, business expanding, improve financial plan and sustainable development requirements as the Company is at the growing phase, the dividend policy is to distribute cash or stock dividend based on capital expenditure budget and capital requirement.

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

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

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

The Company had the earnings distribution of 2018 and 2017 resolved in the shareholders' meeting held on June 12, 2019 and June 22, 2018, respectively, as follows:

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

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

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

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

(4) Other equity

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

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

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

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

(5) Treasury shares

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

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

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

21. Consolidated net income

(1) Other income

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

(2) Other gains and losses

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

(3) Financial cost

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

(4) Depreciation, and amortization

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

(5) Employee benefits expenses

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

(6) Remuneration to employees, Directors and Supervisors

According to the Articles of Incorporation, the remuneration to employees and Directors' is calculated by the income before tax and the remuneration to employees and Directors' with rate no lower than 1.5% and higher than 2%. The compensation of employees and remuneration to Directors and Supervisors assessed for 2019 and 2018 were adopted by a resolution of the Board of Directors on March 19, 2020 and March 22, 2019, respectively as follows:

Estimate on ratio

	<u>2019</u>	<u>2018</u>
Remuneration to employees	2.5%	2.5%
Remuneration to directors/supervisors	2.0%	2.0%

Amount

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

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

The actual amount for remuneration to employees and Directors and Supervisors in 2018 and 2017 did not vary from the amount recognized in the consolidated financial statements of 2018 and 2017.

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

22. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

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

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

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

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

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

- (3) Current income tax asset and liability

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

(4) Deferred income tax assets and liabilities

2019

	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
<u>Deferred income tax assets</u>				
<u>Temporary difference</u>				
Unrealized exchange loss	\$ -	\$ 329	\$ -	\$ 329
Rent leveling	1,381	(1,383)	2	-
Falling price of inventory	7,777	48	(368)	7,457
Right-of-use assets	-	820	(34)	786
Allowance for losses	181	-	(7)	174
	<u>\$ 9,339</u>	<u>(\$ 186)</u>	<u>(\$ 407)</u>	<u>\$ 8,746</u>
<u>Deferred tax liabilities</u>				
<u>Temporary difference</u>				
Unrealized exchange gain	\$ 80	(\$ 80)	\$ -	\$ -
Financial and tax difference for sales revenue	11,031	5,287	(656)	15,662
Financial and tax difference for cost of goods sold	7,129	(7,138)	9	-
Tax payable for overseas earnings remittance	52,052	8,544	(6,538)	54,058
	<u>\$ 70,292</u>	<u>\$ 6,613</u>	<u>(\$ 7,185)</u>	<u>\$ 69,720</u>

2018

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loss deduction	<u>\$ 1,384</u>	<u>\$ 1,384</u>

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

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

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

23. Earnings per share

	<u>2019</u>	<u>2018</u>
		Unit: NTD per share
Basic earnings per share		
Business units in continuing operation	<u>\$ 3.44</u>	<u>\$ 3.12</u>
Diluted earnings per share		
Business units in continuing operation	<u>\$ 3.22</u>	<u>\$ 3.11</u>

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

Net profit for the year in current year

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

Quantity

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

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

24. Financial instruments

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

1. Fair value level

December 31, 2019

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

December 31, 2018

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

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

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

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

(2) Categories of financial instruments

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

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

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

(3) Financial risk management purpose and policies

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

1. Market Risk

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

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

(1) Exchange rate risk

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

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

Sensitivity analysis

Influences to the consolidated companies mainly arise from fluctuations in USD and Renminbi (RMB).

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

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

(2) Interest rate risk

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

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

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

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the derivative and non-derivative instruments on the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The change in interest rate reported internally to

management is the interest rate plus or minus 50 BPS, which represents management's assessment of the reasonable and possible changes in interest rates.

If the interest increase 50 BPS and other variables remain unchanged, the income before tax of consolidated company decrease NT\$ 210 thousand and NT\$ 15 thousand in 2019 and 2018. It is mainly caused by the floating borrowing rates.

2. Credit Risk

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

The consolidated company rates the important customers with publicly obtained financial information and transaction record. The consolidated company continuously monitor the credit exposure and transaction parties' credit ratings and scatters the total transaction amount to credit rating qualified customers. The credit facility of transaction party is reviews and approved yearly by executive Vice President, audit and accounting departments to control credit exposure.

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

The credit risk of the consolidated company is from its' biggest customer. The total account receivable portion from that customer is 36% and 33% as of December 31, 2019 and 2018 respectively.

3. Liquidity Risk

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

Bank loan is an important source of liquidity to the consolidated company. As of December 31, 2019 and 2018, the financing facility of the consolidated company, please refer to financing facility explanation (2) below.

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

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company's undiscounted cash flow (including principal and estimated interest) of financial liabilities on the possible earliest repayment date upon request. Therefore, the consolidated company may be required to immediately repay the bank loan is illustrated in the following table without considering the probability that the bank may immediately exercise such right. The other non-derivative financial liabilities maturity analysis is prepared in accordance with the agreed repayment date.

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

December 31, 2019

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

December 31, 2018

	Payment on demand or less than 1 month	One-three months	3 months ~ 1 year	1 ~5 years
<u>Non-derivative financial liabilities</u>				
Notes and account payables	\$ 49,786	\$ 34,403	\$ 15,383	\$ -
Floating rate instruments	120	240	2,660	-
Fixed interest rate:	250	500	2,250	33,650
	<u>\$ 50,156</u>	<u>\$ 35,143</u>	<u>\$ 20,293</u>	<u>\$ 33,650</u>

(2) Financing facilities

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

25. Related party transactions

Remunerations to the management

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 16,469	\$ 17,412
Retirement benefits	<u>163</u>	<u>161</u>
	<u>\$ 16,632</u>	<u>\$ 17,573</u>

26. Pledged assets

Below assets are collaterals for bank borrowings:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Land, buildings and architecture	<u>\$143,528</u>	<u>\$ 91,717</u>

27. Significant contingent liabilities and unrecognized contractual commitments

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

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

	<u>December 31, 2019</u>
Purchases of property, plant and land use rights	<u>RMB 60,746</u>

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

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

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

December 31, 2019

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

December 31, 2018

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

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

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

29. Notes of disclosure

- (1) Material transactions (II) and transfer investment information:
 1. The Loaning of funds: Attached table 1.
 2. Endorsement and Guarantee: Attachment 2.
 3. Securities held at period end (excluding investment in subsidiaries, affiliate, and Joint Ventures equities): Accompanied table III.
 4. The accumulated amount of purchasing or selling the same securities reaching TWD300 million or more than 20% of the paid-in capital: None.
 5. Acquisition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: Attached table 4.
 6. Disposition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: None.
 7. Purchase and sales transactions with related party amount over 100 million NTD or 20% and above of paid-in capital: Accompanied table 5.
 8. Related party receivables amounting to more than NTD 100 million or 20% of paid up capital: Attached table 6.
 9. Information on investees: Attached table 7.
 10. Engagement in derivative trade: no.
 11. Business relationship and significant transactions between the parent company and subsidiaries: Attached table 8.
- (3) Information regarding investment in the territory of mainland china
 1. The names of investees in China, operation items, paid-in capital, investment method, fund remittance –in and out , share-holding proportion, investment profit or loss, book value of investment of period end, wired-back investment profit or loss and investment limitation in China: Attached table 9.
 2. The significant transactions conducted with the investee company in China directly or indirectly, and the price, payment terms, and unrealized profit and loss: None.
 - (1) Purchase amount and percentage and the related payables ending balance and percentage.
 - (2) Sale amount and percentage and the related receivables ending balance and percentage.
 - (3) Property transaction amount and the profit and loss arising from the acquisitions.
 - (4) Notes endorsement and guarantee, or the provided collateral ending balance and its purpose.
 - (5) The maximum financing balance, ending balance, interest rate interval, and total interest amount.

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

30. Capital risk management

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

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

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

31. Segment information

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

(1) Main revenues from products and service

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

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

(2) Information by areas

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

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

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

(3) Information on key customers

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

	<u>2019</u>	<u>2018</u>
Customer A	\$ 337,696	\$ 392,594
Customer B	<u>249,643</u>	<u>240,747</u>
	<u>\$ 587,339</u>	<u>\$ 633,341</u>

SUN MAX TECH LIMITED and its subsidiaries

The Loaning of Funds

2019

Attached table 1

Unit: Unless otherwise stated, NT\$ Thousand

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period	Balance, ending	The actual amounts disbursed	Interest rate collars	Nature of financing	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note)	Total limit of financing (Note)	Remarks
													Name	Value			
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Other receivables - related parties- Other	Yes	\$ 63,200 (USD 2,000)	\$ 29,800 (USD 1,000)	\$ - (USD -)	3%	The necessity of short-term financing	\$ -	Operation turnover	\$ -	-	-	\$ 385,964	\$ 385,964	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	39,120 (RMB 8,500)	36,528 (RMB 8,500)	- (RMB -)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	27,614 (RMB 6,000)	21,487 (RMB 5,000)	21,487 (RMB 5,000)	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC TECH (TAI YI) CO., LTD	Other receivables - related parties	Yes	28,677 (RMB 6,231)	26,778 (RMB 6,231)	26,778 (RMB 6,231)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	
6	DONG GUAN DONG LI DIAN ZI CO. LTD	POWER LOGIC HOLDINGS INC.	Other receivables - related parties	Yes	173,367 (USD 5,486)	14,990 (USD 500)	14,990 (USD 500)	-	The necessity of short-term financing	-	Operation turnover	-	-	-	167,804	167,804	

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

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

SUN MAX TECH LIMITED and its subsidiaries

Endorsement and Guarantee

2019

Attached table 2

Unit: Unless otherwise stated, NT\$ Thousand

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the current period	The ending balance of endorsements and/or guarantees	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation											
0	Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Parent Company and Subsidiaries	Note 2	\$ 63,200 (USD 2,000)	\$ 59,960 (USD 2,000)	\$ -	\$ -	6%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	94,800 (USD 3,000)	89,940 (USD 3,000)	-	-	9%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	189,600 (USD 6,000)	179,880 (USD 6,000)	-	-	19%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	6,320 (USD 200)	5,996 (USD 200)	-	-	1%	Note 3	Y	N	N	
0	Sun Max Tech Limited	DONG GUAN DONG LI DIAN ZI CO. LTD	Parent Company and Sub-sub-subsidiary	Note 2	9,480 (USD 300)	8,994 (USD 300)	-	-	1%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-sub-subsidiary	Note 2	60,741 (RMB 14,000)	60,165 (RMB 14,000)	-	-	6%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-sub-subsidiary	Note 2	79,000 (USD 2,500)	74,950 (USD 2,500)	-	-	8%	Note 3	Y	N	Y	

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

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

Note 2: The endorsement guarantee amount to individual company by the Company do not exceed 10% of latest net financial statements audited by CPA : $964,911 \times 10\% = 96,491$, but the endorsement guarantee amount to 100% direct or in-direct owned company by the Company is not subjected to the previous limitation. The endorsement guarantee amount to individual company do not exceed 150% net value of the Company: $964,911 \times 150\% = 1,447,367$.

Note 3: The total endorsement guarantee amount by the Company do not exceed 20% of latest net financial statements audited by CPA : $964,911 \times 20\% = 192,982$, but the endorsement guarantee amount to 100% direct or in-direct owned company by the Company is not subjected to the previous limitation. The total endorsement guarantee amount do not exceed 150% net value of the Company: $964,911 \times 150\% = 1,447,367$.

SUN MAX TECH LIMITED and its subsidiaries
 Marketable securities held at yearend
 December 31, 2019

Attached table 3

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

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Remarks
				Quantity	Book value	Ratio of Shareholding	Fair value	
POWER LOGIC TECH. INC	Private equity-SONG JYE TECHNOLOGY CO., LTD.	-	The financial assets measured for the fair values through other comprehensive income- non-current	700	\$ 2,288	14%	\$ 2,288	

SUN MAX TECH LIMITED and its subsidiaries
Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital.
2019

Attached table 4

Unit: Unless otherwise stated, NT\$ Thousand

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

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

SUN MAX TECH LIMITED and its subsidiaries

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

2019

Attached table 5

Unit: Unless otherwise stated, NT\$ Thousand

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

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

SUN MAX TECH LIMITED and its subsidiaries
Accounts receivable-related party reaching NTD 100,000 thousand or more than 20% of the Paid-in shares capital
December 31, 2019

Attached table 6

Unit: Unless otherwise stated, NT\$ Thousand

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

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

SUN MAX TECH LIMITED and its subsidiaries
The information of the invested company, the location, and so on
2019

Attached table 7

Unit: Unless otherwise stated, NT\$ Thousand

Investor	Investee's name (Note 1, 2)	Location	Principal business	Initial investment amount		Ending shareholding			Invested company's profit and loss	Investment profit/loss recognized in the current period	Remarks
				Current yearend	Last yearend	Quantity	Proportion	Book value			
Sun Max Tech Limited	POWER LOGIC TECH. INC	Taiwan	Sales of cooling fan	\$ 70,000	\$ 45,000	7,000	100	\$ 95,707	\$ 19,145	\$ 19,145	
Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Samoa	Investment in holding company and sales of cooling fan	248,602 (USD 8,245)	163,037 (USD 5,445)	6,850	100	392,184	84,294	84,294	
Sun Max Tech Limited	UNITED STRATEGY INC.	Samoa	Investment holding	258,425 (USD 8,372)	141,995 (USD 4,572)	2,005	100	513,905	13,667	13,667	
Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	BVI Suzhou	Investment in holding company and sales of cooling fan	46,741 (USD 1,550)	46,741 (USD 1,550)	490	100	80,625	(1,695)	(3,942) (Note 4)	
Sun Max Tech Limited	SUNNY FAITH INVESTMENTS LIMITED	Samoa	Investment holding	15,469 (USD 500)	15,469 (USD 500)	500	100	26,520	(3,834)	(3,834)	

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

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

- (1) Columns of "Investee name", "Area", "Operating items", "Original investment amount" and "Shares-holding at period end" should be filled in order according to the (public) Company reinvestment and the reinvestment of investee. The relationship between the (public) Company and investee is required to be indicated in the remarks column (e.g. it is a subsidiary or subordinate).
- (2) "The investee income" column should be filled in with profit or loss amount of investee of the period.
- (3) "The investee income" column is filled in with the recognized direct invested subsidiaries and investee profit and loss under equity of the Company only. No need to fill in other than these two. The subsidiary profit and loss included re-investment profit and loss to be recognized according to the regulations should be confirmed when filling in the "Recognized direct invested subsidiary profit and loss of the period".

Note 3: The details information of investee in China, please refer to the accompanied table 9.

Note 4: Including unrealized gross from intercompany transactions.

SUN MAX TECH LIMITED and its subsidiaries

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

2019

Unit: Unless otherwise stated, NT\$ Thousand

Table 8

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

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

- (1) Fill in "0" for parent company.
- (2) The subsidiaries are sequentially numbered from 1 and so forth.

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

(1) The Company to the Subsidiary.

(2) The Subsidiary to The Company.

(3) The Subsidiary to the Subsidiary.

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

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

Note 5: The transaction above and over 10 million.

SUN MAX TECH LIMITED and its subsidiaries
Information regarding investment in the territory of mainland china
2019

Table 9

Unit: Unless otherwise stated, NT\$ Thousand

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Invested company's profit and loss	Ratio of shareholding of investment directly or indirectly made by the Company	Investment profit/loss recognized in current period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fan	\$ 126,746 (CNY 27,500)	2 (POWER LOGIC HOLDINGS INC.)	\$ -	\$ -	\$ -	\$ -	\$ 92,374	100.00	\$ 89,683 (Note 4)	\$ 331,614 (Note 4)	\$ -	
DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fan	88,456 (HKD 21,000)	2 (UNITED STRATEGY INC.)	-	-	-	-	15,751	100.00	16,687 (Note 4)	174,281 (Note 4)	-	
POWER LOGIC (YI QUAN) CO., LTD	sales of cooling fan	-	2 (SUNNY FAITH INVESTMENTS LIMITED)	-	-	-	-	(3,166)	Note 5	(3,166)	-	-	Note 5
TAIYI (JIANGXI) ELECTRONIC TECHNOLOGY CO., LTD.	Production and sale of cooling fan	315,236 (CNY 67,175)	2 (UNITED STRATEGY INC.)	-	-	-	-	(4,706)	100.00	(4,706)	284,171	-	

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

Note 1: There are three types of investments labeled by the respective number:

- (1) Direct investment in China.
- (2) Investment in China through the third region (please indicate the invested company in the third region).
- (3) Other ways.

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

- (1) Please mark out if there has no investment gain or loss yet because the investment is still under planning.
- (2) The basis of recognition of investment income is classified into following three types, which should be marked out.
 - A. Financial statements audited by international firm cooperated with accounting firm in R.O.C.
 - B. Financial statements audited by the CPAs who audit the parent company in Taiwan.
 - C. Others.

Note 3: all figures presented in new Taiwan dollars.

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

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

社團法人台北市會計師公會會員印鑑證明書

北市財證字第 1090175 號

會員姓名：
(1) 楊承修

(2) 林旺生

事務所名稱：勤業眾信聯合會計師事務所

事務所地址：台北市信義區松仁路 100 號 20 樓

事務所電話：27259988



事務所統一編號：94998251

會員證書字號：
(1) 北市會證字第 3123 號

委託人統一編號：42461124

(2) 北市會證字第 4020 號

印鑑證明書用途：辦理動力科技股份有限公司(SUN MAX TECH LIMITED)2019 年度（自西元 2019 年 1 月 1 日至 2019 年 12 月 31 日）財務報表之查核簽證。

簽名式（一）	楊承修	存會印鑑（一）	
簽名式（二）	林旺生	存會印鑑（二）	

理事長：



核對人：



中華民國 109 年 1 月 14 日



另

V. Recent annual individual financial report and accountant verification report

The company was established in the British Cayman Islands on November 28, 2013. The Cayman local regulations do not require the preparation of individual financial reports and the dividend distribution is based on the consolidated statements, so it is based on the 2014.01.13 gold management certificate. In the letter of 10200546801, the company is exempt from the preparation of individual financial reports.

VI. If the company or its affiliated enterprises have experienced financial difficulties during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, the annual report shall explain how said difficulties will affect the company's financial status: Not applicable.

Seven. Review of financial status, business performance, and risk management

I. Comparative analysis of financial condition:

Unit: NTD thousands

Item \ Year	2019	2018	Variation	
			Amount	%
Current assets	1,125,867	1,136,718	(10,851)	(0.95)
Real estate, Workshop and equipment	301,539	212,937	88,602	41.61
Right-of-use assets.	142,796	0	142,796	-
Intangible assets	7,201	8,667	(1,466)	(16.91)
Other assets	184,273	28,138	156,135	554.89
Total assets	1,761,676	1,386,460	375,216	27.06
Current liabilities	399,386	247,087	152,299	61.64
Non-current liabilities	339,838	253,475	86,363	34.07
Total liabilities	739,225	500,562	238,663	47.68
Share Capital	275,270	237,030	38,240	16.13
Capital surplus	549,048	449,000	100,048	22.28
Retained earnings	284,678	253,058	31,620	12.50
Other equity	(71,258)	(37,903)	(33,355)	88.00
Treasury shares	(15,287)	(15,287)	-	-
Total shareholders' equity	1,022,451	885,898	136,553	15.41
<p>Description of major changes: (The amount changes by more than 10%, and the amount reaches 1% of the total assets of the year, that is, 17,617 thousand yuan)</p> <ol style="list-style-type: none"> 1. Mainly caused by purchase of Zhunghe office and renovation of new factory. 2. Right-of-use asset: mainly caused by the transition from business lease to IFRS 16 lease on January 1, 2019. 3. Other assets: mainly caused by prepayment for equipment for the new factory and land price being 157,760 thousand dollars. 4. Total asset amount: mainly caused by prepaid equipment and land price and increase in right-of-use asset. 5. Current liabilities: mainly caused by increase of payable account, payable processing fees, business tax, payable marketing service fees, lease liabilities, and long-term loans due within one year. 6. Noncurrent liabilities: mainly caused by increase of payable corporate bonds. 7. Increase of liabilities: mainly caused by increase of lease liabilities and payable corporate bonds. 8. Capital stock: mainly caused by capital increase of 2,500 shares and 1,989,000 shares transferred from corporate bonds in 2019. 9. Capital reserves: mainly caused by premium resulting from capital increase of 2,500,000 dollars and corporate bonds transfer in 2019. 10. Retained surplus: Mainly due to the undistributed surplus before 2018 and the provision of statutory reserve and special surplus reserve. 11. Other equity: Mainly due to the conversion of the financial statements of the foreign operating institutions of the Company. 12. Shareholders' equity: mainly caused by capital increase in 2019, increase of net profit in this period and setting aside legal reserves and special surplus reserves. 				

Source: consolidated audited financial statements

II. Comparison and analysis of financial performance:

1. Financial performance analysis

Unit: NTD thousands

Item	Year	2019	2018	Variation	
				Amount	%
Operating revenue		1,184,812	1,271,595	(32,783)	(2.69)
Operating cost		(870,881)	(976,718)	105,837	(10.84)
Gross profit		313,931	240,877	73,054	30.33
Operating expenses		(176,664)	(157,099)	(19,565)	12.45
Operating gains and losses		137,267	83,778	53,489	63.85
Non-operating revenues and expenses		1,620	24,160	(22,540)	(93.29)
Profit before Income tax		138,887	107,938	30,949	28.67
Income tax expenses		(49,639)	(34,161)	(15,478)	45.31
Net profit (loss) of current period		89,248	73,777	15,471	20.97
Current period other comprehensive income		(33,355)	(12,886)	(20,469)	158.84
Current period other comprehensive income (Gross)		55,893	60,891	(4,998)	(8.21)
<p>Description of major changes: (The change ratio before and after the period is more than 20%, and the amount of change exceeds NT\$10 million)</p> <ol style="list-style-type: none"> 1. Operating margin: mainly caused by different models of products with improved performance. 2. Operating revenue: mainly caused by increase of gross margin in 2019. 3. Non-operating income and costs: mainly caused by increase of financial costs resulting from implementation of IFRS 16 lease and issuance of corporate bonds and drop of net exchange profit of foreign currency resulting from US dollar exchange rate changes. 4. Net profit before tax and net profit of this period: mainly caused by increase of operating revenue. 5. Income tax expenses: The main profit is due to the increase in profit in 2019. 6. Other comprehensive profit and loss of the current period: Mainly due to the conversion of the financial statements of the foreign operating institutions of the Company. 					

Source: consolidated audited financial statements

2. Expected sales volume and the related reference

The Company's expected sales volume is based on the market forecast of major customers, the sales status of past products, the expected growth rate of products, the development of new customers and the business growth of existing customers, while taking into account the material conditions of major raw materials and the capacity of suppliers. Set the shipping target by factors such as delivery time.

3. Possible impact on the company's future financial business and its response plan

The company has a stable growing operation and a stable source of customers, will steadily increase capital expenditure to bring new business opportunities for the company. Also, the company will continue to deepen and operational management reasonable cost control of each subsidiary to promote the company's business growth and improve profitability; No significant potential impact on the company's future financial business.

III. Cash flow analysis:

1. Cash flow analysis in the most recent year (2019)

Unit: NT\$ thousand; %

Item \ Year	2019	2018	Variation	
			Amount	%
Operating activities	179,490	115,022	64,468	56.05
Investing activities	(279,432)	(42,787)	(236,645)	553.08
Financing activities	43,013	72,567	(29,554)	(40.73)
Change analysis:				
(1) Cash flow volume of business activity: mainly caused by right-of-use asset depreciation, interest expense for corporate bonds, price decrease of inventories, and increase of obsolescence losses.				
(2) Cash flow volume of investment: mainly caused by purchase of real estate, factories, equipment and prepaid equipment and land price increasing by 239,136 thousand dollars in 2019 compared to 2018.				
(3) Cash flow of loans: mainly caused by lease liabilities and repayment of principle in 2019.				

Source: consolidated audited financial statements

2. Plans to improve liquidity: None.

3. Liquidity analysis for the next year (2020)

Beginning of year cash balance (1)	Net cash flow from operating activities for the year (2)	Annual cash outflow (3)	Cash surplus (deficit) (1)+(2)-(3)	Financing of cash deficits	
				Investment	Wealth management
453,196	142,415	216,194	379,417	-	-
1. Analysis of anticipated cash flow changes in 2020:					
(1) Estimated cash inflow from business activities: 142,415,000 dollars.					
(2) Estimated cash outflow for investment: 160,250 thousand dollars, which will be mainly used by sub-subsidiary, Taiyi (Jiangxi) Electronic Technology Co., Ltd., for factory and equipment price payment.					
(3) Estimated cash outflow for loans: 55,944 thousand dollars, which is mainly caused by distributing cash dividends and repayment of loans.					
2. Responsive measures and liquidity analysis on cash flow deficits: None.					

IV. Material capital expenditures in the latest year and impacts on business performance:

Unit: NTD thousand

Plans	Actual and expected funding source	Actual and expected completion date	Total funds required	Actual or expected uses of funds			
				2019	2020 years	2021 years	2022 years
Real property and buildings	Proprietary funds and bank loans	December 2019	NTD 52,610	NTD 52,610	-	-	-
Property, plant and buildings	Self-owned Capital	January 2020	RMB 91,273	RMB 30,527	RMB 26,034	RMB 17,356	RMB 17,356

V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

1. The Company's investment policy

The Company's current reinvestment policy focuses on investment relating to fundamental business and does not involve in any reinvestment unrelated to fundamental business, where the relevant units are bound by Rules Governing Acquisition and Disposal of Assets and Rules Governing Oversight and Management of Subsidiaries stipulated by the Company, and in accordance with the investment cycle policy under the internal control system. Each subsidiary shall comply with the Company's rules and shall conduct proper internal control considering local laws and actual operation.

2. The main reasons for the profit or loss of investment in the most recent year (2019):

Unit: NTD thousands

Transfer investment	Investment gains and losses	Remark
United Strategy Inc.	13,667	Good operating condition
POWER LOGIC HOLDINGS INC.	84,294	Good operating condition
Sunny Sharp International Ltd.	(3,942)	Good operating condition
Sunny Faith Investments Ltd.	(3,834)	Good operating condition
POWER LOGIC TECH. INC	19,145	Good operating condition
DONG GUAN DONG LI DIAN ZI CO. LTD	16,687	Good operating condition
POWER LOGIC TECH (TAI YI) CO., LTD	89,683	Good operating condition
POWER LOGIC (YI QUAN) CO., LTD	(3,166)	Filing for cancellation this year
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	(4,706)	New manufacturing base purchased this year

VI. Risk management and assessment:

(I) Risk factor

1. Impacts of interest rates, exchange rates, and inflation to The Company's earnings, and the responsive measures

(1) Interest rate changes and response measures

The interest income of the Company for the year of 2018 and 2019 was NT\$ 4,017 thousand and NT\$ 12,299 thousand, respectively, accounting for 0.33% and 1.04% of the combined net operating income for the year, respectively, and the interest expenses for 2018 and 2019 were NT\$ 756 thousand and NT\$ 12,946 thousand, respectively, accounting for 0.06% and 1.09% of the combined net operating income for the year, had little impact on the company's revenue and profit. The Company's future response measures: The Company will pay attention to the changes in the financial interest rate at any time, and adjust the use of funds in a timely manner to meet the financial risks that may arise from changes in interest rates. In the future, the company's capital planning is still based on sound principles, and the first allocation of funds is safely managed. Considering the future development of the company, different funding sources and costs will be adopted in addition to maintaining good relations with banks, and different financing methods will be chosen for future growth.

(2) Exchange rate changes and response measures

Our company mainly collects the currency mainly by NT, US dollars and RMB, and the payment methods for purchasing materials are also mainly NT, US dollars and RMB. The exchange demand is reduced by the natural risk-averse effect of the balance of payments against the currency, The net exchange (loss) gains for 2018 and 2019 were NT\$ 20,430 thousand and NT\$ 2,262 thousand, respectively, accounting for 1.68% and 0.19% of the combined operating income, respectively. Fluctuation effects, in order to reduce the impact of exchange rate fluctuations on the company's profit and loss. The specific measures of the company in response to exchange rate changes are as follows:

- A. Financial staff should collect real-time currency information at any time, make judgments based on the trend of future exchange rates, maintain adequate foreign exchange reserves and provide a business as a reference basis for quotation.
- B. Adjust the foreign currency deposit position according to the exchange rate change situation. Considering the pre-purchase or pre-sale forward foreign exchange contract for the purpose of hedging and the method of borrowing foreign debt to reduce the exchange rate risk if necessary.
- C. Adopt the method of automatic hedging of foreign exchange receipts and payments to reduce the foreign currency net assets by offsetting the foreign currency receipts and payments generated by foreign sales and foreign purchases.
- D. According to Article 36 of the Securities and Exchange Act, the "Procedures for Financial Derivatives Transactions" is established as the basis for engaging in derivative commodity transactions, so that the foreign exchange losses of daily operations are limited to a controllable range.

Inflation response measures

The Company has considered the risk of inflation in the planning of the annual operating plan. The past profit and loss of the Company has not been significantly affected by inflation. If the purchase cost increases due to inflation, the Company will also keep abreast of the price of upstream goods. Changes are timely reflected in costs and quotations to reduce the profit and loss impact on the

company due to cost changes.

2. Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees, and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future

- (1) Based on prudent principles and pragmatic business philosophy, the company has not engaged in high-risk and highly leveraged investment except in the fields of the company's business.

- (2) The Company has set has “Regulations Governing of loans to other”, “Regulations Governing of Endorsements/Guarantees”, “acquisition or disposal of asset disposal program, ” “derivative commodity transaction processing” and other measures. The company will comply with the above procedures, so the relevant risks should be limited.

3. R&D plan in the future and projected investment

The Company’s 2018 and 2019 R&D expenses were NT\$ 31,063 thousand and NT\$ 35,949 thousand, respectively, and R&D expenses accounted for approximately 2.55% and 3.03% of revenue.

The Company plans a budget dedicated to research and development based on the development of new products and manufacturing process. With the diverse product development, the overall research budget is planned to be about NTD 45,000 thousand in 2020.

In response to the needs of multiple research and development projects (graphics card cooling fans, NB cooling fans, LED gaming cooling fans, smart and power-saving appliance cooling fans, telecom/5G servers, and AI fan promotion), in addition to laboratories expansion, purchase of relevant testing equipment, increasing professional research and development ability, cultivating research and development talents, and close cooperation with buyers, the Company also uses our technology in designing innovative products and developing new manufacturing techniques to improve the Company’s competitiveness and expand non-computer, smart fan and server applications. It develops new market applications and increases the overall profits.

4. The effect of major changes in policies and legal practices, whether domestic or foreign, to the company’s financial and business performance, and the responsive actions:

The company is registered in the Cayman Islands and has no substantial economic activities. The main place of operation is Mainland China. The implementation of the company's various businesses is handled in accordance with important domestic and international policies and laws, and it is important to pay attention to important policies and legal changes in the countries and regions. Information, and prepare for prevention through various pipelines. If there are any changes, consult with lawyers, accountants and other relevant units, or appoint them to evaluate and plan the corresponding measures, and timely respond to market changes and take appropriate measures. The Company has not had significant influence on the financial operations of the Company due to significant policy and legal changes in the Cayman Islands and the major operating countries.

5. Effects of technological and industrial changes to the company's financial and business performance, and the responsive actions

The Company keeps abreast of the changes in technology and product demand in the industry, keeps abreast of the latest market information, and assesses its impact on

the company's operations. The evaluation and research and development of various products have met the market demand, and the latest annual and annual reports are printed. At the end of the day, the company has no major technological changes or industrial changes, which has caused significant impact on the company's financial business.

6. Impacts of changes in corporate image to the company's crisis management, and the responsive measures

Since the establishment of the company, the company has a good corporate image, complies with relevant laws and regulations, actively researches and develops new products and obtained patent certification, while maintaining harmonious labor and local relations, in order to maintain a good corporate image, so this crisis has not happened yet.

7. The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures

The Company has no plan for merger and acquisition with any other company in the prospectus was printed, and will take caution in evaluation of any possible merger and acquisition in the future with overall assessment on the synergy after the merger to ensure the rights of the shareholders.

8. The expected result, possible risk of capacity expansion, and the response

In the Board of Directors' meeting on July 18, 2019, the Company passed a proposal for 100% owned sub-subsidiary Taiyi (Jiangxi) Electronic Technology Co., Ltd. to purchase the right-of-use of land and factory buildings in the industrial park in Anfu County, Jiangxi Province. Because the current two factories are both leased, the rent and manpower costs have risen over the years. For long-term business operation and to save on operation costs, we purchased the right-of-use for land and factories in the industrial park in Anfu County, Jiangxi Province as the group's integrated manufacturing base. The Company's purchase of factories is assessed fully, carefully and professionally. Material capital expenditures are required to be submitted to be reviewed by the Board of Directors. Investment return and potential risks are also taken into consideration.

9. Risks of concentrated purchases or sales, and responsive measures to such risks

(1) Risks of concentrated purchases, and responsive measures to such risks:

The main customer of the company is Taiwan Computer Display Card System Factory. Due to customer's requirements for quality, the main raw materials such as PBT/PC plastic materials, rolling bearings, enameled wire, tin wire, tin bar , square wire , integrated circuit, etc. Raw materials such as silicon steel sheets , iron shells, magnetic strips, copper , electronic components, power cords, packaging materials, shaft cores, etc. , are used in a variety of ways to purchase goods from multiple manufacturers to increase bargaining space and reduce the risk of material shortage. Or according to changes in the product structure of the company's sales, there is no risk of concentration of purchases.

(2) Risks of concentrated sale, and responsive measures to such risks:

The revenue of the Company's largest sales customers in 2019 and 2018 was 28.50% and 32.24%, respectively, while the top ten customers accounted for 83.32% and 81.79% respectively, and the revenue of the first customer was In the case of a high proportion, the Company will strengthen the control of its credit limit. If the order quantity is greater than the credit limit granted and the sum of the receivables, the company will suspend the shipment and will also periodically

check accounts receivable with customers, timely collection to avoid bad debt. In addition, in order to spread the risk of sales, the company will actively look for new customers and new business opportunities to spread the source of customers, such as the development of network communication, industrial control, home appliances and other different product areas of customer orders. In the last three years, the sales amount of the top ten clients who are not within the IT industry, such as telecommunications, industrial control, and appliances, have increased over the years. With respect of developing clients for new products, in 2019–2020, we will continue to develop 5G telecom high performance fans, and proactively develop applications in relevant industries. Additionally, facing the global air pollution and virus spread, the Company will develop and design based on the structure of the mobile platform targeting the stay-at-home environment in 2020: we will collaborate with our client to develop new products, and we anticipate to enter the stages of sample delivery, DTV and PP in the second half. The market sales may increase gradually to reduce the risk of sales consolidation.

10. The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks

In the most recent year and the end of the annual report, the directors of the Company and the majority shareholder holding 10% of the shares did not have a significant transfer of equity.

11. The influence and risk from the change hands of the management, and the response

The company has not changed its management rights in the most recent year and up to the date of publication of the annual report. The Company has strengthened various corporate governance measures. The Directors have been fully elected for the nomination system and have been enlarged from one director to seven directors. The three independent directors have formed an audit committee to enhance the protection of the overall shareholders' equity. In addition, the company has a large number of operations. Relying on professional managers, good business performance should be supported by shareholders, and a complete internal control system and related management regulations have been formulated. Therefore, if the management rights change, it should not have a significant impact on the company's operations.

12. List out the legal proceedings or non-contentious matters, or administrative actions, involving the Company, the Directors, Supervisors, President, the deputy agent, or dominant shareholders holding more than 10% of the shares issued by the Company and its subsidiaries, concluded with rulings or still pending, the result of which may cause significant influence on the shareholders equity or stock price of the Company. Disclose the factual account of the contention, the starting date of the proceedings, the parties concerned, and the action taken by the Company to the date this report was printed: None.

13. Other significant risks and responsive measures:

- (1) Risk of rapid market changes

The Company pays attention to the change and development in technologies in the industry, as well as new products launched by international brands, to quickly grip the trend and propose a response plan. We also proactively expand the market applications by continuously developing new clients in different industries to reduce operational risks and by obtaining more orders from clients to reduce risks of industrial changes. Therefore, risks are diversified in the unstable economy and our income source is relatively stable. The Company has always operated

conservatively and stably to effectively reduce the risks posed by economy changes.

(2) Risk of shareholder equity protection

The company's registered Cayman Islands law has many differences with the Republic of China. Although the company has not touched the laws of the Isle of Man, it is subject to the regulations of the Taiwan Stock Exchange Co., Ltd. The National Shareholders' Rights Protection Matters Checklist amends the company's articles of association. However, there are still many differences between the two local laws and regulations on the operation of the company. Investors cannot guarantee the investment in the legal rights of the Republic of China company, and apply it to the Cayman invested. In an archipelago company, investors should know and consult with experts to invest in whether the Cayman Islands company can obtain effective shareholder rights protection. Please refer to pages 187 to 195 of this annual report for the differences between the articles of association and the checklist of shareholders' rights and interests' protection.

(3) Information security risk assessment and analysis

- A. To implement information security management, the Company stipulates Rules Governing Information Security Management and relevant operational procedures, which shall be the basis of implementing information work plans. The Company strictly restricts the use and safety maintenance of information, establishes firewalls, encryption systems and personal information storage to restrict and audit access and records to reduce risks to information security.
- B. To effectively block malicious attacks on computer systems by external viruses, the Company installs anti-virus software by Trend to strengthen Internet firewall and network control and prevent computer viruses from spreading.
- C. To prevent malfunction or crash of the group's server, which compromises the completeness of system files and loss of confidential information, the Company established the NetApp E2800 Storage disc back-up system to ensure the server's information is secured and fully kept.

In sum, although the Company has the above risks, whether it occurs or not depends on many uncertain factors in the future and the company's response measures.

(II) Other important notes:

Please refer to pages 187–195 of this annual report for explanation of material difference from the regulations governing shareholder rights protection in the Republic of China.

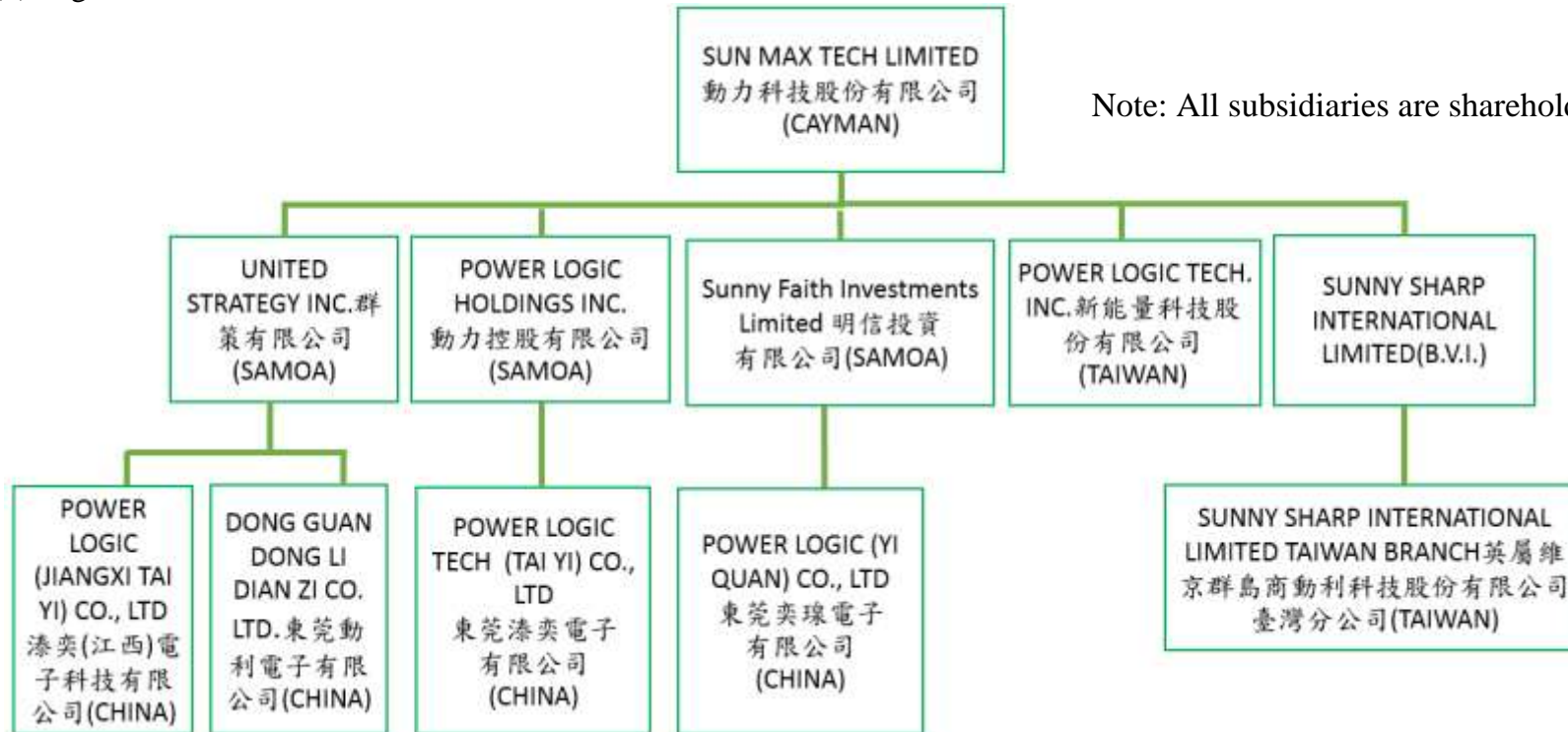
Eight. Special remarks

I. Information regarding the bank's subsidiaries

(I) Information regarding the bank's subsidiaries

1. Organization chart for affiliates:

(1) Organization chart for affiliates:



Note: All subsidiaries are shareholding of 100%

(2) Presumption of Controlled and Subordinate Company in accordance with Article 369-3 of the Company Law: None

(3) Subsidiary companies that directly or indirectly control personnel, finance or business operations in accordance with the Subparagraph 2 of Article 369-2 of the Company Law: None

2. Basic information of affiliated enterprises:

December 31, 2019 Unit: NT\$ thousand

Name of affiliated enterprises	Date of establishment	Address	Paid-in shares Capital	Major operations
United Strategy INC.	2003/07/01	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$8,372	Investment holding
POWER LOGIC HOLDINGS INC.	2008/08/21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$8,245	Investment holding
Power Logic Tech. Inc.	1998/04/04	6-2F, No. 16, Jen-Ba Road, Chunghe District, New Taipei City	NT\$ 70,000	Sales of electronic components
Sunny sharp International Limited	2015/11/11	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	US\$1,550	Investment holding
SUNNY FAITHINVESTMENTS LIMITED	2017/01/04	Portcullis Chambers, P.O.Box 1225, Apia, SAMOA	US\$500	Investment holding
DONG GUAN DONG LI DIAN ZI CO. LTD	2003/12/10	No. 13, Tianheng Road, Tianwei Village, Changping Town, Dongguan City, Guangdong Province, China	HK\$21,000	Sales of electronic components
POWER LOGIC TECH (TAI YI) CO., LTD	2014/07/31	Building 2, No. 3, Chaiozhing West 2 nd Road, Dazhou Community, Qiaotou Town, Dongguan City	RMB27,500	Production and sales of electronic components
POWER LOGIC (YI QUAN) CO., LTD (Note)	2017/03/17	Office 2011, Unit 2, Building 1, Jiajun Center, Banshi Village, Changping Town, Dongguan City	RMB3,000	Sales of electronic components
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	2019/06/26	Anfu Industrial Park, Jiangxi Province	RMB67,175	Production and sales of electronic components

Note: The cancellation registration of POWER LOGIC (YI QUAN) CO., LTD. was completed on January 20, 2020.

3. Information on the same group of shareholders presumed as under control and in subordinated relation: None

4. The industries housed in the same business location of the whole Affiliated Enterprises:

The business of the Company and its related companies includes the molding, injection molding, painting and assembly of 3C products.

5. Information on directors, supervisors, and general managers of affiliated enterprises:
December 31, 2019

Name of affiliated enterprises	Title	Company name or representative	Status of shareholding	
			Quantity	Ratio of Shareholding
United Strategy INC.	Director	HSU Wen-Faung	2,005,000	100%
POWER LOGIC HOLDINGS INC.	Director	HSU Wen-Faung	6,850,000	100%
Power Logic Tech. Inc.	Executive Director	HSU Wen-Faung	7,000,000	100%
Sunny sharp International Limited	Director	HSU Wen-Faung	490,000	100%
SUNNY FAITHINVESTMENTS LIMITED	Director	SUN MAX TECH LIMITED	500,000	100%
DONG GUAN DONG LI DIAN ZI CO. LTD	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital HKD 21,000,000	100%
POWER LOGIC TECH (TAI YI) CO., LTD	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital RMB27,500,000	100%
POWER LOGIC (YI QUAN) CO., LTD	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital RMB3,000,000	100%
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Executive Director Supervisor	HSU Wen-Faung LAI, Jen-Chung	Capital RMB67,175,000	100%

(II) Business Performance of Affiliated Enterprises:

Financial status and operating results of each related company:

December 31, 2019

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

A	B	C	D	E	F	G	H	I
Name of affiliated enterprises	Capital	Total assets	Total liabilities	Net value	Operating revenue	Profit (loss) from operations	Current period profit (after tax)	Earnings per share (After tax)
United Strategy INC.	258,425	544,809	30,904	513,905	0.00	(129)	13,667	Note 1
POWER LOGIC HOLDINGS INC.	248,602	642,049	249,865	392,184	444,949	(1,195)	84,294	Note 1
Power Logic Tech. Inc.	70,000	176,877	81,170	95,707	50,010	20,868	19,145	13.67
Sunny sharp International Limited	46,741	163,669	79,325	84,344	348,772	(1,752)	(1,695)	Note 1
Sunny Faith Investments Ltd.	15,469	26,556	36	26,520	0	(71)	(3,834)	Note 1
DONG GUAN DONG LI DIAN ZI CO. LTD	88,456	405,764	231,463	174,301	320,190	16,014	15,751	Note 2
POWER LOGIC TECH (TAI YI) CO., LTD	126,746	679,234	344,764	334,470	865,724	126,291	92,374	Note 2
POWER LOGIC (YI QUAN) CO., LTD	-	560	206	354	0	(290)	(3,166)	Note 3
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	315,236	299,444	15,273	284,171	0	(4,684)	(4,706)	Note 2

Note 1: It is not applicable to overseas companies.

Note 2: It is a mainland limited company, not applicable.

Note 3: POWER LOGIC (YI QUAN) CO., LTD applied cancellation procedure in 2019, and completed the distribution of the remaining property to the parent company Sunny Faith Investments Limited was completed during the year.

(III) Relationships Business Consolidated Financial Statements: Please refer to the “Consolidated Financial Reporting and Accountant Verification Report” in “Land, Financial Overview”.

(IV) Affiliation Report: None.

II. Private placement of securities during the latest year up till the publication date of this annual report: None.

III. Holding or disposal of the company’s shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.

IV. Other supplementary information: None.

V. Explanation of significant differences with the provisions of the shareholders' rights and interests of the Republic of China:

Due to the slight inconsistency between the British Cayman Islands Act and the Republic of China Act, the Taiwan Stock Exchange Co., Ltd. recently amended the “Registration Form for the Protection of Shareholders’ Rights and Interests of Foreign Issuer Registration Countries” (hereinafter referred to as “shareholders’ rights protection” The “List of Events” does not apply to the Company of course. The following list shows the differences between the Company's currently valid Articles of Association (the “Articles of Association”) and the protection of shareholders' interests due to the provisions of the British Cayman Islands Act , and the Company. The provisions of the charter.

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
The Company repurchased its own shares for assignment to its employees with the restriction of no transfer within the specific period of time. Such period could not be longer than 2 years.	The contents of this requirement are stated in Article 40D of the Articles of Incorporation, read as ”Unless Article 40E of the Articles of Incorporation and the laws governing the listing on the TWSE or TPEX provide otherwise, the treasury shall be disposed in accordance with the provisions and conditions determined by the Board. If the repurchase of treasury shares shall be subject to assignment to employees under applicable laws governing the listing on the TWSE or TPEX, the employees	According to Article 1 of the Articles of Incorporation, Treasury Shares as referred to shall be those shares issued in accordance with the Articles of Incorporation, the company law of the Cayman Islands, and applicable laws governing the listing on the TWSE but repurchased or redeemed, or repossessed through any other means by the Company without cancellation. As such, the requirement of this	Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>concerned shall promise not to transfer these shares within a stipulated period no longer than 2 years. (Note: The above is the extract in Chinese)</p>	<p>section is provided by Article 40D of the Articles of Incorporation. According to the lawyers of the Cayman Islands, “the restrictions agreed between the transferor and transferee is a contractual matter between themselves.”</p>	
<p>The following matters shall be listed and explained in the convening of the shareholders' meeting, and shall not be proposed in a temporary motion; the main contents of the following matters shall be placed at the securities counter trading center or the stock exchange or the company's designated website, and their website shall be stated. In the call for notice:</p> <ol style="list-style-type: none"> (1) The election or dismissal of directors, supervisors; (2) Amendments to the Company Corporate Charter (Articles of Incorporation); (3) Decapitalization; (4) Application for discontinuation of public offering; (5) Company dissolution, merger, share conversion, division; (6) Entering into, alteration, or termination of the agreement on leasing of the whole operation, entrustment of operation, or joint 	<p>The contents of requirement in this section are stated in Article 50 of the Articles of Incorporation and specified as, “The following shall be cited in the notice of the Shareholders Meeting, and cannot be proposed as extemporary motions: (a) Election or relief of Directors or Supervisors (where applicable); (b) Alteration of the MOU and/or the Articles of Incorporation; (c) Dissolution of the Company, transfer of shares (defined by applicable laws governing the listing on the TWSE or TPEX), merger, or spinoff; (d) Entering into, alteration, or termination of the agreement on leasing of the whole operation, entrustment of operation, or joint venture in operation with a third party; (e) Assignment of all or the principal business operation or assets; (f) Acceptance of business operation or assets assigned by a third party that caused significant influence on</p>	<ol style="list-style-type: none"> 1. Article 50 of the Articles of Association of the Company has not added any of its main contents to the left column of the “Checklist for Protection of Shareholders' Rights and Interests of Foreign Issuer Registered Countries” announced by the Taiwan Stock Exchange Co., Ltd. on November 30, 2018. It may be placed at the securities counter trading center or the website designated by the stock exchange or the company and shall be amended in accordance with the provisions of the convening notice, the "reduction of capital" and the "application for suspension of public offering". 	<ol style="list-style-type: none"> 1. Article 50 of the Articles of Association of the Company is expected to be amended at the shareholders' meeting in 2019 in accordance with the new regulations set out in the “Checklist for Protection of Shareholders' Rights and Interests of Foreign Issuer Registered Countries” announced by the Taiwan Stock Exchange Co., Ltd. on November 30, 2018. . 2. Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>venture in operation with a third party.</p> <p>(7) Transfer the entire or the main part of business or assets;</p> <p>(8) Acceptance of business operation or assets assigned by a third party that caused significant influence on the operation of the Company;</p> <p>(9) Offering of equity securities through private placement;</p> <p>(10) The engagement of the Directors in business prohibited under the rule of no competition;</p> <p>(11) Payment of dividends and bonuses in whole or in part through the offering of new shares.</p> <p>(12) Appropriation of the legal reserve or additional paid-in capital or as gifts for capitalization into new shares payable to the original shareholders in whole or in part.</p>	<p>the operation of the Company; (g) Offering of equity securities through private placement; (h) The engagement of the Directors in business prohibited under the rule of no competition; (i) Payment of dividends and bonuses in whole or in part through the offering of new shares; (j) Appropriation of legal reserve or additional paid-in capital or as gifts for capitalization into new shares or in cash payable to the original shareholders in whole or in part; (k) According to the Company Act, payment of dividends and bonuses in whole or in part through the offering of new shares; (l) The Company may assign treasury shares to the employees;</p> <p>Shareholders may propose motions at the convention of the Shareholders Meeting unless the Company Act or the Articles of Incorporation provide otherwise but only confined to the scope of the original motions. (Note: The above is the extract in Chinese)</p>	<p>2. The operation in the Cayman Islands has no specific rules and regulations governing extemporary motions. According to the lawyer of the Cayman Islands, the Company shall explicitly state the content of the meeting for discussion and provide related information for the shareholders in the meeting notice in the aspect of extemporary motion. However, “Miscellaneous motions” will usually be included in the meeting notice of the Shareholders Meeting. In general, these motions are informal and insignificant so that the Chairman (Presiding Officer) cannot include major issues in this category. In case of major issues, meetings shall be called under the agenda for further discussion and resolution. In case of an emergency where the issue must be resolved in the convention of the</p>	<p>shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
		<p>Shareholders Meeting, the substantive content of these issues must be presented in the next session for ratification. Nevertheless, extemporary motion is not regulated under the laws of the Cayman Islands. Yet, the lawyer of the Cayman Islands recommended not to bring up any extemporary motion in the convention of a Shareholders Meeting.</p>	
<p>If balloting could be made by correspondence or electronic means, the method must be elaborated in the notice of Shareholders Meeting. Shareholders who have their votes cast in writing or by electronic means are deemed as attending the meeting in person. However, with respect to motions and original proposal amendments of the meeting of shareholders, it is deemed as a waiver.</p>	<p>This item is stipulated in Article 67 of the Articles of Association: "In addition to the provisions of the Listing Cabinet Act, when the company convened a shareholders meeting, the electronic method shall be listed as one of the channels for the voting rights of the shareholders' meeting, and may be adopted in writing. The exercise of voting rights shall be stated in the method of convening the shareholders' meeting. If the Board determined a specific session of the Shareholders Meeting would be held outside the Republic of China, the Board shall allow shareholders to cast their votes for decision by correspondence or via electronic means." And</p>	<p>The Cayman Company Law has no special provisions on the protection of the shareholders' rights and interests on the left, so it is stipulated in Articles 67 and 68 of the Articles of Association. According to the opinion of Cayman's lawyer, the shareholders vote in writing as the chairman of the shareholders' meeting. Therefore, in accordance with Cayman's lawyer's opinion, the second paragraph of the second paragraph is stipulated in Article 68 of the Articles of Association.</p>	<p>In Article 68 of the Articles of Incorporation, it is suggested that when the Chairman (Presiding Officer) acts on behalf of and in the names of the shareholders in casting the votes for decision as per the instructions of these shareholders by correspondence or via electronic means, he or she cannot exercise the right to vote not specified in the aforementioned correspondence or electronic document. This practice does not cause unfavorable and significant influence on shareholders equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>Article 68: “Shareholders electing to cast their votes by correspondence or via electronic means as stated in the previous article shall be deemed the appointment of the Chairman (Presiding Officer) of the session of the Shareholders Meeting to exercise the right to votes as per the instruction of the aforementioned correspondence or electronic document. However, the balloting of these shareholders by correspondence or electronic means shall be construed as their abstention from the balloting on extemporary motions or amendments to the motions proposed in the session. The act of the aforementioned appointment shall not be construed as the appointment of proxy under the rules and regulations governing the listing on the TWSE or TPEX. Once appointed by the aforementioned shareholders, the Chairman (Presiding Officer) cannot exercise the right to vote beyond the scope inscribed in the aforementioned correspondence or electronic documents. During the period when the shares of the Company have been registered in Xingui or listed at the securities counter trading center or the stock exchange, the company shall appoint a financial</p>		

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>management committee, a securities counter trading center or a stock exchange in the territory of the Republic of China when the shareholders' meeting is held outside the Republic of China. Shares of approved service agencies to deal with administrative matters relating to the meeting of shareholders (including but not limited to accepting shareholders vote matters). ” (Note: The above is the extract in Chinese)</p>		
<p>Shareholders after exercising their votes in writing or by electronic means wish to attend the meeting of shareholders in person shall have the intension of exercising votes in writing or by electronic means revoked the same way of exercising their votes two days prior to the meeting commencement date. For overdue revocations, the votes exercised in writing or by electronic means shall prevail.</p>	<p>The contents of the requirements of this section are inscribed in Article 70 of the Articles of Incorporation, and specified as “Where the shareholders may desire to attend the session of the Shareholders Meeting in person after expressing the intent of voting by correspondence or electronic means, they shall revoke the previous expression of intent of voting by correspondence or electronic means at least 2 days prior to the meeting date. The revocation of the voting by correspondence or electronic means shall constitute the revocation of the appointment to the Chairman (Presiding Officer) in exercising the right to vote as stated in Article 68”. If the shareholders expressed the intent of revoking the previous intent of voting by correspondence or electronic means as stated</p>	<p>The Cayman Company Law has no special provisions on the protection of the shareholders' rights and interests on the left. Therefore, it is stipulated in Article 70 of the Articles of Association. According to Cayman's lawyer, under the Common Law, the principal can revoke its proxy by attending the meeting in person, due to written or electronic Shareholders who exercise their voting rights are deemed to have entrusted the chairman of the shareholders' meeting to exercise their voting rights at the shareholders' meeting on the basis of the instructions in the written or electronic documents. Therefore,</p>	<p>Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>Article 67 after the aforementioned deadline, the previous expression of intent of voting by correspondence or electronic means shall stand and the Chairman (Presiding Officer) shall be appointed for casting the votes on behalf of and in the names of these shareholders as stated in Article 68. Where the shareholders may change their mind after expressing the intent of voting by correspondence or electronic means as stated in Article 67 by the appointment of proxies to attend the session of the Shareholders Meeting, it shall be construed as the revocation of the previous appointment of the Chairman (Presiding Officer) for voting on their behalf and in their names. Accordingly, the votes cast by the proxies in the session shall stand. (Note: The above is the extract in Chinese)</p>	<p>the protection of shareholders' rights and interests on the left may not be enforceable.</p>	
<p>After serving the proxy to the Company, the shareholders who wish to attend the meeting of the shareholders in person or to vote in writing or by electronic means shall notify the Company in writing to revoke the proxy two days prior to the meeting of the shareholders. If the proxy is not revoked before the deadline, the vote by proxy shall prevail.</p>	<p>The contents of the requirements are inscribed in Article 62B of the Articles of Incorporation, which are specified as “If the shareholders desire to attend the meeting in person, or exercise the right to vote by correspondence or electronic means after the delivery of the power of attorney to the Company, they shall notify the Company for revocation of the power of attorney previous made at least 2</p>	<p>The Cayman Company Law has no special provisions on the collection of power of attorney or power of attorney; therefore, the protection of the shareholders' rights and interests listed in the left column is stipulated in Article 62B of the Articles of Association. According to Cayman's lawyer, under the</p>	<p>Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>days prior to the meeting date. The attendance by proxy to exercise the right to vote shall stand if notification cannot be made by the aforementioned deadline. (Note: The above is the extract in Chinese)</p>	<p>Common Law, the principal is revoke its proxy by attending the meeting in person, so the left shareholder's equity Protection matters may not be enforceable (not enforceable).</p>	
<p>The following motions involve the rights and privileges of the shareholders in materiality and shall be passed by the Shareholders Meeting in a session attended by shareholders representing more than two third of the outstanding shares and a simple majority of the votes from the shareholders in session. If the presence of shareholders in this session cannot qualify for a quorum, the motion could be passed by the presence of shareholders representing more than half of the outstanding shares and a two third majority of the votes cast by the shareholders in the session:</p> <ol style="list-style-type: none"> 1. Entering into, alteration, or termination of the agreement on leasing of the whole operation, entrustment of operation, or joint venture in operation with a third party, assignment of all or the principal business operation or assets, acceptance of business operation or assets assigned by a third party that caused 	<p>Paragraphs 1 and 4 of this paragraph, paragraph 5 and paragraph 6 are respectively specified in Article 32(a)(b)(c)(d)(f)(g) of the Articles of Association, as follows: "The Company may also adopt a Type A Special Resolution or a Type B Special Resolution: (a) conclude, vary or terminate an agreement to lease all of its business, entrusted operations or co-operation with others; (b) transfer all or any major part thereof (c) a person who has significant influence on the operation of the company by the transfer of all business or property of others; (d) division of the company in accordance with the Listing Act; (e) permission of directors to engage in non-compete activities; (f) pursuant to section 17B to require issuers to limit employees' rights shares; and (g) to issue new shares assign some or all of the dividend or distribution; in order to avoid controversy, on the basis of Article 129 to set aside staff remuneration and directors remuneration issued by the New shares do not require a special</p>	<p>According to the lawyer of the Cayman Islands: (i) The articles of incorporation of the operation in the Cayman Islands must comply with the mandatory requirements of the Company Act of the Cayman Islands. In case of contradiction, the Company Law of the Cayman Islands shall stand; (ii) "Special Resolution" is a legal term under the Company Law of the Cayman Islands. Issues required for "Special Resolution" under the Company Law of the Cayman Islands shall be decided by shareholders under "Special Resolution" but the minimum votes shall not fall below the requirements under the "Special Resolution" under the Company Law of the Cayman Islands. As such, the Articles of Incorporation shall set a higher standard.</p>	<p>Article 32(a)(b)(c)(d)(f)(g) and Article 33 (a) of the Articles of Incorporation (voluntary dissolution of the Company in case of insolvency) were amended in accordance with the Protection of Shareholders Equity Checklist generally. Under the mandatory requirement of the Company Law of the Cayman Islands, the Articles of Incorporation (including the amendment to circumstances that may jeopardize the rights of the shareholders of preferred shares), dissolution (situations beyond voluntary dissolution of the Company due to insolvency), and merger must be passed under "Special Resolution" and cannot be changed only under the Articles of Incorporation. The intensity for the protection of the rights of the shareholders provided by the Articles of Incorporation and the Protection of Shareholders Equity</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>significant influence on the operation of the Company</p> <p>2. Amendment to the Articles of Incorporation</p> <p>3. If the amendment to the Articles of Incorporation may jeopardize the rights of the holders of preferred shares, the resolution for approval by the meetings of the preferred shareholders is necessary.</p> <p>4. Payment of dividends or bonuses in whole or in part by issuing new shares.</p> <p>5. Decision of dissolution, merger or spinoff</p> <p>6. The issuance of restricted stock</p>	<p>resolution of type A or a special resolution of type B. (Note: The above is the extract in Chinese)</p> <p>The requirement in Section 2 is presented in Article 157 of the Articles of Incorporation and is specified as “Unless the Company Act and the Articles of Incorporation specify otherwise, the Company may change the MOU and/or the Articles of Incorporation in whole or in part under a special resolution. (Note: The above is the extract in Chinese)</p> <p>Subparagraph 3 of this section is presented in Article 18 of the Articles of Incorporation and specified as “The Company may split up its equity capital into different categories of shares (such as common shares or preferred shares) at any time. Any unfavorable and significant change or revocation of the rights (including without limitation to any amendment to the Articles of Incorporation that may jeopardize the rights of any of the shareholders of preferred shares) of any category of shares (except the conditions for the offering of specific categories of shares specify otherwise) shall be made under (I) the special resolution of the Shareholders Meeting (of common shares); and (II) the special resolution of a</p>		<p>Checklist are relevant on the basis of a “Special Resolution” and the means of resolution stated in the Protection of Shareholders Equity Checklist.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>separate shareholders Meeting of a specific category of shares (such as preferred shares). (Note: The above is the extract in Chinese)</p> <p>The requirement of section 5 in the aspect of dissolution of the organization is presented in Article 33 of the Articles of Incorporation and is specified as “Unless the Company Act, the Articles of Incorporation, and applicable laws governing the listing on the TWSE or TPEx specify otherwise in attendance, the Company shall (a) resolve to voluntary dissolution in case of insolvency for settlement of debts upon due under Special Resolution A or Special Resolution B; or (b) resolve to voluntary dissolution in case of other incidents beyond insolvency under special resolution for the dissolution of the Company. (Note: The above is the extract in Chinese)</p> <p>Subparagraph 5 of this section in the aspect of merger is presented in Article 31 (c) of the Articles of Incorporation and is specified as “the Company may (c) proceed to merger in accordance with the applicable laws governing listing on the TWSE or TPEx through special resolution. (Note: The above is the extract in Chinese)</p>		

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>Related regulations of the Supervisors.</p>	<p>The Company does not establish seats of Supervisors. No amendment to the Articles of Incorporation is necessary.</p>	<p>There is no specific requirement of Supervisors under the Company Law of the Cayman Islands. The Company established the position of Independent Director to substitute for Supervisor, and has also established the Audit Committee and Remuneration Committee seated by the Independent Directors.</p>	<p>According to Article 14-4 Paragraph 1 of the Securities and Exchange Act of the ROC, public companies may select either the system of Audit Committee or Supervisor. The SUN MAX company charter stipulates that the company should set up an audit committee; therefore, SUN MAX does not have a supervisory person's effect on shareholders' equity that does not appear to have a material adverse effect.</p>
<ol style="list-style-type: none"> 1. The company continues to hold more than six months the total issued shares of more than one per cent shareholder, by written request supervisor of the company filed a lawsuit against directors and to Taiwan Tai first instance court of competent jurisdiction for the Northern District Court. 2. If the Supervisor declines to institute legal action within 30 days after the shareholder has petitioned for legal action, the shareholder may institute legal action for the Company and submit the jurisdiction of the first instance to Taipei District Court of Taiwan. 	<p>The contents of the requirements in this Paragraph are included in Article 123 of the Articles of Incorporation and are specified as "under the laws of the British Cayman Islands, shareholders who hold 3% or more of the outstanding shares issued by the Company for more than 1 year consecutively may petition with any of the Independent Directors of the Audit Committee in writing for suing the Directors and institute the action with a court of legal jurisdiction (including Taipei District Court of Taiwan, where applicable). If the Independent Director of the Audit Committee who accepted the petition of the shareholders declined to or rejected to institute legal action within 30 days after</p>	<ol style="list-style-type: none"> 1. Article 123 of the Articles of Association of the Company has not yet cooperated with the Taiwan Stock Exchange Co., Ltd. on November 30, 2018 to announce the "Checklist for Protection of Shareholders' Rights and Interests of Foreign Issuer Registration Countries". The amendments to the shareholders holding more than one percent of the total number of issued shares of the company for more than one month are revised. 2. There is no special requirement or prohibition 	<ol style="list-style-type: none"> 1. Article 123 of the Articles of Association of the Company in 2019 is expected to be regular shareholders 'meeting in accordance with the Taiwan Stock Exchange Corporation on November 30, 2018 announcement of the "National Register of shareholders' rights to a foreign issuer in the left column of the first benefits of protection issues checklist" The amendments are completed. 2. Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual report to

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>receiving the petition from the shareholders as mentioned in the previous paragraph, the shareholders may institute legal action for the Company with a court of legal jurisdiction (including Taipei District Court of Taiwan, where applicable) unless the laws of the British Cayman Islands provide otherwise. (Note: The above is the extract in Chinese)</p>	<p>inscribed in the Articles of Incorporation of the Cayman Company. According to the laws of the Cayman Islands, shareholders may institute legal action for the Company in the following circumstances: (i) an act of offense under law or abusive use of power without authorization of the Company and lacked the ratification of the shareholders; or (ii) An act of fraud against minority shareholders (the parties petitioned for remedy are the majority shareholders. These majority shareholders will not permit the Company to give leeway for the complainant in the petition for remedy through legal action. If the cause under this paragraph is the cause of legal action, prove that the fraud and illegal activities are committed by those who have control over the Company). Any act within the</p>	<p>avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
		<p>authority of the Company or the abusive use of power was ratified by the shareholders and is the will of the majority of shareholders, the court of the Cayman Islands tends not to interfere into the internal affairs of the Company. The lawyer of the Cayman Islands went further that Article 123 of the Articles of Incorporation must be in compliance with the legal requirements of the Cayman Islands. Accordingly, it is not the obligation of the Directors to respond to the request of shareholders holding more than 3% of the outstanding shares of the Company to institute legal action against the other Directors if these Directors hold that the institution of legal action is not for the interest of the Company.</p>	
<p>1. The Directors of the Company owe a fiduciary duty of care and shall be held responsible to all the</p>	<p>The content of requirement in this paragraph is presented in Article 97B of the Articles of Incorporation and is</p>	<p>According to the Company Law of the Cayman Islands, Directors owe fiduciary duties to the</p>	<p>Based on the opinion of Cayman's lawyers, it is recommended that this section be fully disclosed in the annual</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
<p>damages to the Company for their failure to perform such duty. If an act was committed by a Director on their own will or in favor of a third party, the Shareholders Meeting may resolve to take the income from such act as the income of the Company.</p> <p>2. If the performance of the assigned duties of the Company by the Directors is in violation of applicable laws the extent to which damage is caused to a third party, the Directors shall assume joint and several liabilities of the damages to the third party and the Company.</p> <p>3. The managers and Supervisors of the Company shall, within the scope of duties, be responsible for the same joint and several liabilities of damages of the Directors.</p>	<p>specified as “All Directors owe a fiduciary duty to the Company under the law of the Cayman Islands and applicable laws to the listing on the TWSE or TPEX, and such fiduciary duty shall include without limitation the observation of honesty and good will, and avoidance of conflict between obligation and personal interest. If any Director violates the aforementioned obligation of honesty, such Director shall assume responsibility of the damage thereof under the law of the British Cayman Islands and applicable laws for listing on the TWSE or TPEX. According to the law of British Cayman Islands and applicable laws for listing on the TWSE or TPEX, any Director who violates the aforementioned obligation of honesty for self-interest or a third party, the Shareholders Meeting may take any income for the above act as the income of the Company. If any Director of the Company has caused damage to a third party in performing the assigned duties of the Company, this Director shall assume joint and several liabilities to the third party and the Company under the law of the British Cayman Islands and applicable laws for listing on the TWSE or TPEX. Under such circumstance, the Director shall respond to the claim</p>	<p>Company, and any violation which causes damage to the Company may result in a court ruling for assuming liability for the damage. If there is an act of breach of honesty by the Director for self-interest or a third party with the return of benefit, the court may rule to return the benefit.</p> <p>According to the law of the Cayman Islands, if a Director has caused damage to a third party in performing the assigned duties of the Company, such third party may claim for the damage against the Company. Likewise, the Company may claim for the loss due to the damage claimed by the third party against the Director. From the perspective of the law of the Cayman Islands, the third party cannot make a claim directly against the Director even though the Articles of Incorporation specify that Directors shall assume joint and several liabilities with the Company.</p>	<p>report to avoid misunderstandings by the public or company shareholders. If it can be fully disclosed, there is no significant adverse impact on shareholders' equity.</p>

The protection of shareholders equity	Apply for company charter	Cause of variation	Influence on shareholders equity
	<p>for damage instituted by the third party. According to the law of the British Cayman Islands and applicable laws regarding the TWSE or TPEX, the managers and the Supervisors of the Company (where applicable) shall, within their respective scopes of assigned duties, assume the same responsibilities with the Directors as mentioned in preceding paragraphs. (Note: The above is the extract in Chinese)</p>		

IX. Occurrences of events defined under Article 36, Paragraph 3, Subparagraph 2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

SUN MAX TECH LIMITED

Chairman : SINOTEAM HOLDINGS INC.

Representative: HSU Wen-Faung