Stock Code: 1626

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Airmate (Cayman) International Co., Ltd. And Subsidiaries Consolidated Financial Statements With Independent Auditors 'Report

December 31, 2019 and 2018

Company Address: The office of Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P.O.Box 2681 GT, George Town, Grand Cayman, British West Indies.

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The independent auditors' review report and the accompanying consolidated financial statements are theEnglish translation of the Chinese version prepared and used in the Republic of China. If there is any conflictbetween, or any difference in the interpretation of the English and Chinese language independent auditors'review report and consolidated financial statements, the Chinese version shall prevail

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Company Statement

The entities that are required to be included in the combined financial statements of AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements. " In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby Declared by

Company name: AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED

Chairman of the Board: SHIH, JUI PIN

Date: March 12, 2020

Independent Auditors' Report

Presented to Board of Director, Airmate (Cayman) International Co Limited

Audit Opinion

The consolidated balance sheets of Airmate (Cayman) International Co Limited and Subsidiaries (hereinafter referred to as Airmate Group) as of December 31, 2018, and 2019, consolidated statements of comprehensive income as of 2019 and from January 1 to December 31, 2018, consolidated statements of changes in equity, consolidated statements of cash flows, and the notes of consolidated financial statements (including a summary description of significant accounting policies) have been audited by the accountant.

Based on our review, the above Consolidated Financial Statements have been compiled in accordance with Regulations Governing the Preparation of Financial Reports, IFRSs and IAS with relevant interpretations and announcements approved and published by Financial Supervisory Commission. These financial statements are sufficient in presenting the Consolidated Financial Position of Airmate Group as of December 31, 2018 and 2019 and the Consolidated Financial Performance and the Consolidated Cash Flow for the period of January 1 to December 31, 2018 and 2019.

Basis of Audit Opinion

We conducted our audit for 2019 consolidated financial statements in accordance with Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants, the Decree No. 1090360805 of FSC, and Generally Accepted Auditing Standards (GAAS); The 2018 consolidated financial statements were audited in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Airmate (Cayman) International Co Limited and Subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. The accountant believes that sufficient and appropriate evidence for the audit has been obtained as the basis for expressing an opinion

Key Audit Matters

Key audit matters refer to most vital matters in the process of auditing of 2019 Consolidated Financial Statement of Airmate Group based on our professional judgment. These matters have been dealt with in the process of auditing the overall consolidated financial report and forming a review opinion. The accountant does not express separate opinions on these matters. The accountant's judgment should communicate the key audit matters on the audit report as follows:

I. Revenue recognition

For the accounting policy of revenue recognition, please refer to the revenue of the customer contract in Note 4 (15) of the consolidated financial statements. For the description of therevenue and expected return assessment, please refer to rights of pending returning products in Note 6 (10), refund liabilities in Note 6 (12), and revenue from customer contracts in Notes 6 (22) of the consolidated financial statements.

Description of Key Audit Matters:

Airmate Group is principally engaged in the sales of household appliances made in-house and the design and production of household appliance products at the request of subcontractors. The sales revenue must be based on the contract and provide sales allowance and returns (based on the contract) to customers. The Group treats the estimation of aforementioned item as the deduction of revenue. Operating revenue is one of the important items of financial statements. In addition, sales revenue is a matter of concern to users or recipients of the financial statements. Thus, revenue recognition is one of the important evaluated items when the accountant is auditing Airmate Group.

In response to the auditing procedures:

The accountant's main auditing procedures for the above-mentioned key auditing matters, including: assess the recognition of revenue that are subject to the relevant accounting regulations and has been properly disclosed; test relevant manual controls of sales and collection operations cycle; review the sales contracts and terms of important subsidiaries and customers of the group, conduct analytical procedure on important customer changes and revenue changes based on product categories; check the relevant internal and external information of the sales transactions before and after the selected balance sheet date, and evaluate whether the sales revenue is covered in an appropriate period; obtain accrued sales allowance and returns set by the management of the group and check with relevant internal and external information to evaluate the rationality of relevant parameters and key assumptions; review the reasonableness of the estimates of allowance and returns of accrued sales in previous years to assess whether there are any significant abnormalities in the allowance and returns of accrued sales set by the management; understand whether there will be any major sales allowance and returns after the period.

II. Note receivables and account receivables and impairment evaluation

For the accounting policies of impairment evaluation of account receivables, please refer to financial tools in Note 4 (7) of the consolidated financial statements; For the descriptions of accounting estimates of the allowances loss for accounts receivables and uncertainty of the assumptions, please refer to Note 5 (1) of the consolidated financial statements; For the impairment evaluation of note receivables and accounts receivables, please refer to Note 6 (3) of the consolidated financial statements.

III. Description of Key Audit Matters:

Airmate Group reserves expected credit losses in accordance with the stipulated accounts receivable allowance for bad debt policy. The reserves are conducted based on customer's credit risk and historical credit loss experience and reasonable expectations of customers' future economic conditions. Therefore, the evaluation of the notes receivables and the impairment evaluation of accounts receivable is one of the important evaluation items for the accountant to audit the consolidated financial statement.

In response to the auditing procedures:

The accountant's main audit procedures for the above-mentioned key audit matters, including: understand whether the rationality of the Airmate Group's policy on notes receivable and impairment loss allowance for account is handled in accordance with the relevant accounting regulations; perform sampling procedures to check the correctness of the accounts receivable's aging schedule and analyze the changes in the age of accounts receivable in each period; execute sampling on letter of inquiry, and test the collection status of account receivable after the period to evaluate the reasonableness of impairment loss allowance and the amount of reserve.

IV. Inventory Valuation

For the accounting policies of inventories, please refer to Note 4 (8) of the consolidated financial statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5 (2) of the consolidated financial statements; For the description of important accounting items in inventories, please refer to Note 6 (5) of the consolidated financial statements.

Description of Key Audit Matters:

Inventory is measured by cost or net realized value, whichever is lower. Since the inventories of Airmate Group are mainly household appliances such as electric fans and electric heaters, the characteristics of its products are affected by weather changes, which will result in unsalable inventory. The Group may sell its products at a lower price to reduce inventory. This may induce a risk that the cost of inventory is higher than the net realizable value. Therefore, inventory evaluation is one of the important evaluation items in the accountant's auditing on the financial review of Airmate Group.

In response to the auditing procedures:

The accountant understood the recognition policies of inventory depreciation loss of Airmate Group and assessed whether its inventory evaluation has been implemented in accordance with established accounting policies, including the implementation of sampling procedures to check the correctness of inventory age, and to analyze the changes in inventory age of each period; The reasonableness of past reserves for inventory depreciation loss withheld by the management was reviewed and was compared with the methods and assumptions on the reserves for inventory depreciation loss for the current period to assess whether the valuation method and assumptions of the reserves for inventory depreciation loss for the current period are appropriate. The inventory sales status after the period is reviewed to assess the reasonableness of the estimation of the reserves for inventory depreciation loss.

Responsibility of the management and the governing body for the Consolidated Financial Statements

The responsibilities of management are to prepare an appropriately expressed consolidated financial report in accordance with Regulations Governing the Preparation of Financial Reports by SecuritiesIssuers and International Financial Reporting Standards, International Accounting Standards, and standing interpretation recognized and published by the Financial Supervisory Commission, and maintain the necessary internal controls related to the preparation of the consolidated financial statements to ensure that the consolidated financial report does not contain significant misrepresentation due to fraud or error.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing Airmate Group ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Airmate Group or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Airmate Group (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

Accountant's responsibility in auditing consolidated financial statement

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement in consolidated financial statements when it exists. Misstatement may be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have an influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

When the accountant is auditing in accordance with generally accepted auditing standards, the accountant uses professional judgment and maintains professional suspicion. The accountant will also perform the following duties:

1. Identifying and evaluating likely risks from significant false contents in the consolidated financial statements as a result of the fraudulence of errors, designing and executing proper countermeasures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditors' comments. The risk of not being able to detect a misstatement that is caused by fraud is higher than that caused by mistakes because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control.
2. Obtaining 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 of Airmate Group.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly
4. Concluding on the appropriateness of the management's use of going concern basis of accounting, and determining whether there existed events or circumstances that might cast significant uncertainty over Airmate Group's ability to continue as a going concern. If the accountant believes that there are material uncertainties in the events or circumstances, it is necessary to remind the users of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements in the audit report or to amend the audit opinions when the disclosure is inappropriate. The accountant's conclusions are based on the audited evidence obtained as of the date of the audit report. However, future events or circumstances may cause Airmate Group no longer have the capacity to function as a going concern.
5. Evaluating the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events
6. Obtaining sufficient and appropriate audit evidence with regard to the finances of the individual entities in the Group to establish our opinion about the consolidated financial statements. The CPA is responsible for the guidance, supervision, and implementation of Airmate Group's audit and responsible for forming audit opinions on Airmate Group.

Items that have been communicated by the accountant to the governance bodies, including the planned scope and timing of the audit, as well as major audit findings (including significant internal control deficiencies identified during the audit).

We have also provided the statement pertaining to our accounting firm's personnel under the governance of independence to the governance unit and communicated with governance unit over relations and other items (including relevant protective measures) that could affect the CPA's independence

From the matters communicated with the governing bodies, we determined the key audit matters for Airmate Group's Consolidated Financial Statements for 2019. The accountant has stated those items in the audit report unless the law does not allow public disclosure of certain matters, or under extreme rare cases, the accountant decided not to communicate specific matters in the audit report because it can reasonably assume the negative impact of communication is greater than the promoted public interest.

KPMG
Taipei,Taiwan(Republic of China)
March 12, 2020

Airmate (Cayman) International Co Limited and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018

Unit: NT$ thousand

Code	Total assets	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6 (1))	$ 412,939	5	417,768	5
1110	Financial Assets at Fair Value Through Profit or Loss - Current (Note 6 (2))	1,807	-	129,526	2
1150	Amount of Notes Receivables, Net (Note 6 (3))	509,234	6	482,292	6
1170	Amount of Account Receivables, Net (Note 6 (3))	1,155,585	13	1,173,297	14
1180	Account Receivable from Related Parties, Net (notes 6 (3) and 7)	88,997	1	101,447	1
130X	Inventories (Note 6 (5))	2,074,493	23	2,130,614	25
1470	Other Current Assets (Note 6 (3) (4) (10) and 8)	753,239	8	488,878	6
1481	Rights of Pending Returning Products - Current (Note 6 (10))	70,955	1	55,862	1
	Total Current Assets	5,067,249	57	4,979,684	60
	Non-current Assets:				
1510	Financial Assets at Fair Value Through Profit or Loss - Non-current (Note 6 (2) (15))	330	-	-	-
1550	Investment Accounted for Using the Equity Method (Note 6 (6))	25,228	-	30,045	-
1600	Property, Plant and Equipment (Note 6 (7), 8 and 12(3))	1,886,835	21	2,206,928	26
1755	Right-of-Use Asset (Note 6 (8))	1,595,241	18	-	-
1780	Intangible Asset (Note 6 (9))	11,697	-	20,033	-
1840	Deferred Income Tax Assets (Note 6 (18))	166,125	2	161,209	2
1900	Other Non-current Assets (Note 6 (10), 8)	148,311	2	968,253	12
	Total Non-current Assets	3,833,767	43	3,386,468	40
	Total Assets	**$ 8,901,016**	**100**	**8,366,152**	**100**

Code	Liability and Shareholder's Equity	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Liabilities:				
2100	Short-Term Borrowings (Note 6 (11), 8)	$ 540,627	6	1,289,239	15
2120	Financial Liabilities at Fair Value Through Profit or Loss - Current (Note 6 (2) (15))	-	-	8,734	-
2131	Contract Liabilities	214,881	3	359,937	4
2150	Notes Payable (Note 6 (12), 8)	1,608,075	18	1,177,486	14
2170	Accounts Payable	1,111,646	12	928,657	11
2200	Other Payables (Note 6 (12))	671,547	8	514,676	6
2220	Other Payables to Related Parties (Note 7)	9,686	-	6,320	-
2230	Current Income Tax Liabilities	94,637	1	157,993	2
2250	Provisions - Current (Note 6 (13))	20,556	-	6,871	-
2300	Other Current Liabilities (Note 6 (12))	103,361	1	84,138	1
2321	Bonds Payable or Put Option Execution - Current Portion (Note 6 (2) (15))	438,874	5	488,687	6
2322	Long-Term Borrowings - Current Portion (Note 6 (14))	44,954	1	46,066	1
	Total Current Liabilities	4,858,844	55	5,068,804	60
	Non-current Liabilities:				
2530	Bonds Payable (Note 6 (15))	293,350	3	-	-
2540	Long-Term Borrowings (Note 6 (14))	-	-	46,076	1
2640	Net Defined Benefit Liability - Non-current (Note 6 (17))	28,717	-	38,850	-
2645	Guarantee Deposits Received	94,481	1	84,181	1
2600	Other Non-current Liabilities - Others (Note 6 (12) and 12 (3))	616,531	7	655,208	8
	Total Non-current Liabilities	1,033,079	11	824,315	10
	Total Liabilities	5,891,923	66	5,893,119	70
	Equities Attributable to Owners of Parent Company (Note 6 (19))				
3110	Common Stock	1,368,506	15	1,228,436	15
3200	Capital Surplus	1,223,135	14	979,283	12
3300	Retained Earnings	765,987	9	501,835	6
3400	Other Equity	(363,823)	(4)	(214,132)	(3)
3500	Treasury Shares	-	-	(33,051)	-
	Equities Attributable to Shareholders of the Company	2,993,805	34	2,462,371	30
3600	Non-controlling Equity	15,288	-	10,662	-
	Total Equity	3,009,093	34	2,473,033	30
	Total Liabilities and Equities	**$ 8,901,016**	**100**	**8,366,152**	**100**

(See the attached note for the consolidated financial report)

Chairman of the Board: SHIH, JUI PIN Manager: LIN,YUNG-CHANG Chief Accountant: HO,MEI HSIU

Airmate (Cayman) International Co Limited and Subsidiaries

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2019, and 2018

Unit: thousand NT$

		2019		2018	
		Amount	%	Amount	%
4000	**Operating Revenue (Note 6 (22), 7)**	$ 10,142,781	100	10,614,940	100
5000	**Operating Cost (Note 6 (5), 7)**	8,166,237	81	8,805,119	83
	Gross Profit	1,976,544	19	1,809,821	17
5910	Less: Unrealized profit and loss on sales	13,868	-	10,393	-
5920	Gain: Realized profit and loss on sales	10,036	-	10,503	-
	Realized Gross Profit	1,972,712	19	1,809,931	17
	Operating expenses:				
6100	Selling expense (Note 6 (17), 7)	1,090,678	11	1,159,539	11
6200	Administrative expense (Note 6 (17))	429,444	4	427,149	4
6300	Research and development expense	146,226	1	160,820	1
6450	Expected credit loss (profit) (Note 6 (3))	16,488	-	(6,014)	-
	Total Operating Expenses	1,682,836	16	1,741,494	16
	Operating Profit	289,876	3	68,437	1
	Non-operating Income and Expenses:				
7010	Other incomes (Note 6 (24))	109,192	1	168,544	2
7020	Other Gains and Losses (Note 6 (24))	11,633	-	(55,956)	(1)
7050	Financial Costs (Note 6 (24))	(87,882)	(1)	(110,051)	(1)
7060	Share of profit of associates and joint ventures (Note 6 (6))	5	-	1,293	-
	Total Non-operating Income and Expenses	32,948	-	3,830	-
7900	**Net Profit Before Tax**	322,824	3	72,267	1
7950	**Less: Income Tax Expense (Note 6 (18))**	65,665	1	90,350	1
	Net Income (Loss)	257,159	2	(18,083)	-
8300	**Other Comprehensive Gain or Loss:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit plans (Note 6 (17))	12,233	-	28,224	-
8349	Less: Income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss:	-	-	-	-
		12,233	-	28,224	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements (Note 6 (19))	(150,305)	(1)	(109,617)	(1)
8399	Less: Income tax expenses (gains) related to items that may be reclassified subsequently to profit or loss:	-	-	-	-
	Total of items that may be reclassified to profit or loss	(150,305)	(1)	(109,617)	(1)
8300	**Other Comprehensive Income of the Period**	(138,072)	(1)	(81,393)	(1)
	Total Comprehensive Income	**$ 119,087**	**1**	**(99,476)**	**(1)**
	Net Income Attributable to:				
8610	Parent company	$ 251,919	2	(14,599)	
8620	Non-controlling equity	5,240	-	(3,484)	-
	Net Income	**$ 257,159**	**2**	**(18,083)**	
	Total Comprehensive Income Attributable to:				
8710	Parent company	$ 114,461	1	(95,743)	(1)
8720	Non-controlling equity	4,626	-	(3,733)	-
	Total Comprehensive Income	**$ 119,087**	**1**	**(99,476)**	**(1)**
	Earnings Per Share (Note 6 (21)):				
9750	**Basic EPS (Unit: NT$)**	**$**	**2.05**		**(0.12)**
9850	**Diluted EPS (Unit: NT$)**	**$**	**2.00**		**(0.12)**

(See the attached note for the consolidated financial report)

Chairman of the Board: SHIH, JUI PIN　Manager: LIN,YUNG-CHANG　Chief Accountant: HO,MEI HSIU

Airmate (Cayman) International Co Limited and Subsidiaries

Consolidated Statement of Changes in Equity

For the years ended December 31, 2019 and 2018

Unit: NT$ thousand

	Equity attributable to owners of parent company										
	Capital stock		Retained earnings				Other equity items				
	Common stocks	**Capital surplus**	**Legal reserve**	**Special reserve**	**Undistributed surplus**	**Total**	**Exchange differences on translation of foreign financial statements**	**Treasury shares**	**Total owner equity attributable to the parent company**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2018	$ 1,228,436	979,283	139,000	302,639	58,730	500,369	(104,764)	(20,577)	2,582,747	14,395	2,597,142
Net loss	-	-	-	-	(14,599)	(14,599)	-	-	(14,599)	(3,484)	(18,083)
Other comprehensive income (loss)	-	-	-	-	28,224	28,224	(109,368)	-	(81,144)	(249)	(81,393)
Total comprehensive income (loss)	-	-	-	-	13,625	13,625	(109,368)	-	(95,743)	(3733)	(99,476)
Appropriation and distribution of retained earnings (Note 6 (19)):											
Legal reserve	-	-	426	-	(426)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(12,159)	(12,159)	-	-	(12,159)	-	(12,159)
Special reserve reversal	-	-	-	(15,494)	15,494	-	-	-	-	-	-
Treasury shares repurchase	-	-	-	-	-	-	-	(12,474)	(12,474)	-	(12,474)
Balance as of December 31, 2018	1,228,436	979,283	139,426	287,145	75,264	501,835	(214,132)	(33,051)	2,462,371	10662	2,473,033
Net income	-	-	-	-	251,919	251,919	-	-	251,919	5,240	257,159
Other comprehensive income (loss)	-	-	-	-	12,233	12,233	(149,691)	-	(137,458)	(614)	(138,072)
Total comprehensive income (loss)	-	-	-	-	264,152	264,152	(149,691)	-	114,461	4,626	119,087
Appropriation and distribution of retained earnings (Note 6 (19)):											
Special reserve	-	-	-	75,264	(75,264)	-	-	-	-	-	-
Capital increase by cash	120,000	198,805	-	-	-	-	-	-	318,805	-	318,805
Issuance of convertible corporate bonds	-	2,899	-	-	-	-	-	-	2,899	-	2,899
Convertible corporate bond conversion	20,070	35,984	-	-	-	-	-	-	56,054	-	56,054
Share-based payments	-	6,164	-	-	-	-	-	33,051	39,215	-	39,215
Balance as of December 31, 2019	$ 1,368,506	1,223,135	139,426	362,409	264,152	765,987	(363,823)	-	2,993,805	15,288	3,009,093

(See the attached note for the consolidated financial report)

Chairman of the Board: SHIH, JUI PIN　　Manager: LIN,YUNG-CHANG　　Chief Accountant: HO,MEI HSIU

Airmate (Cayman) International Co Limited and Subsidiaries

Consolidated Statement of Cash Flows

For the years ended December 31, 2019 and 2018

Unit: thousand NT$

		2019	2018
Cash flow of operating activities:			
Profit before tax	$	322,824	72,267
Adjustment items:			
Profit expense item			
Expected credit impairment loss (gain)		16,488	(6,014)
Depreciation expense		424,109	457,090
Amortization expense		9,155	13,062
Interest expense		87,882	110,051
Interest revenue		(42,797)	(66,896)
Recognized share of the profit of the affiliated enterprises and joint ventures using equity method		(5)	(1,293)
Net profit or loss from financial assets and liabilities measured at fair value through profits or losses		(9,976)	4,008
Loss on disposal of property, plant and equipment		4,131	6,514
Reclassification of property, plant and equipment to expense		51,215	11,811
Unrealized sales profit		13,868	10,393
Realized sales profit		(10,036)	(10,503)
Unrealized foreign exchange gain		(2,316)	(1,268)
Other incomes		(2,117)	(2,309)
Total income expense items		539,601	524,646
Changes in assets and liabilities related operating activities:			
Net changes in assets related to operating activities:			
Decrease in financial assets mandatorily measured at FVTPL		128,911	1,933
Increase in notes receivable		(26,942)	(318,887)
(Increase) decrease in accounts receivable		(28,242)	34,896
Decrease (increase) in accounts receivable - related parties		12,450	(56,417)
Decrease in inventory		56,121	347,038
Increase in other current assets		(67,173)	(2,412)
Total net changes in assets related to operating activities:		75,125	6,151
Net changes in liabilities related to operating activities:			
Increase in notes payable		430,589	344,801
Increase (decrease) in accounts payable		214,982	(309,100)
Increase (decrease) in other payables		159,192	(67,328)
Increase (decrease) in other payables - related parties		3,366	(2,202)
Increase (decrease) in liabilities reserve		13,685	(3,985)
Increase (decrease) in contract liabilities		(145,056)	200,485
Increase (decrease) in other current liabilities		19,223	(26,993)
Increase in net defined benefit liabilities		2,100	4,590
Total net changes in liabilities related to operating activities		698,081	140,268
Total net changes in assets and liabilities related to operating activities		773,206	146,419
Total adjustment items:		1,312,807	671,065

Chairman of the Board: SHIH, JUI PIN   Manager: LIN,YUNG-CHANG   Chief Accountant: HO,MEI HSIU

Airmate (Cayman) International Co Limited and Subsidiaries

Consolidated Statement of Cash Flows

For the years ended December 31, 2019 and 2018

Unit: thousand NT$

	2019	2018
Cash inflow from operations	1,635,631	743,332
Interest received	42,797	66,896
Interest paid	(83,773)	(98,617)
Income tax paid	(138,063)	(39,531)
Net cash inflow from operating activities	1,456,592	672,080
Cash flows from investing activities:		
Financial assets mandatorily measured at FVTPL	-	(129,040)
Acquisition of property, plant and equipment	(247,465)	(401,667)
Disposal of property, plant, and equipment	15,729	1,671
Acquisition of intangible assets	-	(1,549)
Acquisition of right-of-use assets	(773,395)	-
Increase in other financial assets	(249,957)	(177,365)
Decrease (increase) in other non-current assets	1,913	(273,928)
Net cash outflow from investing activities	(1,253,175)	(981,878)
Cash flows from financing activities:		
Increase in short-term loans	1,172,824	3,488,197
Decrease in short-term loans	(1,882,259)	(3,285,728)
Corporate bond issuance	295,780	-
Increase in long-term loan	-	92,285
Repayment of long-term loan	(45,295)	-
Increase in deposits received	13,500	10,554
Increase (decrease) in other non-current liabilities	(13,201)	208,046
Cash dividend paid	-	(12,159)
Capital Increase by Cash	318,805	-
Employees exercising share option	6,164	-
Cost of redemption of treasury stocks	-	(12,474)
Employees’ subscription to treasury stock	33,051	-
Changes in non-controlling interests	(614)	(249)
Net cash (outflow) inflow from fundraising activities	(101,245)	488,472
Effect of exchange rate changes	(107,001)	(61,756)
Increases (decreases) in cash and cash equivalents as of current period	(4,829)	116,918
Cash and cash equivalents at beginning of the period	417,768	300,850
Cash and cash equivalents at end of the period	**$ 412,939**	**417,768**

(See the attached note for the consolidated financial report)

Chairman of the Board: SHIH, JUI PIN Manager: LIN,YUNG-CHANG Chief Accountant: HO,MEI HSIU

Airmate (Cayman) International Co Limited and Subsidiaries
Notes of Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(The unit for all amounts expressed are in thousands of NTD unless otherwise stated)

I. Overview

Airmate (Cayman) International Co Limited (hereinafter as the "Company") was established in March 2004 as an overseas holding company in the Cayman Islands in the British Virgin Islands. The main businesses of the Company and its subsidiaries (hereinafter as the "Consolidated Company") are manufacturing household appliances and precision molds treatment. Please refer to Note 14 for details. The shares of the Company have been listed on the Taiwan Stock Exchange since March 21, 2013.

II. Approval Date and Procedures of Financial Statements

The consolidated financial statements were released on March 12, 2020, by the Board of Directors.

III. New Standards, Amendments and Interpretations Adopted

(I) Impact of adopting newly released and modified guidelines and interpretations by the Financial Supervisory Commission

The consolidated company has adopted International Financial Reporting Standards approved by the Financial Supervisory Commission (hereinafter as FSC) since 2019 to prepare the consolidated financial statements. The newly issued, revised and amended guidelines and interpretations are summarized below:

New releases, corrections, amendments to the guidelines and explanations	Effective date released by International Accounting Standards Board
IFRS 16: "Leases"	2019.1.1
IFRIC 23 "Uncertainty over Income Tax Treatment"	2019.1.1
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	2019.1.1
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	2019.1.1
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	2019.1.1
Annual Improvements to IFRS Standards 2015-2017 Cycle	2019.1.1

Except for the following items, the application of the newly recognized IFRSs does not have a material impact on the consolidated financial statements. The nature and effect of significant changes in the financial statements are described below:

1. IFRS 16: "Leases"

IFRS 16: Leases (hereinafter referred to as IFRS 16) replaces current IAS 17: Leases (hereinafter referred to as IAS 17), IFRIC 4 "Determining Whether an Arrangement Contains a Lease" (hereinafter referred to as IFRIC 4), SIC 15 "Operating Leases – Incentives," and SIC 27 "Evaluating the Substance of

Transactions in the Legal Form of a Lease."

The consolidated company adopted the modified retrospective method for the transition to IFRS 16. Below explains the nature and impact of changes in related accounting policies

(1) Definition of leases

Previously, the consolidated company determined at contract inception whether an agreement is or contains a lease under IFRIC 4. Under IFRS 16, the consolidated company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (11).

When transitioning to IFRS 16, the consolidated company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The consolidated company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after the date of initial application.

(2) As a lessee

As a lessee, the consolidated company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the consolidated company. Under IFRS 16, the consolidated company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

The consolidated company decided to apply the recognition exemption to short-term leases of the operation lease rented domicile, plant and storage.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments and the consolidated company's incremental borrowing rate as at the date of initial application. Right-of-use assets are measured at either:

a. Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The consolidated company applied this approach to its largest property leases; or

b. An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The consolidated company applied this approach to all other lease.

In addition, the consolidated company used the following practical expedients when applying IFRS 16 to leases.

a. Applied a single discount rate to a portfolio of leases with similar characteristics.

b. Adjusted the right-of-use assets by the amount of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

d. Excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability at the date of initial application are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(3) As a lessor

Except for a sub-lease, the consolidated company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The consolidated company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the classification of subleases should be assessed based on the right-of-use asset rather than the underlying asset. During the transition, the consolidated company reassessed its classification of subleases classified as operating leases under the previously applicable IAS 17 and concluded that the subleases should be classified as finance leases under IFRS 16.

(4) Impact on financial statements

When transitioning to IFRS 16, the amounts of the right-of-use assets (that is, the reclassification of long-term prepaid rent) and lease liabilities recognized by the consolidated company on the initial application date were $51,790 and $0 thousand, respectively.

The explanation of difference between operating lease commitments disclosed at the end of annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

		2019.1.1
Recognition exemption for the operating lease commitment amount disclosed in the 2018.12.31 consolidated financial statements:	$	39,086
Short-term lease		(39,086)
Amount of lease liabilities recognized in 2019.1.1	$	-

(II) Impacts for yet to adopt IFRS recognized by FSC

The aforementioned public listed companies shall fully adopt IFRS recognized by FSC and became effective in 2020 in accordance with Decree No. 1080323028 of FSC which is published on July 29, 2019. The newly issued, revised and amended guidelines and interpretations are summarized below:

New releases, corrections, amendments to the guidelines and explanations	**Effective date of releases by IASB**
Amendments to IFRS 3 "Definition of a Business"	2020.1.1
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	2020.1.1
Amendments to IAS 1 and IAS 8 "Definition of Material"	2020.1.1

The consolidated company has assessed that the application of the newly recognized IFRSs will not have a material impact on the consolidated financial statements.

(III) The newly released and modified standards and interpretations have not yet received the endorsement of FSC

The table below lists the already released and modified standards and interpretations by IASB that are to be endorsed by FSC.

New releases, corrections, amendments to the guidelines and explanations	**Effective date of releases by IASB**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided by IASB
IFRS 17 "Insurance Contracts"	2021.1.1
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	2021.1.1

The consolidated company is still in the process of evaluating the impact on financial position and performance of the adoption of the standards and interpretations mentioned above, and the consolidated company will disclose relevant impacts when the evaluation is completed.

IV. Summary of Significant Accounting Policies

The significant accounting policies applied for the consolidated financial report are as follows. Unless otherwise specified, the following accounting policies are consistently applied to all expression periods of the consolidated financial report

(I) Compliance to announcement

The consolidated financial report is prepared in accordance with the Securities Issuer Financial Report Preparation Standard (hereinafter referred to "Preparation Standard"), IFRS recognized and released by FSC, IAS, interpretations, and announcement (hereinafter referred to as IFRS recognized by FSC).

(II) Basis of Preparation

1. Basis of measurement

Except for the important items in the following balance sheet, the consolidated financial report is prepared on the basis of historical cost:

(1) Financial assets measured at fair value through profit or loss; and

(2) Net determined benefit liability (or asset), which means the fair value of retirement fund asset less the present value of defined benefit obligations

2. Functional currency and presentation currency

Every individual entity of the Consolidated Company takes the currency of the economic environment its operation domiciles are in as the functional currency. The consolidated financial report presents in NT dollar as the functional currency. All financial information represented in NT dollar
is in the unit of one thousand TWD.

(III) Basis of consolidation

1. Principle of consolidated financial report preparation

The preparation subjects of the consolidated financial report include the Company and individuals controlled by it (that is, subsidiaries) When the Company is exposed to the varied remunerations participated by investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the Company controls the individual entity.

From the date of exercising control over the subsidiary, the financial report will be incorporated into the consolidated financial report, until the control is lost. The transaction, balance and any unrealized income and cost expense among consolidated companies have been eliminated at the time of preparation of the consolidated financial reports. A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

The financial report of subsidiaries has been reorganized to bring uniformity in the accounting policies with the Consolidated Company.

If the change of ownership equity to subsidiaries by the Consolidated Company does not cause lost control over them, it will be considered equity transaction between shareholders. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or collected shall be directly recognized in equity attributable to the shareholders of the Company.

2. Subsidiaries included in the consolidated financial statements were as follows:

Name of investing companies	Name of affiliated companies	Nature of business	Percentage of equity held 2019.12.31	Percentage of equity held 2018.12.31
The Company	AIRMATE INTERNATIONAL HOLDING LIMITED (hereinafter referred to as Airmate International)	Overseas holding company	100%	100%
Airmate International	AIRMATE CHINA INTERNATIONAL LIMITED (BVI) (Airmate China)	Overseas holding company	100%	100%
Airmate China	WAON DEVELOPMENT LIMITED (HONG KONG) (hereinafter referred to Waon Company (including Taiwan affiliated companies))	Trading	100%	100%
Waon Company	AIRMATE ELECTRICAL (SHENZHEN) LIMITED (hereinafter referred to as Shenzhen Airmate)	Manufacturing and sales of household appliances and processing of precision mold	100%	100%
Waon Company / Shenzhen Airmate	AIRMATE ELECTRICAL (JIUJIANG) LIMITED (hereinafter referred to as Jiujiang Airmate)	Manufacturing and sales of household appliances and processing of precision mold	100%	100%
Airmate Shenzhen	SHENZHEN AIRMATE TECHNOLOGY CO LIMITED (hereinafter referred to as Airmate Technology)	Sales, research and development of household appliances	51%	51%

Note: Shenzhen Airmate acquired the remaining 49% control of SHENZHEN AIRMATE TECHNOLOGY CO LIMITED (referred to as Airmate Technology) on January 6, 2020, and completed the change of company name to Airmate Technology (Shenzhen) Co., Ltd.

3. Affiliated companies not included into the consolidated financial report: none

(IV) Foreign Currency

1. Foreign currency transaction

Foreign currency transaction is translated into functional currency according to the exchange rate of the transaction date. The foreign currency items at the terminal date of report (hereinafter referred to as reporting date) are translated into functional currency according to the exchange rate of the date. Foreign currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Foreign currency exchange differences arising from translation will be generally recognized in profit or loss, but the following items will be recognized in other comprehensive profit or loss:

(1) Equity instruments designated and measured at fair value through other comprehensive income;

(2) Financial liabilities designated as net investment hedges for foreign operating agencies within the effective hedge range; or

(3) Conforming cash flow hedge within the effective hedge range.

2. Foreign operation

The assets and liabilities of a foreign operation, including the business reputation and fair value adjustment, are translated into NTD according to the exchange rate on the reporting date; the profit or loss and cost expense items are translated into NTD according to the average exchange rate of the period. And the exchange difference amount will be recognized as other comprehensive incomes.

When the disposal of foreign operation leads to loss of control, joint control or material influence, the cumulative exchange difference amount related to them will be re-classified into profit or loss. When partially disposing of subsidiaries containing foreign operation, the cumulative exchange difference amount will be re-attached to non-controlling equity according to proportion. When partially disposing of affiliated enterprises or joint investments containing foreign operation, the cumulative exchange difference amount will be re-classified into profit or loss according to proportion.

For receivable or payable items in the currency of foreign operation, if there is no plan of paying off or it cannot be paid off in the foreseeable future, the foreign currency exchange profit or loss arising therefrom will be deemed as part of the net investment of them and hence recognized as other comprehensive income.

(V) Assets and liabilities classified as current and non-current

Any asset meeting one of the following conditions is a current asset, and other assets not falling into current assets are noncurrent assets.

1. The asset is expected to be realized within a normal operation cycle, or it is intended to be sold or consumed;
2. The asset held for the purpose of transaction;
3. The asset is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or cash equivalent, but it will be used for exchange or clearing off liability at least twelve months after the reporting period, unless otherwise

limited.

Any liability meeting one of the following conditions is a current liability, and other liabilities not falling into current liability are noncurrent liabilities:

1. Liabilities to be cleared off within the normal operation cycle;
2. Liabilities held primarily for the purpose of trading;
3. Liabilities that are due to be settled within twelve months after the reporting period; or
4. Liabilities whose settlement can be deterred unconditionally for at least twelve months after the reporting period. If the term of liability, at the discretion of the transaction party, causes it to be cleared off by issuing equity instruments, the classification will not be influenced

(VI) Cash and cash equivalents

Cash includes inventory cash and current deposit. Cash equivalents refer to the short-term and high-flow investment that can be converted into a certain amount of cash at any time with low risk in the change of value Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(VII) Financial Instrument

Accounts receivable and debt securities issued were originally recognized when incurred. All other financial assets and financial liabilities were originally recognized when the consolidated company became a party to the terms of a financial instrument contract. Financial assets that are not measured at fair value through profit or loss (excluding accounts receivable that do not include significant financial components) or financial liabilities were originally measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not include significant financial components were originally measured at transaction prices.

1. Financial assets

The purchase or sale of financial assets is in accordance with customary transactions. The consolidated company shall account for all purchases and sales of financial assets classified in the same manner on the transaction day or settlement date.

The financial assets of the initial recognition can be classified as: financial assets measured through amortized cost and financial assets measured at fair value through profit or loss. The consolidated company only re-classifies the influenced financial assets from the start day of the next reporting period when the operation mode of financial assets management is varied.

(1) Financial assets measured through amortized cost

Financial assets meeting all the following conditions and without being designated for measurement at fair value through profit or loss are to be measured through amortized cost:

· The financial assets are held under the operation mode with the purpose of collecting contract cash flow.

· The cash flow on a certain date arising out of the contract term of the financial assets is completely for paying the capital and the interest of capital circulating outside.

These assets are subsequently accrued based on the original recognized amount plus or minus the effective interest method, and adjusted for the amortized cost of any allowance losses. Interest income, foreign currency profit or loss, and impairment loss are recognized as profit or loss. When derecognition, benefit or loss is recognized as profit or loss.

(2) Financial assets measured at fair value through profit or loss

Financial assets not measured according to the above amortized cost fall into measurement at fair value through profit or loss, including derivative financial assets. In initial recognition, the consolidated company has to irrevocably designate financial assets conforming to measurement by amortized cost as financial assets measured at fair value through profit or loss, to remove or significantly lower accounting mismatch.

These assets are subsequently measured at fair value, and their net benefits or losses (including any dividends and interest income) are recognized in profit or loss.

(3) Impairments of financial assets

The expected credit loss for financial assets measured through amortized cost by the consolidated company (including cash and cash equivalents, financial assets measured through amortized cost, notes receivable, accounts receivable, other receivables, refundable deposit, and other financial assets, etc.) is recognized as allowance loss.

The credit risk of bank deposit means a measurement of allowance loss with a 12-month expected credit loss amount, and the credit risk of financial assets measured through amortized cost is measured through lifetime expected credit losses except for cash and cash equivalents.

Allowance loss on accounts receivables is measured based on the lifetime expected credit losses.

In judging whether the credit risk has significantly increased after initial recognition, the consolidated company will consider reasonable and verifiable information (without the need for transition cost or input), including qualitative and quantitative information as well as analysis based on historical experience, credit evaluation, and prospective information.

Lifetime expected credit loss refers to the expected credit loss out of all possible defaults during the expected survival period of financial instruments 12 month expected credit loss refers to the expected credit loss of financial instruments out of possible defaults within 12 months after the reporting date (or within a shorter period, if the expected duration of financial instruments is shorter than 12 months).

The longest period for measurement of expected credit loss is the same with the longest contract period in which the consolidated company is exposed to credit risk. Expected credit loss refers to the weighted estimate of credit loss probability during the expected survival period of financial instruments. Credit loss is measured by the current value of all cash deficiency, namely the difference between cash flow receivable by the consolidated company according to contract and the cash flow expected to be received by the consolidated company.

Expected credit loss is discounted at the effective interest rate of financial assets.

The consolidated company evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there are one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. The evidence for credit impairment of financial assets include the observable data for the following events:

· Material financial hardship for borrower or issuer;
· Default, such as arrearage or delinquency for more than ninety days;
· Compromise made by the consolidated company to a borrower that would not be considered before, because of economic or contract reason related to borrower's financial difficulty;
· The borrower is most likely to file for bankruptcy or conduct other financial arrangements; or
· Disappearance of an active market for the financial asset due to financial difficulty.

The allowance loss of financial assets measured through amortized cost is deducted from the carrying amount of assets.

When the consolidated company fails to carry out a reasonable expectation of recovery of financial assets in part or whole, the total carrying amount of the financial assets directly decreases. For companies, the consolidated company analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The consolidated company expects that the written off amount will not be materially reversed. However, the financial assets that have been written off can still be mandatorily executed to comply with the procedures of the consolidated company in recovering overdue amounts.

(4) Derecognition of financial assets

The consolidated company will only derecognize the financial assets at the termination of contractual rights from the cash flow of the asset, or when the financial assets have been transferred and almost all risks and rewards of ownership of the assets have been transferred to other enterprises, or when the financial assets have not been transferred, and almost all risks and rewards of ownership of the assets have not been retained nor control of the financial asset.

2. Derivative financial instruments

The consolidated company holds derivative financial instruments to avoid risks of foreign currency and interest rates. Embedded derivatives are processed separately from the main contract when they meet certain conditions and the main contract is not a financial asset. The original recognition is measured at fair value, and transaction costs are recognized as profit or loss; subsequent measurement is based on fair value, and the benefits or losses arising from remeasurement are directly included in profit or loss.

The consolidated company designated some hedging instruments (including derivatives, embedded derivatives and non-derivatives to avoid exchange rate risk) for fair value hedge, cash flow hedge or hedges of a net investment in a foreign operation. Exchange rate risk of a firm commitment is hedged with a fair value hedge.

At the beginning of the hedging relationship, the consolidated company records the risk management objectives, the hedging execution strategy, and the economic relationship between the hedged item and the hedging instrument in writing, including whether the hedging instrument is expected to offset the changes of fair value or cash flow of the hedged item.

(1) Fair value hedge

The benefits or losses of qualified hedging instruments are recognized in profit or loss, but if the hedging instruments are hedges of equity instruments measured at fair value through other comprehensive income, they are recognized in other comprehensive income.

Changes in the fair value of the hedged items that are not measured at fair value due to the hedged risks are adjusted by their carrying amounts and recognized in profit or loss. When the hedged item is invested in a debt instrument measured at fair value through other comprehensive income, its hedging benefit and/or loss is recognized in profit or loss; when the equity instrument is measured at fair value through other comprehensive income, these amounts are recognized in other comprehensive income. When the hedging benefit or loss is recognized in profit or loss, it is reported in the statement of comprehensive income under the accounting item related to the hedged item.

In case that fair value hedge ceases to apply, since the hedged item is a financial instrument that is measured at amortized cost, the fair value adjustment resulting from the hedged risk is amortized to profit or loss from the date when the hedge accounting ceases.

(2) Cash flow hedge

For a designated hedging instrument that conforms to cash flow hedge, the change in its fair value is an effective hedging component that is recognized in other comprehensive income, and is accumulatively listed in "Other equity items - profit or loss of hedging instruments". The aforementioned amount for recognition is limited with cumulative change in the fair value of the hedged item since the start of the hedge. Benefits or losses that are an ineffective portion of hedging are immediately recognized as profit or loss and are reported to other gains and losses under non-operating income and expenses.

The consolidated company only designates the fair value change of the spot portion of the forward exchange contract as a hedging instrument for the cash flow hedge. Changes in the fair value of the forward portion are recognized in hedging costs and accumulated in the separate equity component "Other equity items - profit or loss of hedging instruments".

When the hedged item is recognized in profit or loss, the amount originally recognized in other comprehensive income and accumulated in equity will be reclassified to profit or loss in the same period and will be listed in the statements of comprehensive income with the recognized hedged item under the same accounting item. However, in case that a hedge of a forecast transaction will result in recognition of a non-financial asset or non-financial liability, the amount previously recognized in other comprehensive income and accumulated in "Other equity items - profit or loss of hedging instruments" is transferred from other equity to the original cost of such non-financial asset or non-financial liability. In addition, if the consolidated company expects that all or part of its losses cannot be recovered in future periods, it will immediately reclassify the amount to profit or loss.

In case that the application of cash flow hedge ceases, the amount accumulated in other equity items (including the hedging cost) will continue to be listed in other equity items before the future cash flow of the hedged item occurs and will be adjusted to the carrying amounts of assets or non-financial liabilities when the future cash flow occurs. For other cash flow hedges, when the future cash flows of hedged item are recognized in profit or loss, the accumulated amount of other equity items will be reclassified to profit or loss in the same period. If the future cash flows of hedged item are no longer expected to occur, the amount accumulated in other equity items (including hedging costs) is immediately reclassified to profit or loss.

3. Financial liabilities and equity instruments

(1) Classification of liabilities or equities

The consolidated company classifies its issuance of debts and financial instruments as financial liabilities or equity in accordance with the definition of financial liabilities and equity instruments, as well as the contractual substance.

(2) Equity transactions

Equity instruments refer to any contracts containing the consolidated company’s residual interest after subtracting liabilities from assets. Equity instruments issued by the consolidated company are recognized as the net of proceeds less direct issuance costs.

(3) Financial liabilities

Financial liabilities are classified as amortized cost or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and related net benefits and losses, including any interest expenses, are recognized in profit or loss.

Other financial liabilities are subsequently assessed at amortized cost employing an effective interest method. Interest expenses and exchange profit or loss are recognized in profit or loss. Any benefits or losses at the time of derecognition are also recognized in profit or loss.

(4) Derecognition of financial liabilities

The consolidated company derecognizes financial liabilities when the contract obligations have been performed, canceled or expired. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

When a financial liability is derecognized, the difference between the carrying value of financial liability derecognized and the consideration paid or payable (including any non-cash asset transferred or liability assumed) should be recorded into profits or losses of the current period.

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset when the consolidated company currently has the legally enforceable right and the intention for netting settlement or realization of assets and liabilities clearing happen at the same time, and the net amount is represented in the balance sheet.

4. Derivative financial instruments and hedge accounting

The consolidated company holds derivative financial instruments to avoid risks of foreign currency and interest rates. Embedded derivatives are processed separately from the main contract when they meet certain conditions and the main contract is not a financial asset.

Derivative instruments are initially measured at fair value when they are recognized; subsequent measurement is based on fair value and the benefits or losses arising from reassessment are directly included in profit or loss.

The consolidated company designated some hedging instruments (including derivatives, embedded derivatives and non-derivatives to avoid exchange rate risk) for fair value hedge, cash flow hedge or hedges of a net investment in a foreign operation. Foreign exchange risk of a firm commitment is hedged with cash flow hedges.

At the beginning of the hedging relationship, the consolidated company records the risk management objectives, the hedging execution strategy, and the economic relationship between the hedged item and the hedging instrument in writing, including whether the hedging instrument is expected to offset the changes of fair value or cash flow of the hedged item.

(1) Fair value hedge

The benefits or losses of qualified hedging instruments are recognized in profit or loss, but if the hedging instruments are hedges of equity instruments measured at fair value through other comprehensive income, they are recognized in other comprehensive income.

Changes in the fair value of the hedged items that are not measured at fair value due to the hedged risks are adjusted by their carrying amounts and recognized in profit or loss. When the hedged item is invested in a debt instrument measured at fair value through other comprehensive income, its hedging benefit and/or loss is recognized in profit or loss; when the equity instrument is measured at fair value through other comprehensive income, these amounts are recognized in other comprehensive income. When the hedging benefit or loss is recognized in profit or loss, it is reported under the accounting items related to the hedged item.

If the hedging relationship no longer meets the requirements of hedge accounting, or if the hedging instrument has expired, been sold, canceled or exercised, the application of hedge accounting will be postponed. The hedged item is a financial instrument that is measured at amortized cost. The fair value adjustment due to the risk averted is amortized to profit or loss from the date when the hedge accounting is stopped.

(2) Cash flow hedge

For a designated hedging instrument that conforms to cash flow hedging, the change in its fair value is an effective hedging component that is recognized in other comprehensive income, and is accumulatively listed in "other equity-gains and losses of hedging instruments". The aforementioned amount for recognition is limited with cumulative change in the fair value of the hedged item since the start of the hedge. Benefits or losses that are an ineffective portion of hedging are immediately recognized as profit or loss.

When the hedged item is recognized in profit or loss, the amount originally recognized in other comprehensive income and accumulated in equity will be reclassified to profit or loss in the same period and will be listed in the statements of comprehensive income with the recognized hedged item under the same accounting item. However, in case that a hedge of a forecast transaction will result in recognition of a non-financial asset or non-financial liability, the amount previously recognized in other comprehensive income is transferred from equity to the original cost of such non-financial asset or non-financial liability. In addition, if the consolidated company expects that all or part of its losses cannot be recovered in future periods, it will immediately reclassify the amount to profit or loss.

If the hedging relationship no longer meets the requirements of hedge accounting, or if the hedging instrument has expired, been sold, canceled or exercised, the application of hedge accounting will be postponed. In case that the application of cash flow hedge ceases, the amount that has been accumulated in other equity will continue to be listed in equity before the future cash flow of the hedged item occurs, and when the future cash flow occurs, it will be used as the book value adjustment of non-financial assets or non-financial liabilities. For other cash flow hedges, when the future cash flows of hedged item are recognized in profit or loss, the accumulated other equity amount is reclassified to profit or loss in the same period. If the future cash flow of hedged item is no longer expected to occur, the amount accumulated in other equity is immediately reclassified to profit or loss.

(VIII) Inventories

Inventory is measured by cost or net realized value, whichever is lower. Cost includes acquisition, production or processing costs incurred to bring it to a saleable state and location, and is calculated using the weighted average method. The cost of finished products and manufactured product inventory includes the manufacturing expenses amortized according to normal productivity in a certain ratio.

Net realizable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale.

(IX) Investment in the associates

Associates refer to those for which the consolidated company has material influence upon their financial and operation policies but without controlling or joint controlling. The consolidated company adopts the equity method for handling the equity of associates. Under the equity method, it is recognized through cost in original acquisition, and investment cost includes transaction cost.

The carrying amount of invested associates includes identified business reputation at original investment less any cumulative impairment loss.

The consolidated financial report includes recognition of profit or loss and other comprehensive income amounts of invested associates by the consolidated company according to equity ratio after adjustment for consistency of accounting policies from the date of material influence to the date of losing such influence. When associates undergo non-equity or other comprehensive income equity changes without influencing the shareholding proportion of the consolidated company, the consolidated company will recognize the equity change in the share of affiliated enterprises attributable to it as capital reserve according to shareholding proportion.

The unrealized benefits and losses arising from the transaction between the consolidated company and the associates are recognized as corporate financial statements only within the scope of the non-related parties' interest in the associates.

When the loss share of associates to be recognized by the consolidated company is equal to or over its equity in them, the recognition of the loss is suspended, and only in the case of legal obligations, constructive obligations or within the scope of making payment for the invested company, additional loss or relevant liability will be recognized.

(X) Property, plant and equipment

1. Recognition and measurement

   Property, plant, and equipment should be measured by cost less cumulative depreciation and cumulative impairment.

   When the service years of material part of property, plant, and equipment vary, they are deemed as independent items (main components) for treatment.

   The disposal profit or loss of property, plant, and equipment are recognized in profit or loss.

2. Subsequent cost

   Subsequent expense will only be capitalized when its future economic benefits are most likely to flow into the consolidated company.

3. Depreciation

   The depreciation is calculated by capital cost less scrap value and is recognized in profit or loss based on the estimated service years of each component using the straight-line method.

   Estimated service years of the current period and comparative periods are as follows:

   (1) House and building: 5-50 years;
   (2) Machinery and equipment: 5-10 years;
   (3) Transportation equipment: 3-6 years;
   (4) Office facilities: 2-5 years;
   (5) Other equipment: 5 years.

   The consolidated company reviews the depreciation method, service year, and scrap value at each reporting date, and adjusts appropriately if necessary.

(XI) Leases

Leasing (applicable from January 1, 2019)

1. Determination of a lease

   At inception of a contract, the consolidated company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the consolidated company evaluates whether:

(1) The contract involves the use of an identified asset - this may be explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(2) The client has the right to obtain substantially all of the economic benefits from use of the assets throughout the period of use; and

(3) The client has the right to direct the use of the assets during the entire use period when one of the following conditions is met:

- The client has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used; or
- The decision about how and for what purpose the asset is used is predetermined either:
  - The client has the right to operate the asset for the entire period of use, and the supplier has no right to change these operating instructions; or
  - The client designed the asset in a way the predetermined how and for what purpose it will be used.

2. As a lessee

The consolidated company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the consolidated company periodically assesses whether the right-of-use asset is reduced by impairment losses, if any, and adjusts the right-of-use asset for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. If interest rate implicit in the lease is easy to determined, the discount rate is used; if the rate cannot be reliably determined, the incremental borrowing rate of the consolidated company is used. Generally, the consolidated company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(1) Fixed benefits, including substantially fixed benefits;
(2) Variable lease payments depending on an index or a rate, initially measured using the index or rate at the commencement date;
(3) Amount expected to be payable under residual value guarantee; and
(4) The exercise price or penalty payable when the purchase option or lease termination option is reasonably determined to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

(1) There is a change in future lease payments arising from the change in an index or rate; or
(2) There is a change in the consolidated company's estimate of the amount expected to be payable under a residual value guarantee; or
(3) There is a change of its assessment on whether it will exercise a purchase; or
(4) There is a change of its assessment on whether it will exercise an extension or termination option, and the evaluation of the lease period is changed; or
(5) There is any modifications on leased object, scope or other terms.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit or loss.

The consolidated company presents the right-of-use assets and lease liabilities that do not meet the definition of investment as a separate line item respectively in the balance sheet.

For short-term leases of the operation lease rented domicile, plant and storage and leases of low-value assets, the consolidated company has elected not to recognize the right-of-use assets and lease liabilities, and the lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

3. As a lessor

When the consolidated company acts as a lessor, it determines at lease commencement date whether each lease is a finance lease or an operating lease. To classify each lease, the consolidated company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the consolidated company considers relevant specific indicators including whether the lease term covers the major part of the economic life of the underlying asset.

If the consolidated company is a sublessor, it will handle the main lease and sub-lease transactions separately, and use the right-of-use assets generated by the main lease to evaluate the classification of the sub-lease transactions. If the main lease is a short-term lease and the recognition exemption applies, its sublease transaction should be classified as an operating lease.

If the agreement includes both leased and non-leased components, the consolidated company uses IFRS 15 to allocate the consideration in the contract.

Leasing (applicable before January 1, 2019)

1. As a lessor

   The operating lease is recognized as income on a straight-line basis during the lease period. The original direct cost arising out of operation lease for negotiation and arrangement is added into the carrying amount of lease assets and recognized into expenses on a straight-line basis during the lease period. The incentive total benefits provided for a lessee to reach the lease arrangement is recognized as a decrease in lease income through straight-line method during the lease period.

   Contingent rent payments are recognized as revenue when the adjustments are determined.

2. As a lessee

   According to the rent conditions the consolidated company undertakes almost all risks and rewards of the leased asset ownership, it is classified into a financial lease. In initial recognition, the leased asset is measured by fair value or lowest lease payment current value, whichever is lower. Later, it is treated by accounting policies related to the asset.

   The lowest lease payment of financing lease is amortized to financial cost in ratio and to lower the unpaid liability. The financial cost is amortized to each lease period according to the interest rate of fixed intervals based on liability balance.

   Other lease falls into operation lease, which is not recognized into the balance sheet of the consolidated company.

   The rent payment for operation lease (excluding service costs like insurance and maintenance) is recognized into expense on a straight-line basis during the lease period. The incentive total benefits provided by lesser to reach the lease arrangement is recognized as a decrease in rent expense in the straight-line method during the lease period.

Contingent rent payments are recognized as an expense when the adjustments are determined.

(XII) Intangible assets

1. Recognition and measurement

The acquisition of other intangible assets with finite useful lives by the consolidated company is measured by cost less cumulative amortization and cumulative impairment.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized as profit or loss upon occurrence.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of assets less estimated residual values and is recognized as profit or loss over the estimated useful life of the intangible asset from the point at which the intangible assets are ready for use.

Estimated service years of the current period and comparative periods are as follows:

(1) Computer software and network engineering works: 5 years

(2) Golf club membership:10 years.

The consolidated company reviews the amortization method, service life, and residual value of intangible assets at each reporting date and adjusts appropriately if necessary.

(XIII) Impairments of non-financial assets

The consolidated company assesses at each reporting date whether there is any indication that the carrying amount of non-financial assets (except for assets arising out of inventory, deferred income tax assets and employees welfare) may be impaired. If there is any sign, an estimate is made of its recoverable amount.

For the impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is regarded as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, fewer costs to sell, and its value in use. When assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks of the asset or cash-generating unit.

If carrying amount of the unit exceeds the recoverable amount of the unit, impairment losses are recognized.

Impairment losses are recognized immediately in profit or loss, and the carrying amount of the goodwill allocated to the cash-generating unit (group of units) is reduced first; and then the carrying amount of the other assets of the unit (group of units) pro rata on the basis.

Non-financial assets except for goodwill are reversed only to the extent that they do not exceed the carrying amount (minus depreciation or amortization) determined if the asset had not recognized impairment losses in previous years.

(XIV) Liability provision

The recognition of liability provision means a current obligation for past events so that in the future the consolidated company is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated. Liability provision is discounted by the before tax discounting rate of reflecting the current market to the time value of currency and evaluation of certain risk in liability, and the amortization of discount is recognized as interest expense.

Warranty

Warranty liability provision is recognized at selling products or services. The liability provision is measured by relevant probability weight according to historical warranty data and all possible results.

(XV) Revenue recognition

Revenue from Contracts with Customers

The income is measured by the expected consideration in transferring products or labor. The consolidated company recognizes the income when the control over product or labor is transferred to the customer meeting the performance of an obligation. The main income items of Consolidated Company are described as follows:

(1) Sales of goods

The consolidated company recognizes the income upon transfer of control over product. The transfer of control over product means delivery of a product to a customer, and a complete decision by a customer for the sales channel and price, without influencing the unperformed obligation for the customer to accept the product. Delivery means conveying the product to the designated place, whereby its outdatedness and loss risk has been transferred to the customer, and the customer has accepted the product according to sales contract while the acceptance inspection term goes invalid, or the consolidated company has objective evidence to believe that all acceptance inspection conditions have been met.

The consolidated company grants a sales return period to a customer, so the expected return part has to be adjusted in recognizing income and return liability and the right of the product to be returned is recognized as well. The consolidated company estimates the expected return at the timing of sales by adopting cumulative past experience. The consolidated company re-evaluates the estimate of expected return on every reporting date.

The consolidated company undertakes the obligation of defect refund for provision of standard warranty, and the obligation is recognized as warranty liability provision. Please refer to Note 6 (12) for details.

The Consolidated Company recognizes accounts receivable upon delivery of goods because it enjoys the entitlement of collecting consideration unconditionally at this timing.

(2) Financial components

The interval between the expected time of transferring commodity or labor to a customer by the consolidated company and the time of a customer in making payment for the commodity or labor cannot exceed one year, so the consolidated company will not adjust the time value of currency for transaction price.

(XVI) Employee benefits

1. Defined contribution plan

The obligation of the defined contribution plan is recognized as an expense during the period of service provided by the employees. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

2. Defined benefit plan

The consolidated company's net obligation of the defined benefit plan is to calculate the present value of each benefit plan based on the future benefit amount earned by employees in the current or previous period and subtract the fair value of any plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. When the calculation result may be beneficial to the consolidated company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of contributions refund or reduction in future payments of the plan. In calculating the present value of economic benefits, any minimum contribution requirements are considered.

The remeasurement of the net defined benefit liability, including actuarial gains and losses, planned asset returns (excluding interest), and any changes in the asset cap effects (excluding interest) are recognized immediately in other comprehensive income and accumulated in retained earnings. The consolidated company's decision to determine the net interest expense (income) of the defined benefit liability (asset) is to use the net defined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period. Net interest expenses and other expenses to defined benefit plans are recognized in profit or loss.

When the plan is revised or reduced, the number of changes in benefits related to the past service costs or reduced benefits or losses is immediately recognized as profit or loss. The consolidated company recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are provided. If the consolidated company has a current statutory or constructive payment obligation due to employees' past service, and the obligation can be estimated reliably, the amount is recognized as a liability.

(XVII) Share-based payment

During the vesting period of the reward, the grant-date fair value of the share-based payment arrangement for equity settlement is recognized as expenses with a corresponding increase in equity The amount recognized as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share- based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the cash-settled share appreciation right payable to employees is recognized as expenses with a corresponding increase in liabilities during the period when employees reach unconditional remuneration. The liability is remeasured at the reporting date and settlement date based on the fair value of the share appreciation right, and any changes are recognized as profit or loss.

The share-based payment date of the consolidated company is the date when the consolidated company and its employees reach a consensus on the subscription price and the number of shares that can be subscribed.

(XVIII) Income Tax

Income taxes include current and deferred income taxes. Except for items related to the consolidated company and directly recognized into equity or other comprehensive incomes, current and deferred income taxes shall be recognized as profit or loss.

The current income tax includes the estimated income tax payable or income tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to the income tax payable or income tax refund receivable in previous year. The amount is the best estimate of the amount expected to be paid or received based on the statutory tax rate or substantive legislation tax rate at the reporting date.

Deferred income tax is measured and recognized through the temporary difference between the carrying amount of liabilities and assets for the purpose of financial reporting and the levy duty basis. The temporary difference for the following conditions will not be recognized as deferred income tax:

1. Originally recognized asset or liability not falling to the transaction of corporate consolidation, without influencing accounting profit and levy duty gain (loss) at the transaction.
2. Temporary differences arising from the investment in subsidiaries, affiliated companies, and joint venture interests, the consolidated company can control the reversal timing of the temporary difference and is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from the original recognition of goodwill.

   Deferred income tax is measured at the tax rate at which temporary differences are expected to reverse, using the statutory tax rate or the substantial legislative tax rate at the reporting date.

   The consolidated company only offsets the deferred income tax asset and deferred income tax liability for meeting the following conditions at the same time.

   1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
   2. The deferred income tax asset and liability is related to one of the tax-paying subjects of income tax for the same tax authority.
      (1) Same tax-paying subject; or
      (2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

At the late period of unused levy duty loss and unused income tax deduction, the deductible temporary difference is recognized as deferred income tax asset within the usable scope of most likely future levy duty gain. It will be re-evaluated at each reporting date to reduce the relevant tax benefits to the extent that it is unlikely to be realized or to reverse the original reduced amount to the extent that it is likely to have sufficient taxable income.

(XIX) Earnings per Share

The consolidated company presents the basic and diluted earnings per share of shareholders of common stock equity. The consolidated company's basic earnings per share signify that the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share are calculated by adjusting the influence of all potential diluted common shares with profit or loss of the Company's common stockholders and weighted average number of common shares outstanding. dilutive potential ordinary shares of the consolidated company include convertible corporate bonds and stock options for employees.

(XX) Department information

The operation department, as part of the consolidated company, is engaged in operating activities for gaining income or incurring expenses (including income and expense related to the transaction with other departments in the company). The operation results of all operation departments are regularly re-checked by major operation decision-makers of the consolidated company, to make decisions on resource allocation and assess the performance. Every operation department possesses independent financial information.

V. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

When preparing the consolidated financial statements according to preparation standards and IFRS recognized by FSC, the management may have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Therefore, actual results and estimates may have disparities.

The management has to continuously check the estimate and basic assumptions, and the accounting estimate is recognized during the period of change and during the future influenced period.

In the uncertainties of assumption and estimate, relevant information about material adjustment for significant risk is as follows:

(I) Allowance loss of accounts receivable

The allowance loss of accounts receivable for the consolidated company is estimated on the basis of assumption upon default risk and expected loss rate. The consolidated company judges upon the adoption of assumption and selection of input in calculating impairment by considering historical experience, current market status and prospective estimate on every reporting date. Please refer to Note 6 (3) for details of relevant assumptions and input.

(II) Inventory Valuation

As inventory shall be measured based on the cost or net realizable value, whichever is lower; if on the consolidated company's evaluation report date, the inventory has suffered normal wear and tear, is outdated or has no market value, the inventory cost shall be offset to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes. See Note 6 (5) for details of inventory valuation.

The accounting policy and disclosure of the consolidated company include adopting fair value to measure financial, non-financial assets and liabilities. The consolidated company has established an internal control system for fair value measurement. It includes establishing a valuation team to take charge of the re-checking of all material fair value measurement (including third level fair value) and the team will directly report to the chief financial officer. The valuation team will regularly re-check major input and adjustments that are unobservable. If the input for measurement of fair value is to apply third-party information (such as broker or pricing service institution), the valuation team will evaluate the evidence for supporting the input provided by the third party, so as to determine whether the valuation and fair value level classification conforms to the provisions of IFRS. The valuation team will report major valuation topics to the audit committee of the consolidated company.

In measuring the assets and liabilities, the consolidated company will try its best to use market observable input. The level of fair value is classified as follows according to the input used by the valuation technique.

(I) First level: open quotation of the same asset or liability on the active market (without adjustment).

(II) Second level: except for the open quotation covered by the first level, the input parameters of assets or liabilities are directly (price) or indirectly (obtained through price deduction) observable.

(III) Third level: the input parameters of assets or liabilities are not based on observable market data (unobservable parameters).

If there is any transition event or situation among the levels of fair value, the consolidated company shall recognize it on the reporting date. See Note 6 (25), Financial Instruments, for details about assumptions adopted for measurement of fair value.

VI. Explanation of Significant Accounts

(I) Cash and Cash Equivalents

		2019.12.31	2018.12.31
Cash in treasury	$	1,766	1,354
Cheque and demand deposit		411,173	416,414
Cash and cash equivalents listed in consolidated cash flow statement	$	412,939	417,768

(II) Financial Assets and Liabilities Measured at FVTPL

		2019.12.31	2018.12.31
Financial assets mandatory at FVTPL-current			
Non-guaranteed financial products	$	-	129,526
Corporate bonds reverse repurchase right and redemption right (note 6 (15))		44	-
Derivative instruments - forward exchange contract		1,763	-
Financial assets mandatory at FVTPL - non-current:			
Corporate bonds reverse repurchase right and redemption right (note 6 (15))		330	-
Financial assets at FVTPL	$	**2,137**	**129,526**
Financial liabilities held for transaction - current			
Derivative instruments - forward exchange contract	$	-	(1,234)
Financial liabilities mandatory at FVTPL - current			
Corporate bonds reverse repurchase right and redemption right (note 6 (15))		-	(7,500)
Financial liabilities at FVTPL	$	**-**	**(8,734)**
current	$	1,807	120,792
non-current		330	-
Total	$	**2,137**	**120,792**

Engaging in derivative financial instrument transactions is used to avoid the risk of changes in exchange rates and raw material market prices due to business activities. The consolidated company reports it as a financial asset that is mandatorily measured at FVTPL and financial liability held for trading due to not being applicable for hedge accounting. The breakdown of derivatives is as follows:

Forward exchange contracts:

2019.12.31

	Contract amount (NT$ thousand)	Currency	Maturity period
Delivery forward purchased	US$1000	JPY to USD	2020.1
Delivery forward purchased	US$5000	RMB to USD	2020.2
Delivery forward purchased	CNY$28061	USD to RMB	2020.3

2018.12.31

	Contract amount (NT$ thousand)	Currency	Maturity period
Delivery forward purchased	US$165000	JPY to USD	2019.4~2019.7

Delivery forward purchased	US$5,800	RMB to USD	2019.4

As of December 31, 2019 and 2018, there is no provision of a pledge guarantee for financial assets at FVTPL in the consolidated company.

(III) Notes Receivable and Accounts Receivable

	2019.12.31	2018.12.31
Notes receivable	$ 1,573,200	1,893,435
Less: discount on notes receivable	(262,325)	(302,287)
Transfer on notes receivable	(801,641)	(1,108,856)
Notes receivable (net)	509,234	482,292
Accounts receivable - measured through amortized cost	1,211,376	1,231,146
Less: allowance loss	(55,791)	(57,849)
Accounts receivable (net)	1,155,585	1,173,297
Accounts receivable from related parties (net)	88,997	101,447
	$ 1,753,816	1,757,036

The discounted and transferred notes receivable of the consolidated company are banker's acceptances given by customers.A FAQ issued by SFB on December 26, 2018, "Whether the transfer of notes receivable in Mainland China can be derecognized?", assess the credit rating of accepting bank that received the banker's acceptance. Banker's acceptances with a higher credit rating of the accepting bank usually have less credit risk and late payment risk. The main risk associated with banker's acceptance is interest rate risk, and interest rate risk has been transferred with endorsement of notes. It is able to judge that almost all risks and rewards of ownership of banker's acceptances have been transferred. Therefore, the endorsement of banker's acceptance transferred to the supplier is eligible for derecognition. The discounted and transferred notes are reported as a deduction for notes receivable.

The consolidated company adopted a simplified method to estimate expected credit loss for notes receivable and accounts receivable, namely measurement through lifetime expected credit loss. For this purpose of measurement, the notes receivable and accounts receivable are grouped by the joint credit risk characteristics of the ability to pay the due amount according to the contract terms of representative customers, and incorporated into prospective information like historical credit loss experience and a reasonable expectation of future economic conditions. The analysis of the consolidated company's expected credit losses on notes and accounts receivable outside the Mainland China is as follows:

2019.12.31

	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Lifetime expected credit losses allowance
Not overdue	$ 310,750	0.15027%	467
Overdue for 1-90 days	30,784	3.6973%	1,138
Overdue for 91-180 days	1,932	12.213%	236
Overdue for 181-270 days	-	18.92%	-
Overdue for 271-365 days	-	51.25%	-
More than 365 Days	957	100%	957
	$ 344,423		**2,798**

	2018.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Lifetime expected credit losses allowance
Not overdue	$ 337,179		-
Overdue for 1-90 days	46,135		-
Overdue for 91-180 days	3,147	25%	787
Overdue for 181-270 days	2,972	50%	1,486
Overdue for 271-365 days	-	75%	-
More than 365 Days	1,592	100%	1,592
	$ 391,025		**3,865**

The analysis of the consolidated company's expected credit losses on notes and accounts receivable in the Mainland China is as follows:

	2019.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Lifetime expected credit losses allowance
Not overdue	$ 1,243,643	0.2356%	2,930
Overdue for 1-90 days	153,230	1.6189%	2,481
Overdue for 91-180 days	8,529	14.6368%	1,248
Overdue for 181-270 days	18,285	39.17%	7,162
Overdue for 271-365 days	11,609	79.97%	9,284
More than 365 Days	29,888	100%	29,888
	$ 1,465,184		**52,993**

	2018.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Lifetime expected credit losses allowance
Not overdue	$ 1,221,571		-
Overdue for 1-90 days	133,630		-
Overdue for 91-180 days	13,315	25%	3,329
Overdue for 181-270 days	7,047	50%	3,523
Overdue for 271-365 days	4,660	75%	3,495
More than 365 Days	43,637	100%	43,637
	$ 1,423,860		**53,984**

The allowance loss change statement of notes receivable and accounts receivable of the consolidated company was as follows:

	2019	2018
Beginning balance	$ 57,849	65013
Provision for impairment loss	48,189	82,348
Impairment loss return	(31,701)	(88,362)

Reclassified to collections allowance	(16,276)	-
Write-off of unrecoverable accounts	(129)	-
Effect of Exchange Rate Changes	(2,141)	(1,150)
Closing balance	$ **55,791**	**57,849**

Please refer to Note 6 (25) for details of remaining credit risk information.

The accounts receivable factoring contract without the right of recourse signed between the consolidated company and financial institutions stipulated that the former does not need to bear the risk of non-recoverableness of accounts receivable, so it meets the condition of financial assets derecognition. Relevant information about undue factoring accounts receivable on the reporting date was as follows:

2019.12.31

Underwriter	Resale amount	Underwriting limit	Predicted amount	Contract period	Interest rate range	Guarantee items provided	Material transfer terms	Derecognized amount
Chinatrust Commercial Bank Hong Kong Branch	USD443,746	USD1,000,000	-	2019.07.24 ~ 2020.05.31	-	-	•Underwriting without rights of recourse •Handling fee 0.6% •Financing percentage 85% •Underwriting percentage 90%	USD443,746 (TWD13,390 thousand)

2018.12.31

Underwriter	Resale amount	Underwriting limit	Predicted amount	Contract period	Interest rate range	Guarantee items provided	Material transfer terms	Derecognized amount
Chinatrust Commercial Bank Hong Kong Branch	USD323,428	USD1,000,000	USD230,404 (NTD7,066 thousand)	2018.06.05 ~ 2019.05.31	-	-	•Underwriting without rights of recourse •Handling fee 0.6%•Financing percentage 85% •Underwriting percentage 90%	USD323,428 (NTD9,892 thousand)

The amount of the above-mentioned accounts receivable has been derecognized from the accounts receivable. By December 31, 2019 and 2018, the amounts were US$ 443,746 (equivalent to NT$ 13,390 thousand) and US$ 93,024 (equivalent to NT$ 2,826 thousand), respectively and they were reclassified under "Other current assets-other receivables".

As of December 31, 2019 and 2018, there was no situation where the consolidated company provided a pledge guarantee to notes receivables and accounts receivable.

(IV) Other Receivables

	2019.12.31	2018.12.31
Claims receivable sold	$ 13,390	2,826
Other receivables - collections	66,569	52,953
Other receivables - others	43,533	26,565

Less: allowance loss	(66,569)	(52,953)
	$ **56,923**	**29,391**

For the rest of the credit risk information, please note 6 (25).

(V) Inventory

	2019.12.31	2018.12.31
Finished products	$ 1,389,907	1,425,962
Products being processed	290,706	368,410
Supplies	7,011	5,971
Raw materials	386,869	330,271
	$ 2,074,493	**2,130,614**

The inventory cost recognized as sales costs from January 1 to December 31, 2019 and 2018 was respectively NT$ 8,179,657 thousand and NT$ 8,806,310 thousand, and the main items were sold, of which the inventory was previously included into the cost measured. In 2019 and 2018, due to the improvement of factors that previously caused the net realizable value of inventory to be lower than cost, the increase in net realizable value reduced the recognized cost of sales by NT$13,420 thousand and NT$1,191 thousand, respectively.

As of December 31, 2019 and 2018, there is no provision of a pledge guarantee for inventory in the consolidated company.

(VI) Investments Accounted for Using Equity Method

1. Affiliated enterprises

   Affiliated enterprises in which the consolidated company adopts equity method are individual non-material ones, whose financial information was as follows:

	2019.12.31	2018.12.31
The carrying amount of equity at the end of the period of individual non-significant affiliated enterprises	**$ 25,228**	**30,045**

	2019	2018
Share attributable to the consolidated company: Total comprehensive revenue amount of continuous operation units	**$ 5**	**1,293**

2. Guarantee

   As of December 31, 2019 and 2018, there was no situation where the consolidated company provided a pledge guarantee to investments accounted for using the equity method.

(VII) Property, plant and equipment

The details of cost, depreciation, and impairment loss changes of property, plant, and equipment in 2019 and 2018 for the consolidated company were as follows:

House and building	Machinery and equipment	Transportation equipment	Office facility	Other equipment	Equipment to be inspected and construction in progress	Total

Cost or deemed cost:							
Balance as of January 1, 2019	$ 1,097,068	1,356,555	57,522	252,513	2,632,283	54,785	5,450,726
Additions	12,844	23,615	1,513	9,662	98,570	101,261	247,465
Reclassification	-	-	-	-	40,963	(40,963)	-
Transfer Expenses	-	-	-	-	-	(51,215)	(51,215)
Disposals or retirements	(2,080)	(102,534)	(534)	(8,432)	(105,420)	-	(219,000)
Effect of exchange rate changes	(42,028)	(64,588)	(3,139)	(9,892)	(119,173)	(4,074)	(242,894)
Balance as of December 31, 2019	$ **1,065,804**	**1,213,048**	**55,362**	**243,851**	**2,547,223**	**59,794**	**5,185,082**
Balance as of January 1, 2018	$ 1,308,722	1,392,610	61,434	252,476	2,560,383	48,789	5,624,414
Additions	35,319	65,869	3,710	16,030	220,884	59,855	401,667
Reclassification	(210,751)	(766)	-	(1,399)	39,055	(40,012)	(213,873)
Transfer Expenses	-	-	-	-	-	(11,811)	(11,811)
Disposals or retirements	(6,884)	(37,572)	(6,180)	(8,542)	(73,801)	-	(132,979)
Effect of exchange rate changes	(29,338)	(63,586)	(1,442)	(6,052)	(114,238)	(2,036)	(216,692)
Balance as of December 31, 2018	$ **1,097,068**	**1,356,555**	**57,522**	**252,513**	**2,632,283**	**54,785**	**5,450,726**
Depreciation and impairment loss:							
Balance as of January 1, 2019	$ 298,035	794,134	39,046	195,872	1,916,711	-	3,243,798
Annual depreciation	28,127	97,259	6,079	24,113	266,913	-	422,491
Disposals or retirements	(446)	(85,365)	(500)	(8,352)	(104,477)	-	(199,140)
Effect of exchange rate changes	(12,390)	(46,823)	(2,620)	(8,365)	(98,704)	-	(168,902)
Balance as of December 31, 2019	$ **313,326**	**759,205**	**42,005**	**203,268**	**1,980,443**	**-**	**3,298,247**
Balance as of January 1, 2018	$ 399,014	772,323	39,268	186,424	1,800,988	-	3,198,017
Annual depreciation	30,368	104,619	6,598	23,672	291,833	-	457,090
Reclassification	(120,010)	(882)	-	(1,208)	(500)	-	(122,600
Disposals or retirements	(2,000)	(31,972)	(5,872)	(8,095)	(76,855)	-	(124,794
Effect of exchange rate changes	(9,337)	(49,954)	(948)	(4,921)	(98,755)	-	(163,915
Balance as of December 31, 2018	$ **298,035**	**794,134**	**39,046**	**195,872**	**1,916,711**	**-**	**3,243,798**
Carrying amount:							
December 31, 2019	$ **752,478**	**453,843**	**13,357**	**40,583**	**566,780**	**59,794**	**1,886,835**
January 1, 2018	$ **909,708**	**620,287**	**22,166**	**66,052**	**759,395**	**48,789**	**2,426,397**
December 31, 2018	$ **799,033**	**562,421**	**18,476**	**56,641**	**715,572**	**54,785**	**2,206,928**

The consolidated company received the approved "Application Form for Renovation Execution Subject Confirmation" for the old plant land development project in the Shenzhen industrial zone from the local government and commenced the demolition of superstructures on July 10, 2018. Therefore, the consolidated company reclassified the carrying amount of RMB 20,435 thousand (equivalent to NT$87,803 thousand) of the relevant assets (house and building, machinery and office equipment) to the deduction of other compensation. Please refer to Note 6 (12) and Note 12 (3) for details.

Please refer to Note 8 for details of short-term loan and financing limit guarantee as of December 31, 2019 and 2018.

(VIII) Right-of-use assets

The details of the cost, depreciation and impairment loss of the leased land of the consolidated company were as follows:

		Land
Right-of-use asset cost:		
Balance as of January 1, 2019	$	-
Reclassified from long-term prepaid rent		51,790
Increase in the Period		1,546,790
Effect of exchange rate changes		(1,780)
Balance as of December 31, 2019	$	1,596,800
Depreciation and impairment loss of right-of-use assets:		
Balance as of January 1, 2019	$	-
Provision for depreciation		1,618
Effect of exchange rate changes		(59)
Balance as of December 31, 2019	$	1,559
Carrying amount:		
December 31, 2019	$	1,595,241

The consolidated company signed contracts with Shenzhen Land Resources Bureau and Administrative Bureau of House Property Baoan Branch respectively to acquire land in Huangfengling industrial zone for the construction of plants and employee dormitories. The land use right obtained as of December 31 2018 was NT$42,172 thousand. Also, the land obtained from the local Hong Kong Land Registry and used as office space is at the Fortress Tower on King's Road, North Point, Hong Kong. The land use right obtained as of December 31, 2018 was NT$9,618 thousand. The service life as of December 31, 2019 is both thirty-two years. In 2018, it is classified under other non-current assets, please refer to Note 6 (10) for details.

The consolidated company and Jiujiang Economic Development Zone signed an investment project contract, met the contract terms and paid in full with the contract price worth RMB 360 million (equivalent to NT$1,546,790 thousand) on December 27, 2019. It is reclassified from other non-current assets to right-of-use assets. Please refer to Note 6 (10) for details.

(IX) Intangible assets

The details of cost, amortization, and impairment loss of intangible assets in 2019 and 2018 of the consolidated company were as follows:

		Computer software and network	Golf club membership	Total
Cost:				
Balance as of January 1, 2019	$	126,938	19,140	146,078
Exchange differences		(4,825)	(730)	(5,555)
Balance as of December 31, 2019	$	**122,113**	**18,410**	**140,523**
Balance as of January 1, 2018	$	147,562	19,573	167,135
Current acquisition		1,549	-	1,549
Re-classification		(18,903)	-	(18,903)
Exchange differences		(3,270)	(433)	(3,703)
Balance as of December 31, 2018	$	**126,938**	**19,140**	**146,078**
Amortization and impairment loss:				
Balance as of January 1, 2019	$	(108,575)	(17,470)	(126,045)
Amortization in the period		(8,566)	(589)	(9,155)
Exchange differences		5,684	690	6,374
Balance as of December 31, 2019	$	**(111,457)**	**(17,369)**	**(128,826)**
Balance as of January 1, 2018	$	(118,097)	(17,263)	(135,360)
Amortization in the period		(12,462)	(600)	(13,062)
Re-classification		19,287	-	19,287
Exchange differences		2,697	393	3,090
Balance as of December 31, 2018	$	**(108,575)**	**(17,470)**	**(126,045)**
Carrying amount:				
December 31, 2019	$	**10,656**	**1,041**	**11,697**
January 1, 2018	$	**29,465**	**2,310**	**31,775**
December 31, 2018	$	**18,363**	**1,670**	**20,033**

1. Recognition of amortization and impairment

Amortization expense of intangible assets in 2019 and 2018 were respectively recognized under the following items of consolidated statements of comprehensive income:

		2019	2018
Operating Cost	$	2,070	2,175
Operating cost-various amortization		7,085	10,887
	$	9,155	13,062

2. Guarantee

As of December 31, 2019 and 2018, there was no provision of a pledge guarantee for intangible assets in the consolidated company.

(X) Other current assets and other non-current assets

		2019.12.31	2018.12.31
Other receivables	$	56,923	29,391
Income tax assets for the period		3,641	3,962
Advance payment			
Prepaid cost of goods		31,581	22,566
Prepaid expense		28,304	38,246
Retained tax amount		131,424	107,078
Other financial assets-current		501,347	287,491
Provisional payment		19	144
Total of other current assets	**$**	**753,239**	**488,878**
Right of products to be returned	**$**	**70,955**	**55,862**
Advance payment for equipment	$	37,716	20,927
Refundable deposit		73,012	87,540
Long-term advance payment of rent		-	50,176
Other financial assets - noncurrent		36,101	-
Advance payment for land use right		-	803,954
Others		1,482	5,656
Total of other noncurrent assets	**$**	**148,311**	**968,253**

1. Other financial assets

   Bank loan restricted

   Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge corporate bonds to ensure limit, bank loan and notes payable as of December 31, 2019 and 2018.

2. Long-term advance payment of rent

   The consolidated company has signed agreement respectively with Shenzhen Land Resources Bureau and Administrative Bureau of House Property Baoan Branch to acquire the land at the Huangfengling industrial zone for the construction of plants and employee dormitories. The land use right transfer amount was NT $42,172 thousand. Besides, the land at the Fortress Tower on King's Road, North Point, Hong Kong, is used as a staff quarter with Hong Kong Land Registry. The land use right transfer amount was NT$9,618 thousand, and the use period expires fifty years later from the year of acquisition.

   The consolidated company's old plant land development project at the Shenzhen industrial zone has commenced the demolition of superstructures after obtaining the "Application Form for Renovation Execution Subject Confirmation" approved by the local government on July 10, 2018. Therefore, the consolidated company shifted the carrying amount of RMB 2,159 thousand (NT$9,277 thousand) to deferred development cost. Please refer to Note 6 (12) and Note 12 (3) for details. The rest of the assets have been reclassified as the right-of-use asset when IFRS 16 was first applied on January 1, 2019. Please refer to Note 6 (8) for details.

There is no case that is provided as issuance of banker's acceptances, short-term loans and financing lines and endorsement/guarantees on December 31, 2018.

3. Advance payment for land use right

The consolidated company and Jiujiang economic development zone signed a business solicitation project contract, to the commitment that from 2015 the sales revenue of Airmate in the territory of China should not be less than RMB 1.4 billion, and the settlement share of marketing sales for domestic sales of products should increase every year, all should be transferred from Shenzhen to Jiujiang, and the cumulative sales revenue of RMB 4.5 billion for domestic sales in the territory of China should be realized. If the above conditions were met, Jiujiang economic and technological development management committee agreed to transfer the plant and land use right at RMB 360 million with a period of 50 years. The consolidated company has met the aforementioned contract terms and paidin full with the contract price worth RMB 360 million (equivalent to NT$ 1,546,790 thousand). It is reclassified as right-of-use asset, please refer to Note 6 (8) for details.

(XI) Short-term loan

		2019.12.31	2018.12.31
Unsecured bank loans	$	286,907	998,922
Secured bank loan		253,720	290,317
Total	**$**	**540,627**	**1,289,239**
Unused limit	**$**	**1,450,079**	**1,027,488**
Interest rate range		**2.652%~5.22%**	**2.87%~6.09%**

Please refer to Note 6 (25) for details of critical risk information of the consolidated company, like interest rate, exchange rate, and mobility risk. Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for a bank loan.

(XII) Notes payable, other payable and other current liabilities

		2019.12.31	2018.12.31
Notes payable	$	**1,608,075**	**1,177,486**
Payable salary		200,530	131,349
Employees' compensation and directors' and supervisors' remuneration payable		20,900	5,515
Payable tax		8,053	13,879
Payable contribution expense		264,374	159,212
Payable transportation expense		32,832	42,868
Payable vacation payment		1,001	2,510
Other expenses payable		119,142	122,295
Other payables		24,715	37,048
Total of other payables	**$**	**671,547**	**514,676**
Advances received	$	6,090	7,934
Refund liability		97,271	76,204
Total of other current liabilities	**$**	**103,361**	**84,138**
Other compensation	$	579,455	614,554
Long-term deferred revenue		37,076	40,654
Total of other non-current liabilities	**$**	**616,531**	**655,208**

1. Notes payable

   As of December 31, 2019 and 2018, the notes payable were respectively NT$1,605,0765 thousand and NT$1,170,175 thousand, guaranteed or accepted by financial institutions.

   The above notes payable and other payables are expected to be settled within one year.

2. Refund liability

   The sales of goods return provision of the consolidated company is mainly related to domestic sales of electric appliances by distributors at Mainland China, and it is estimated according to the historical return data of similar products and services. The consolidated company estimates that the liability is mostly happening in the following year of sales.

3. Other compensation

   Advance collection of compensation for old plant land development at Shenzhen industrial zone. Please refer to Note 12 (3) for details.

(XIII) Provisions - current

		Warranty
Balance as of January 1, 2019	$	6,871
Newly increased liability provision for the period		100,600
Used liability provision for the period		(86,915)
Balance as of December 31, 2019	**$**	**20,556**
Balance as of January 1, 2018	$	10,856
Newly increased liability provision for the period		86,824
Used liability provision for the period		(90,809)
Balance as of December 31, 2018	**$**	**6,871**

The consolidated company's warranty liability provisions were mainly related to domestic sales in Mainland China and export sales of electric appliances by distributors, and they were estimated according to the historical warranty and return data of similar product and service. The consolidated company estimates that the liability is mostly happening in the following year of sales.

(XIV) Long-term loans

The details, conditions and terms for long-term loan of the consolidated company were as follows:

	2019.12.31				
	Currency	**Interest rate**	**Due year**		**Amount**
Pledge loan	USD	2.91%	2020	$	$44,954
Less: part due within one year					(44954)
Total				$	-
Unused limit				$	-

	2018.12.31				
	Currency	**Interest rate**	**Due year**		**Amount**
Pledge loan	USD	3.64%	2020	$	$92,142
Less: part due within one year					(46066)
Total				**$**	**$46,076**
Unused limit				**$**	**-**

Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for a bank loan.

(XV) Corporate bonds payable

The information about the guaranteed convertible corporate bonds issued by the consolidated company was as follows:

	2019.12.31	2018.12.31
Total amount of issuing convertible corporate bonds	$ 800,000	500,000
Less: unamortized payable corporate bond discount	(10,976)	(11,313)
Cumulative converted amount	(56,800)	-
Payable corporate bond balance at the end of the period	732,224	488,687
Less: part for which reverse repurchase right can be executed within one year (Note 1)	-	(488,687)
Less: corporate bonds due within one or one business cycle	(438,874)	-
	$ 293,350	**-**
Embedded derivatives - repurchase rights and reverse repurchase rights (listed in financial (asset) liabilities measured at fair value through profit or loss)	$ (374)	7,500
Less: part for which reverse repurchase right can be executed within one year	-	(7,500)
Less: corporate bonds due within one or one business cycle	44	-
	$ (330)	**-**
Equity components - conversion right (recognized into capital reserve - subscription right)	**$ 13,858**	**12,364**

	2019	2018
Embedded derivatives - reverse repurchase rights / redemption rights valuation benefits (loss) (Included in measuring profit (loss) of financial liabilities at fair value through profit or loss)	**$ 7,594**	**$ (4,950)**
Interest expense	**$ 6,430**	**$ 6,349**

Note 1:. The Company has issued guaranteed convertible corporate bonds for the second time at home, and according to the provisions of corporate bonds issuance term, the holders can exercise the reverse repurchase right on September 30, 2019 (two years after issuance). Therefore, the Company shifted the convertible corporate bonds balance into "Corporate bonds for which the reverse repurchase right can be executed within one year"; relevant embedded derivative financial instruments were also shifted under the item of current liability.

1. The main issuance terms of a guaranteed corporate bonds are as follows:

Item	The third time guaranteed convertible corporate bond within the territory of the Republic of China	The second time guaranteed convertible corporate bond within the territory of the Republic of China
(1) Total issued amount	NT$ 300,000 thousand	NT$ 500,000 thousand
(2)Face value	NT$ 100 thousand	NT$ 100 thousand
(3)Issuance period:	December 4, 2019 ~December 4, 2022	September 30, 2017 ~September 30, 2020
(4) Bond period	3 years	3 years
(5) Face interest rate	0%	0%
(6) Conversion period	From the next day following three months after issuance of convertible corporate bonds (March 5, 2020) to the due date (December 4, 2022)	From the next day following three months after issuance of convertible corporate bonds (January 1, 2018) to the due date (September 30, 2020)
(7) Redemption method:	From the next day following three months after issuance of convertible corporate bonds (March 5, 2020) to forty days before expiry of the issuance period (October 25, 2020), if the closing price of common stock of the Company at the over-the-counter market of judicial person Republic of China Securities goes over 30% (included) over the conversion price of convertible corporate bonds at the time, or the circulating balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method.	If the Company executes redeem request, the convertible corporate bonds shall be redeemed from holders with cash according to face amount within five operation days after the bonds redeem base date. From the next day following three months after issuance of convertible corporate bonds (January 1, 2018) to forty days before expiry of the issuance period (August 21, 2020), if the closing price of common stock of the Company at the over-the-counter market of judicial person Republic of China Securities goes over 30% (included) over the conversion price of convertible corporate bonds at the time, or the circulating balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method
(8) Reverse repurchase method	None	Two years after issuance of convertible corporate bonds (September 30, 2019) is the reverse repurchase base date for creditors' reverse repurchase of convertible corporate bonds in advance. Creditors may require the Company for the redemption of held convertible corporate bonds according to face amount plus interest compensation, and the interest compensation for two years is 101.0025% face amount (reverse repurchase right yield rate 0.50%). If

Item	The third time guaranteed convertible corporate bond within the territory of the Republic of China	The second time guaranteed convertible corporate bond within the territory of the Republic of China
		the Company executes redeem request, the convertible corporate bonds shall be redeemed from holders with cash according to face amount within five operation days after the bonds redeem base date.
(9) Conversion price and adjustment	A. Conversion price at issuance was NT$ 32. B. If the number of issued common stock increases after issuance of convertible corporate bonds, the Company has to adjust the conversion price according to the formula listed on the issuance method. As of December 31, 2019, the conversion price was NT$ 31.7.	A. Conversion price at issuance was NT$ 28.3 B. If the number of issued common stock increases after issuance of convertible corporate bonds, the Company has to adjust the conversion price according to the formula listed on the issuance method. As of December 31, 2019, the conversion price was NT$ 28.
(10) Conversion situation	As of December 31, 2019, there has been no conversion situation.	From the date of conversion of corporate bonds to December 31, 2019, bondholders have applied for the conversion of 2,007,000 ordinary shares of the Company, and the face amount of corporate bonds conversion is NT$56,800 thousand. The decrease in capital reserve due to conversion was NT$1,405 thousand. And in 2019, capital surplus generated by the issuance of new shares from bond conversion was NT$37,389 thousand. The stock capital generated by the bond conversion was NT$20,070 thousand. Please refer to Note 6 (19) for details.
(11) Redemption and repurchase	As of December 31, 2019, there has been no redemption and repurchase of the third time guaranteed convertible corporate bond.	As of December 31, 2019, there has been no redemption and repurchase of the second time guaranteed convertible corporate bond.

2. Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for guarantee limit as of December 31, 2019 and 2018.

(XVI) Operating leases

The payable rent payment situations for irrevocable operation lease:

		2018.12.31
Within one year	$	29,172
1-5 years		9,914
	$	**39,086**

The consolidated company accepts lease of warehouse through operation lease. The lease period is normally one year, with renewal right upon expiry.

The expense of operating leases reported in profit and loss for the year 2018 was NT$ 73,426 thousand.

(XVII) Employee benefits

1. Defined benefit plan

The present value of defined benefit obligations and the fair value adjustments of the plan assets for the Company were as follows:

		2019.12.31	2018.12.31
Present value of defined benefit obligations	$	31,569	41,963
Fair value of plan assets		(2,852)	(3,113)
Net defined benefit liabilities	**$**	**28,717**	**38,850**

The defined benefit plan of the consolidated company is contributed to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans covered by the Labor Standards Act entitle a retired employee to receive retirement benefits based on years of service and the average salary for the six months prior to retirement.

(1) Components of plan assets

The retirement fund contributed by the consolidated company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as Bureau of Labor Funds), and utilized according to the provisions of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund"; with regard to the utilization of the funds, lowest earnings in a final settlement shall not be less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

By the reporting date, the balance at the special account of the employee retirement provision fund at Bank of Taiwan for the consolidated company was NT$2,852 thousand. The data for the utilization of employee retirement funds includes fund yield rate and fund asset allocation. Please refer to the information released on the website of the Bureau of Labor Funds for details.

(2) Change in present value of defined benefit obligation

The changes in the present value of the defined benefit obligation in 2019 and 2018 of the consolidated company were as follows:

		2019	2018
Defined benefit obligation on January 1	$	41,963	65,398
Current service cost and interest		2,634	3,469
Remeasurements of the net defined benefit liabilities (assets)			
− Actuarial gains or losses arising out of experience adjustments (excluding current interests)		(12,584)	(28,490)
− Actuarial gains or losses arising out of changes in demographic assumptions		-	264
− Actuarial gains or losses arising out of changes in financial assumptions		459	85
Benefits paid on plan assets		(462)	-
Conversion difference of foreign plan		(441)	1,237
Defined benefit obligation as of December 31	**$**	**31,569**	**41,963**

(3) Changes in fair value of plan assets

The changes in fair value of defined benefit plan assets of the consolidated company in 2019 and 2018 were as follows:

		2019		2018
Fair value of plan assets on January 1	$	3,113	$	2,914
Remeasurements of the net defined benefit liabilities (assets)				
− Return on plan assets (excluding current interest)		108		83
Amount contributed to plan		61		83
Expected return on plan assets		32		33
Benefits paid on plan assets		(462)		-
Fair value of plan assets on December 31	**$**	**2,852**	**$**	**3,113**

(4) Change of asset upper limit impacts

In 2019 and 2018, the consolidated company saw no impact from the asset upper limit of defined benefit plan.

(5) Expenses recognized as profit or loss

The details of recognition of gain or loss in 2019 and 2018 of the consolidated company were as follows:

		2019	2018
Service cost for the period	$	2,169	2,727
Net interest of net defined benefit liability		465	742
Expected return on plan assets		(32)	(33)
	$	**2,602**	**3,436**
Amortization expense	$	202	338
Management expense		2,400	3,098
	$	**2,602**	**3,436**

(6) Re-measurements of the net defined benefit liability recognized as

other comprehensive revenue

Re-measurements of net defined benefit liability recognized as other comprehensive revenue was as follows:

	2019	2018
Cumulative balance on January 1	$ 26261	(1963)
Investment gain or loss	12,233	28,224
Cumulative balance on December 31	**$ 38,494**	**26,261**

(7) Actuarial assumption

The main actuarial assumptions adopted by Waon Company at the closing financial reporting date were as follows:

	2019	2018
Discount rate	1.000%	1.125%
Future salary increase	2.00%	2.00%

The main actuarial assumptions adopted by Waon Company Taiwan Branch at the closing financial reporting date were as follows:

	2019	2018
Discount rate	0.750%	1.000%
Future salary increase	2.00%	2.00%

The expected contribution to be made by the consolidated company to the defined benefit plans within one year after 2019 reporting period is NT$3,648 thousand.

The weighted average period of the defined benefit plan is 10~16 years.

(8) Sensitivity analysis

As of 2019 and December 31, 2018, the influence of changes in actuarial assumptions on the present value of the defined benefit obligations was as follows:

	Influence of Waon Company upon defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
2019.12.31		
Discount rate	$ (695)	727
Future salary increase	711	(683)
2018.12.31		
Discount rate	(704)	728
Future salary increase	710	(690)

	Influence of Waon Company Taiwan Branch upon defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
2019.12.31		
Discount rate	$ (99)	102
Future salary increase	99	(96)
2018.12.31		
Discount rate	(169)	175
Future salary increase	170	(165)

The above sensitivity analysis is based on analyzing the influence of single assumption change with others remaining the same. In practice the change of many assumptions may be serial. Sensitivity analysis is conducted in the same method of calculating the net retirement fund liability in the balance sheet.

The method and assumptions used in preparing the sensitivity analysis for the period are the same as before.

2. Defined contribution plan

Waon Company Taiwan Branch, in determining the contribution plan, follows the provisions of employee retirement fund ordinance by paying 6% monthly salary to the individual special account with the Bureau of Labor Insurance; the retirement fund payment obligation of Shenzhen Airmate falls into definite contribution system by the contribution of insurance fund every month from the Company to be deposited into the individual pension insurance special account. This account is completely detached from the Company and will be transferred upon dismission. The amount to be contributed is recognized as expense for the period; Waon Company also contributes retirement funds to a special account of accumulation fund according to the local ordinance of Hong Kong. Under this defined contribution plan, the consolidated company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The retirement fund expenses under the definite contribution of the retirement fund method in 2019 and 2018 of the consolidated company were respectively NT$78,4720 thousand and NT$76,742 thousand, which were already contributed to the Bureau of Labor Insurance.

(XVIII) Income Tax

1. Income tax expenses

The details of expenses (gains) of the consolidated company in 2019 and 2018 were as follows:

	2019	2018
Current income tax		
Generation for the period	$ 74,397	117,469

Income tax for the period at the prior period of adjustment	(3,816)	68,696
	70,581	186,165
Deferred income tax benefits		
Occurrence and return of temporary difference	(4,916)	(58,910)
Change in income tax rate	-	(36,905)
	(4,916)	(95,815)
Income Tax Expense	$ **65,665**	**90,350**

In 2019 and 2018, the Company did not need to pay income tax because the country in which it was located was not subject to income tax.

In accordance with the Hong Kong tax law, Waon Company shall apply the income tax rate of 16.5% if the source income is derived in Hong Kong.

According to the tax law of the Republic of China, the business income tax rate of Waon Company Taiwan Branch is 20%.

According to the tax law of Mainland China, if the tax preferences are not applied, the applicable income tax rate of Shenzhen Airmate and Airmate Technology is 25%.

On December 4, 2018, Jiujiang Airmate obtained preferential tax treatment for high-tech enterprises. The discount period is valid for three years and expires in the year 2020. The applicable tax rate is 15%.

The adjustment between the income tax expenses (benefits) of the consolidated company and the net loss before tax was as follows:

	2019	**2018**
Net Profit Before Tax	$ 322,824	72,267
Income tax calculated according to the domestic tax rate where the Company is located	-	-
Impact of tax rate difference in foreign administrative areas	108,353	13,522
Change in income tax rate	-	(36,905)
Verified difference	-	52,884
Non-creditable expense	2,277	10,228
Temporary difference of unrecognized deferred income tax asset	-	67,225
Changes in unrecognized temporary differences (Note)	(31,403)	-
Levy duty loss of using previous unrecognized ones	-	(37,033)
Previous (over) underestimation	(3,816)	15,812
Others	(9,746)	4,617
Income Tax Expense	$ **65,665**	**90,350**

2. Deferred income tax asset and liability

(1) Unrecognized deferred tax assets

The items that the consolidated company has not recognized as deferred income tax assets were as follows:

	2019.12.31	**2018.12.31**
Deductible temporary difference	**$ 63,385**	**65,889**

(Note) As of December 31, 2019, the net profit related to the investment in subsidiaries was not recognized as deferred income tax liabilities and the related tax effects was NT$4,549 thousand. Because the consolidated company can control the reversal timing of the temporary difference, and is likely that it will not be reversed in the foreseeable future.

(2) Recognized deferred income tax assets

The changes in deferred income tax assets in 2019 and 2018 were as follows:

Deferred income tax assets:

		Receivable payment impairment loss recognition	Unrealized inventory valuation and obsolescence loss	Other compensation	Others	Total
January 1, 2019	$	23,339	42,307	88,125	7,438	161,209
(Debit) credit revenue statement		1,421	(4,610)	(3,350)	11,455	4,916
December 31, 2019	$	**24,760**	**37,697**	**84,775**	**18,893**	**166,125**
Balance as of January 1, 2018	$	17,611	29,419	-	18,364	65,394
(Debit) credit revenue statement		5,728	12,888	88,125	(10,926)	95,815
Balance as of December 31, 2018	$	**23,339**	**42,307**	**88,125**	**7,438**	**161,209**

3. Situations of income tax verification

   The corporate income tax of Waon Company, Shenzhen Airmate, and Jiujiang Airmate had been reported to local tax authorities up to 2018; the report of profitable business income tax for Waon Company Taiwan Branch had been reviewed by tax authority up to 2017.

4. The consolidated affiliated company Shenzhen Airmate started to engage in export sales in 1998 of its own brands through the consolidated affiliated company Waon Company, generating transferred pricing related income tax of RMB 5,497 thousand (NT$ 25,049 thousand) from 1998 to 2006. Shenzhen tax authority verified on April 18, 2018. Shenzhen Airmate had also adjusted the entry and made supplementary payment.

5. Income tax administrative relief

   Waon Company didn't obtain deduction for the paid commission from 2002 to 2003 according to provisions. The consolidated company had deliberated over the previously verified facts and reasons, actively provided relevant data and entrusted Hong Kong accountant to communicate with Hong Kong Tax Bureau on October 6, 2017. Hong Kong Tax Bureau issued the letter of decision, decision reasons and statement of facts against the objection raised by Waon Company on June 13, 2018. As for the decision, Waon Company had authorized Hong Kong accountant to make an appeal to the tax appellate committee on July 13, 2018, and made adjusted entry of the undervalued income tax HKD 7,237 thousand (NT$ 27,835 thousand) verified by Hong Kong Tax Bureau in June, 2018.The case was fully paid on November 4, 2019.

(XIX) Capital and other equity

On December 31, 2018 and 2019, the total authorized capital stock of the Company was NT$ 2,162,500 thousand, the face amount of each share was NT$ 10 and the number of shares was 216,250,000 shares.The above authorized capital stock was only common stock, and the issued stocks were 136,851,000 shares of common stocks and 122,844,000 shares. The stock capital for issued stock had been all collected.

1. Issuance of common stock

The Company issued 2,007 thousand new shares in 2019 due to the exercise of conversion right by convertible corporate bond holders.

The Company has passed the issuance through resolution by the Shareholders' Meeting on August 8, 2019. It was estimated that it would issue new stocks with cash capital of NT$300,000 thousand with the face amount of NT$10 per share, totaling 12,000 thousand shares and issue price per share of NT$26. This capital increase case has been approved by the Financial Supervisory Commission R.O.C., and December 13, 2019 was the base date for capital increase. All issued shares were paid up upon issuance, the relevant statutory registration procedures have been completed and it was classified under equity.

The adjustment of the Company's outstanding shares in 2019 and 2018 was as follows:

	Ordinary Shares	
	2019	**2018**
Beginning balance January 1	$ 122,844	122,844
Capital Increase by Cash	12,000	-
Convertible corporate bond conversion	2,007	-
Ending balance December 31	**$ 136,854**	**122,844**

2. Capital surplus

The details of capital reserve were as follows:

	2019.12.31	**2018.12.31**
Share premium	$ 1,195,688	966,919
Treasury stock transaction	6,164	-
Lapsed employee stock options of capital cash increase	7,425	-
Subscription right to convertible corporate bonds	13,858	12,364
	$ 1,223,135	**979,283**

In accordance with the Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The above-mentioned realized capital reserve includes overage from shares issuance over the face amount and acceptance of bestowal. In accordance with the processing standards regarding issuers collecting and issuing negotiable securities, the capital reserve for capital has to be appropriated, and the total amount of appropriation every year shall not exceed 10% of the paid-in capital.

3. Retained earnings

In accordance with the Articles of Association of the Company, during the period of over-the-counter transaction or the period listed at the stock exchange as well as in making the proposal for allocation of earnings by the Board of Directors, the following has to be recognized in advance from the earnings of every accounting year:

(i) Payment for provision of tax of relevant accounting period;

(ii) Amount to offset previous loss;

(iii) 10% earned surplus;

(iv) Special earned surplus required by securities regulatory authority in accordance with the rules and regulations of companies with public issuance.

If there is a surplus, it shall be combined with cumulative undistributed surpluses in part or whole over the previous years to be distributed to shareholders as dividend according to a shareholding ratio in accordance with the previously formulated dividend policy confirmed by the Board of Directors under the precondition of following the Cayman Company Law, after the rewards to employees and bonuses to directors are contributed. Dividends distributed to shareholders are in the forms of share dividends and cash dividends, and the cash dividends shall not be less than fifty percent (50%) shareholders dividends distributed according to the above. Unless otherwise resolved by the Board of Directors and the Shareholders' Meeting, any remaining profit, which shall not be less than twenty-five percent (25%) of the after-tax earnings of the year, is distributed as shareholders dividends in accordance with Cayman Company Law and rules and regulations of companies with public issuance after considering factors of finance, business, and operation.

(1) Legal reserve

In accordance with provisions of the Company Act, the Company shall contribute 10% after-tax net profit as a legal reserve until equalization with the total amount of capital. When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in amount.

(2) Special reserve

The amount of interest arising out of retained earnings of cumulative translation adjustment generated due to financial statement translation of foreign operation under the item of shareholders equity by the Company when applying the exemption item in IFRS No.1 "First-time Adoption of International Financial Reporting Standards" was NT$ 185,271 thousand. Besides, in accordance with the provision of FSC No. 1010012865 on April 6, 2012, the net increase of retained earnings generated from the adoption of IFRS recognized by FSC was recognized as special reserve, and when relevant assets are used, handled and re-classified, the earnings are distributed according to the ratio of original recognized special reserve.

If the net amount of deduction of other shareholders' equity occurred in 2014 was lower than the balance of "special reserve recognized for first time application of IFRS" as of December 31, 2014, of the Company in accordance with the provision of FSC No. 1010012865 issued on April 6, 2012, supplementary recognition of special reserve was not necessary; and the balance of recognized special reserve on December 31, 2014, over the balance of "special reserve recognized for the first application of IFRS" was returned to undistributed earnings through special reserve amounting to NT$ 2,890 thousand through regular Shareholders' Meeting on June 29, 2015. As of December 31, 2019 and 2018, the balance of the special reserve was NT$ 182,381 thousand.

In accordance with the above provisions, in distributing distributable earnings by the Company, the difference between the net amount recognized of other shareholders equity deduction occurred in the year and the special reserve balance mentioned above is supplementarily recognized as a special reserve from current gain or loss and previous undistributed earnings; the amount of other shareholders' equity deduction through the previous cumulation is supplementarily recognized as a special reserve that couldn't be distributed from previous undistributed earnings. Afterward, if other shareholders' equity deduction has been reversed, the reversal shall be applicable to earnings distribution. The special reserve and undistributed surplus (reversed) for 2019 and 2018 that the Company had passed through resolution by the Shareholders' Meeting were NT$ 75,265 thousand and (NT$ 15,494) thousand, respectively

(3) Earnings distribution

The Company had passed the earnings distribution plan for 2018 and

2017 through resolution by the Shareholders' Meeting on June 6, 2019 and June 15, 2018, and the amount distributed to owners as dividend was as follows:

	2018		2017	
	Shares allotment rate (NT$)	**Amount**	**Shares allotment rate (NT$)**	**Amount**
Dividend distributed to common stock owners				
Cash dividend	$ -	-	0.1000	**12,159**

4. Treasury stock

(1) The changes in treasury stock in 2019 and 2018 of the Company were as follows (unit: thousand shares):

	2019							
Reason of recovery	**Opening number of shares**	**Opening amount**	**Number of increased shares**	**Increased amount**	**Reduced number of shares**	**Decreased amount**	**Closing number of shares**	**Closing amount**
Treasury stock transferred to employees	**1,258**	**$33,051**	**-**	**-**	**1,258**	**33,051**	**-**	**-**

	2019							
Reason of recovery	**Opening number of shares**	**Opening amount**	**Number of increased shares**	**Increased amount**	**Reduced number of shares**	**Decreased amount**	**Closing number of shares**	**Closing amount**
Treasury stock transferred to employees	**758**	**$20,577**	**500**	**12474**	**-**	**-**	**1258**	**33051**

(2) In accordance with the provisions of Securities Transaction Law, the repurchase rate of shares by the Company shall not be more than 10% the total number of shares issued by it; the total amount of repurchased shares shall not be more than the amount of retained earnings plus share premium and realized capital reserve. For the year of 2018, based on September 30, 2017, the maximal upper limit of number of shares that the Company can repurchase was 12,284 thousand shares, and the maximal upper limit of amount of shares to be repurchased was NT$ 1,216,997 thousand.

(3) In accordance with the provisions of the Securities and Exchange Act, the treasury stock held by the Company cannot be pledged, and before the transfer, no right of shareholders shall be enjoyed.

5. Other equity

	Differences in translation of financial statements of institutions running overseas
January 1, 2019	$ (214,132)
Exchange differences on translation of foreign currency (after-tax net amount)	

Consolidated company		(149,691)
Balance as of December 31, 2019	**$**	**(363,823)**
January 1, 2018	$	(104,764)
Exchange differences on translation of foreign currency (after-tax net amount)		
Consolidated company		(109,368)
Balance as of December 31, 2018	**$**	**(214,132)**

(XX) Share-based payment

As of December 31, 2019, the consolidated company had the following two share-based payment transactions:

	Cash delivery	
	Treasury stock transferred to employees	**Cash capital increase reserved for employee subscription**
Grant date	2019.8.8	2019.12.13
Quantity Granted	1,258 thousand shares	1,800 thousand shares
Contract period	-	-
Granted to	Employees of Consolidated Company	Employees of Consolidated Company
Vesting Conditions	Vested immediately	Vested immediately

1. Measurement parameters of fair value on the grant date

   The consolidated company used the Black-Scholes option evaluation model to estimate the fair value of the share-based payment on the grant date. The input values of this model were as follows:

	2019	
	Treasury stock transferred to employees	**Cash capital increase reserved for employee subscription**
Grant date fair value	4.90	4.50
Grant date stock value	31.25	30.50
Strike Price	26.30	26.00
Expected fluctuation rate (%)	38.22%	38.23%
Expected stock interest rate (%)	-	-
Risk-free interest rate (RFR) (%)	0.7012%	0.7074%

Expected volatility is based on a weighted average historical volatility, adjusted for expected changes from publicly available information; expected dividends and risk-free interest rates are based on government bonds.

2. Information about employee stock option plans and treasury stock transfer measures

	Treasury stock transferred to employees		**2019 cash capital increase options**	
	Unit (thousand shares)	**Exercise price (NTD)**	**Unit (thousand shares)**	**Exercise price (NTD)**
Outstanding as of January 1	-	$ -	-	$ -
Granted in this period	1,258	26.3	1,800	26
Number of executions in this period	(1,258)	26.3	(150)	26
Number of divestment in this period	-	26.3	(1,650)	26
	-		-	

3. Employee expenses and liabilities

The expenses incurred by share-based payments of the consolidated company in 2019 were as follows:

	2019
Expenses due to transfer of treasury shares to employees	$ 6,164
Expenses incurred due to the capital increase for employees' subscriptions	8,100
Total	**$ 14,264**

(XXI) Earnings per share

The net profit (loss) of basic earnings per share of the consolidated company attributable to common stockholders in 2019 and 2018 was respectively NT$251,919 thousand and (NT$14,599) thousand, and the weighted average number of shares circulating outside for common stock was respectively 122,906 thousand shares and 121,614 thousand shares as a basis for calculation.

The relevant calculation was as follows:

	2019	2018
Basic earnings per share		
Net profit (loss) attributable to the Company for the period	$ 251,919	$ (14,599)
Net profit (loss) attributable to shareholders of the Company	**$ 251,919**	**$ (14,599)**
Weighted average number of shares circulating outside for common stock	122,906	121,614
Basic earnings per share (NT$)	**$ 2.05**	**$ (0.12)**
Diluted earnings per share		
Net profit (loss) attributable to the Company for the period	$ 251,919	$ 14,599
Influence of potential common stock with diluting effect		
Influence of convertible corporate bonds	(1,164)	-
Net profit attributable to the common stock holders of the Company	**$ 250,755**	**$ (14,599)**
Weighted average number of shares circulating outside for common stock	122,906	121,614
Influence of potential common stock with diluting effect		
Influence of employees' share bonus	627	-
Influence of convertible corporate bonds	1,639	-
Weighted average number of shares circulating outside for common stock (after adjusting the impact of diluting potential common stock)	**125,172**	**121,614**
Diluted earnings per share (NT$)	**$ 2.00**	**$ (0.12)**

The employee stock dividend and convertible corporate bonds with diluting effect in 2018 of the consolidated company were not recognized into diluted earnings per share for calculation for the anti-diluting effect.

(XXII) Revenue of customer contract

1. Details of revenue

	2019	2018
Main regional markets		
China	$ 5,378,679	5,847,769
Other countries	4,764,102	4,767,171
	$ 10,142,781	**10,614,940**
Main products:		
Electric fan	$ 6,560,708	6,778,857
Electric heater	2,558,181	2,922,860
Others	1,023,892	913,223
	$ 10,142,781	**10,614,940**

2. Contract balance

	2019.12.31	2018.12.31
Notes receivable	$ 1,573,200	1,893,435
Less: discount on notes receivable	(262,325)	(302,287)
Notes receivable transfer	(801,641)	(1,108,856)

Notes receivable (net)	509,234	482,292
Accounts receivable - measured through amortized cost	1,211,376	1,231,146
Less: allowance loss	(55,791)	(57,849)
Accounts receivable (net)	1,155,585	1,173,297
Accounts receivable from related parties (net)	88,997	101,447
	$ 1,753,816	**1,757,036**
Contract liabilities	**$ 214,881**	**359,937**

Please refer to Note 6 (3) for details of notes and accounts receivable as well as the impairment.

(XXIII) Remunerations for employees and directors

In accordance with the Company's Articles of Association, the Company has to contribute profit (defined afterward), if any, in general, final settlement for employees' and directors' remunerations, unless otherwise stipulated by Cayman Company Law, rules and regulations of companies with public issuance or the Articles of Association; only when there is a cumulative loss in the Company, it shall be retained to fill the amount of loss.

Five percent (5%) to ten percent (10%) as employees' remunerations (hereinafter referred to "employees' remunerations"), including employees in affiliated companies; and less than and equal to three percent (3%) as directors' (excluding independent directors) remunerations (hereinafter referred to as "directors' remunerations"); the employees and directors remunerations plan shall be executed after being agreed upon by more than half directors at the board meeting where two-thirds directors have to attend and reported to the meeting of shareholders.

However, when there is a cumulative loss to the Company, it shall be retained to fill the amount, and then contributed to employees' and directors' remunerations at the percentage mentioned above. The above "profit" refers to the net profit before tax of the Company. To eliminate doubt, net profit before tax refers to the amount before contribution to remunerations for employees and directors.

Without violating the provisions of prevalent law, the above-mentioned employees' remunerations shall be in cash or shares.

The estimated amount for employees' remunerations in 2019 and 2018 of the Company were respectively NT$17,417 thousand and NT$4,026 thousand, and that for director's remuneration were respectively NT$3,483 thousand and NT$749 thousand. The estimate was based on the amount of net profit before tax without deduction for employee and director remunerations multiplied by the percentage for the same, and it was recognized as the operating cost or operating expense in 2019 and 2018.

Relevant information can be inquired into at public information observation stations.

There was no difference between the amount of employees' and directors' remunerations distributed according to the resolution of the Board Meeting and the estimated amount in the consolidated financial report of 2018.

(XXIV) Non-operating income and expenses

1. Other revenues

The details of the revenue of the consolidated company in 2019 and 2018 were as follows:

		2019	2018
Interest revenue	$	42,797	66,896
Government subsidy revenue		35932	52617
Other revenues		30,463	49,031
Total other revenues	**$**	**109,192**	**168,544**

2. Other gains and losses

The details of other gains and losses of the consolidated company in 2019 and 2018 were as follows:

		2019	2018
Loss on disposal of property, plant and equipment	$	(4,131)	(6,514)
Gains on foreign exchange		18,390	7,978
Gain (loss) on financial assets (liabilities) at FVTPL		9976	(4008)
Miscellaneous expenses		(12,602)	(53,412)
Net amount of other gain and loss	**$**	**11,633**	**(55,956)**

3. Financial cost

The details of the financial costs of the consolidated company in 2019 and 2018 were as follows:

		2019	2018
Interest expense	**$**	**87,882**	**110,051**

(XXV) Financial instrument

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximal amount of credit risk exposure. The maximal amount of credit risk exposure as of December 31, 2019 and 2018 was respectively NT$ 2,839,935 thousand and NT$ 2,712,858 thousand.

(2) Credit risk concentration

The credit risk exposure of the consolidated company is influenced by the conditions of every individual customer. The management also considers the statistical data on the basis of consolidated company customers, including the default risk of industry and country, because these factors can also influence credit risk. The sales to a single transnational customer in revenue of the consolidated company for 2019 and 2018 didn't reach 10%, and 53% and 55% were concentrated in the region of Mainland China.

(3) Please refer to Note 9 (2) for details of credit risk the consolidated company might be exposed to for compliance with bank operation practice in China.

2. Liquidity risk

The following table presents the due date of a financial liability contract, including estimated interest to the exclusion of the influence of net amount agreement.

		Carrying amount	Contractual cash flows	Within 1 year	1 2 years	2 3 years	More than 3 years
2019.12.31							
Non-derivative financial liabilities							
Short-term loans	$	540,627	550,753	550,753	-	-	-
Notes payable		1,608,075	1,608,075	1,608,075	-	-	-
Accounts payable		1,111,646	1,111,646	1,111,646	-	-	-
Other payables (including related party)		458,802	458,802	458,802	-	-	-
Corporate bonds payable (including bonds due within one year)		732,224	738,538	441,028	297,510	-	-
Long-term loan (long-term loan due within one year)		44,954	45,129	45,129	-	-	-
	$	**4,496,328**	**4,512,943**	**4,215,433**	**297,510**	**-**	**-**
2018.12.31							
Non-derivative financial liabilities							
Short-term loans	$	1,289,239	1,301,418	1,301,418	-	-	-
Notes payable		1,177,486	1,177,486	1,177,486	-	-	-
Accounts payable		928,657	928,657	928,657	-	-	-
Other payables (including related party)		381,622	381,622	381,622	-	-	-
Corporate bonds payable (including bonds due within one year)		488,687	505,013	505,013	-	-	-
Long-term loan (long-term loan due within one year)		92,142	92,586	46,510	46,076	-	-
Derivative financial liabilities							
Financial Liabilities at Fair Value through Profit or Loss - Current		8,734	8,734	8,734	-	-	-
	$	**4,366,567**	**4,395,516**	**4,349,440**	**46,076**	**-**	**-**

The consolidated company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

3. Exchange rate risk

(1) Exchange rate risk exposure

The financial assets and liabilities (including monetary items of non-functional monetary valuation already written off in the consolidated financial report) of the consolidated company exposed to material exchange rate risk were as follows:

	2019.12.31			2018.12.31		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 128,743	29.9800	3,859,712	115,975	30.7150	3,562,185
JPY	367,553	0.2760	101,445	27,012	0.2782	7,515
RMB	795	4.3050	3,422	26,168	4.4385	116,147
HKD	183	3.8490	704	48	3.9210	188

	2019.12.31			2018.12.31		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	112,524	29.9800	3,373,470	114,717	30.7150	3,523,533
JPY	74,731	0.2760	20,626	120,044	0.2782	33,396
HKD	6,470	3.8490	24,903	129	3.9210	506

(2) Sensitivity analysis

The exchange rate risks of the consolidated company mainly come from cash and cash equivalents evaluated in foreign currency, accounts receivable and other receivables, loans, accounts payable and other payables, which will generate foreign currency conversion impairment upon translation. If the NTD depreciated or appreciated 5% to USD, HKD or JPY on December 31, 2019 and 2018, with other factors remaining the same, the net gain (loss) after tax would respectively increase or decrease by NT$ 34,600 thousand and NT$ 6,328 thousand. The analysis for the two periods adopted the same basis.

(3) Conversion impairment of monetary items

Given that the consolidated company has various types of functional currency, the summation is adopted to reveal the conversion impairment information of monetary items. The foreign currency conversion gain (loss) (realized and unrealized) in 2019 and 2018 of the consolidated company were respectively NT$18,390 thousand and NT$7,978 thousand.

4. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the consolidated company is described in the liquidity risk management of this Note. The following sensitivity analysis is determined by the interest rate risk exposure of derivative and non-derivative instruments on the reporting date. For floating interest rate liabilities, the analysis is based on the assumption that the liability amount circulating outside on the reporting date has been circulating outside all year round.

In reporting the interest rate to senior management, the rate of change adopted is 50 basic points increase or decrease over the interest rate, which also represents the management evaluation of reasonable possible change scope of the interest rate.

If the interest rate increased or decreased by 0.5% (50 basic points), with the other variables remaining the same, the net profit in 2019 and 2018 of the consolidated company would respectively decrease or increase by NT$56 thousand and NT$128 thousand, this is mainly due to the variable interest rate of the loans.

5. Fair value

(1) Type and fair value of financial instruments

The financial assets and liabilities at FVTPL of the consolidated company are measured at fair value on the basis of repetition. The carrying amount and fair value of various financial assets and financial liabilities (including fair value level information; the carrying amount of financial instruments not measured at fair value is the reasonable approximate of fair value does not have to revealed according to provisions) are listed as follows:

2019.12.31

		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL					
Convertible corporate bonds - repurchase right and redemption right	$ 374	-	374	-	374
Derivative financial instruments - forward exchange contract	1,763	-	1,763	-	1,763
Total	**$ 2,137**	**-**	**2,137**	**-**	**2,137**
Financial liabilities through amortized cost					
Convertible corporate bonds-liability components	**$ 732,224**	**-**	**738,538**	**-**	**738,538**

2018.12.31

	Carrying amount		Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at FVTPL						
Non-guaranteed financial products	**$**	**129,526**	**-**	**129,526**	**-**	**129,526**
Financial liabilities at FVTPL						
Derivative financial instruments - forward exchange contract	$	1234	-	1234	-	1234
Convertible corporate bonds - repurchase right and redemption right		7,500	-	7,500	-	7,500
	$	**8,734**	**-**	**8,734**	**-**	**8,734**
Financial liabilities through amortized cost						
Convertible corporate bonds-liability components	**$**	**488,687**	**-**	**493,250**	**-**	**493,250**

(2) Fair value evaluation technique of financial instruments at fair value

A. Non-derivative financial instruments

If there is an open quotation to financial instruments at an active market, then the open quotation will be taken as fair value. The market price released by the central government bonds over-the-counter market for popular bonds as judged by major stock exchange serves as the basis for the fair value of public (counter) equity instruments and liability instruments with an open quotation at the active market.

If the open quotation can be timely and regularly obtained from the stock exchange, broker, underwriter, industrial union, pricing service institution or competent authority, and the price represents actual and regular transaction at a fair market, then the financial instrument is deemed to have open quotation at the active market. If the above conditions are not met, the market is deemed not active. Generally speaking, a large difference in buying and selling price, a significant increase of buying and selling price, and few transactions are indexes of the market not active.

If the financial instruments held by the consolidated company fall into the active market, the type and nature according to fair value are listed as follows:

The public redeemable corporate bonds are financial assets and financial liabilities traded on an active market according to standard terms and conditions, and the fair value is determined by reference to market quotation.

Except for the financial instruments at an active market, the fair value of remaining financial instruments is obtained through the evaluation technique or reference to the quotation of the other transaction party. The fair value obtained through evaluation technique can refer to the current fair value, cash flow discount method or other evaluation techniques for financial instruments with similar conditions and characteristics in essence, including utilization of market information model for calculation on the consolidated reporting date (for example, the over-the-counter market can refer to the yield rate curve and average quotation of Reuters commercial promissory note interest rate).

B. Derivative financial instruments

It is evaluated with an evaluation model widely accepted by market users, such as discount method and option pricing model. The forward exchange contract is evaluated according to the current forward exchange rate.

There is no event of fair value level shift of financial assets and financial liabilities in 2019 and 2018.

(XXVI) Financial risk management

1. Overview

The consolidated company is exposed to the following risks due to the use of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The Note represents the above risk exposure information, objectives of risk measurement and management, policies and procedures. Please refer to the Note in the consolidated financial report for further quantitative information.

2. Risk management framework

The financial management department of the consolidated company provides service to businesses, plans, and coordinates operations in the domestic and international financial market, and supervises and manages financial risks related to operation according to internal risk report of risk degree and risk exposure. The consolidated company avoids risk exposure through derivative financial instruments, to ease the influence. The utilization of derivative financial instruments is regulated by policies passed by the board meeting of the consolidated company, which serve as the written principle for utilization of exchange rate risk, interest rate risk, credit risk, derivative financial instruments, and non-derivative financial instruments as well as the investment of remaining working capital. Internal audit staff will continuously review the conformity to policies and risk exposure limits. The consolidated company hasn't conducted any transaction of financial instruments (including derivative financial instruments) for the purpose of speculation.

3. Credit risk

Credit risk refers to the risk of financial loss arising out of the failure to perform contract obligations on the part of the customer or the other transaction party of financial instruments, mainly from accounts receivable from customers.

(1) Accounts receivable and other receivables

The financial department will establish a credit-granting policy with the market department, and conduct an analysis of the credit rating of every individual customer before the consolidated company makes standard payment and delivery conditions and terms. The consolidated company review includes external ratings if any, and under some conditions, banknote. Customers not conforming to the standard credit rating of the Group can only conduct a transaction with the consolidated company on the receivable in advance basis.

In monitoring the credit risk of customers, the consolidated company will group according to the credit characteristics of customers, including whether they are individual person or legal person; whether they are dealer, retailer or final customer; and operation scale, goal realization rate of dealers, whether there is delayed payment. The main subject for accounts receivable and other receivables of the consolidated company is Group dealers. Customers rated with high risk will be included in the list of restricted customers and put under the monitoring of the market department, and future sales with this type of customer will be conducted on the receivable in advance basis.

The consolidated company sets up an allowance impairment loss account to reflect the estimated incurred cost in accounts receivable and other receivables. The main components of allowance account include specific loss components related to individual material risk exposure and portfolio loss components for already incurred yet unidentified loss in the similar asset groups. The portfolio loss allowance account is determined by historical payment statistical data of similar financial assets.

(2) Investment

The credit risks of bank deposit, fixed-revenue investment, and other financial instruments are measured and monitored by the financial department of the consolidated company. Given that the transaction subject and other contract performing parties are banks with sound credit, financial institutions with investment level or above, corporate organizations and government authorities, there is no material credit risk for no material doubt about contract performance.

(3) Guarantee

The policy of consolidated company stipulates that financial guarantee can only be provided to fully-owned affiliated companies and companies with business interaction. Please refer to Note 13 (1) for details of endorsement or guarantee information for others by the consolidated company as of December 31, 2019.

4. Liquidity risk

Liquidity risk refers to the risk of the consolidated company's failure to deliver cash or its financial assets to settle financial liabilities or failure to perform relevant obligations. The method of the consolidated company in management of liquidity lies in ensuring as much as possible sufficient working capital to pay for due liabilities under normal and pressuring conditions, instead of undergoing unacceptable loss or risk of business reputation damage.

Generally speaking, the consolidated company ensures to have sufficient cash to pay for expected operation expense demand for 60 days, including the performance of financial obligations, but the potential influence that cannot be reasonably expected under extreme conditions is excluded, such as a natural disaster. In addition, the unused loan amounts of the consolidated company as of 31 December, 2019 and 2018 totaled NT$1,450,079 thousand and NT$1,027,488 thousand, respectively.

5. Market risk

Market risk refers to the risk of the value of revenue or held financial instruments being influenced by market price changes, such as exchange rate, interest rate, changes in the price of equity instruments. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the bearable scope.

The consolidated company engages in the transaction of derivative instruments to manage market risk, hence generating financial liabilities. The execution of all transactions must abide by the designated and authorized staff by the board of directors.

(1) Exchange rate risk

The consolidated company is exposed to exchange rate risk arising out of sales, procurement and loan transactions through the functional currency valuation of the Group enterprises. The functional currency of the Group enterprises is mainly NTD, followed by RMB and HKD. The main valuation currency for this type of transaction includes NTD, JPY, USD and HKD.

To avoid a decrease in foreign currency asset value and fluctuation of future cash flow caused by an exchange rate change, the consolidated company uses short-term loans and derivative financial instruments to avoid it. The use of this type of derivative financial instrument can assist the consolidated company to lower but not completely eliminate the influence caused by the foreign exchange rate change. In recent years, 50% sales regions of the consolidated company come from China in valuation with RMB while the other 50% come from Europe, America, Japan, and South Korea in valuation with USD and JPY; however, the purchase is mostly valuated with RMB, so apart from the natural hedge between sales and purchase for RMB, there is the same effect for changes of the exchange rate in different currencies. Apart from the natural hedge, the consolidated company still needs forward exchange transactions for hedge. However, with the future growth of operation, the holding part of foreign currency by the consolidated company will continue to increase, and the domestic financing and future distribution of dividend to domestic investors will also need conversion in USD, so there will arise the exchange rate change risk of USD to NT$. Therefore, the consolidated company will enhance the control over foreign exchange, and the possible measures were as follows:

A. Continue to enhance the concept of exchange hedge among financial staff, make a judgement upon the exchange rate trend through the online real-time system over the exchange rate and relation with financial institutions as the basis for reference.

B. Use the sales revenue in the same currency as much as possible to support the expenditures for procurement and other expenses, to reach the effect of an independent hedge.

C. Decide whether to adopt derivative financial instruments with a hedge nature to avoid exchange rate risk according to the Company's operation status.

(2) Interest rate risk

The interest rate risk of the consolidated company mainly comes from a fixed-interest rate loan. Although the interest rate at the currency market slowly climbs in recent years, it is still in the low end, so the loan interest rate of the consolidated company doesn't have material change. Only if the interest rate trend sees material fluctuation in the future and the consolidated company has a continuous demand for a loan, the consolidated company, apart from adopting other financing instruments at the capital market, has to also select fixed-interest rate or floating interest rate loan to avoid the risk of interest rate fluctuation.

(XXVII) Capital management

The objective of capital management of the consolidated company lies in perfecting a fundamental basis, maintaining the confidence of investors, creditors, and the market, and supporting the development of future operations. Capital includes the stock capital, capital reserve, retained earnings and other equity of the consolidated company. The Board of Directors controls the capital return rate and the common stock dividend level.

The capital management strategy of the consolidated company in 2019 was the same as in 2018. The liability capital ratio as of December 31, 2019 and 2018 were as follows:

		2019.12.31	2018.12.31
Total Liabilities	$	5,891,923	5,893,119
Less: cash and cash equivalents		(412,939)	(417,768)
Net liability	**$**	**5,478,984**	**5,475,351**
Total equity	**$**	**3,009,093**	**2,473,033**
Liability capital ratio		**1.8208%**	**221.40%**

(XXVIII) Financing activities for non-cash transaction

The relevant information on the consolidated company's non-cash transaction investment and financing activities in 2019 and 2018 were as follows:

	2019	2018
Conversion of convertible corporate bonds into ordinary shares (including premium on convertible bonds)	$ 56,054	-

The adjustment of liabilities from financing activities is as follows:

		2019.1.1	Cash flow	Non-cash changes: Fluctuation in exchange rate	2019.12.31
Short-term loan	$	1,289,239	(709,435)	(39,177)	540,627
Long-term loan (including long-term loan due within one year)		92,142	(45,295)	(1,893)	44,954
Refundable deposit		84,181	13,500	(3,200)	94,481
Total amount of liability out of self-financing activities	**$**	**1,465,562**	**(741,230)**	**(44,270)**	**680,062**

		2018.1.1	Cash flow	Non-cash changes: Fluctuation in exchange rate	2018.12.31
Short-term loan	$	1,071,992	202,469	14,778	1,289,239
Long-term loan (including long-term loan due within one year)		-	92,285	(143)	92,142
Refundable deposit		69,421	10,554	4,206	84,181
Total amount of liability out of self-financing activities	**$**	**1,141,413**	**305,308**	**18,841**	**1,465,562**

VII. Related Party Transaction

(I) Parent company and ultimate controller

The Company is the ultimate controller of the consolidated company.

(II) Name and relation of related party

Name of related party	Relationship with the Consolidated Company
ZHEJIANG AIRMATE ELECTRICAL SALES LIMITED (hereinafter referred to as Zhejiang Airmate)	Affiliated enterprise invested by the Consolidated Company through the equity method
Tung Fu Electric Co Limited (hereinafter referred to Tung Fu Electric)	Its chairman of board is the same as the Company.
All directors, supervisors, main management such as the general manager and deputy general manager of the Consolidated Company	

(III) Substantial transaction with related party

1. Operation revenue

The substantial sales amount of the consolidated company to related party were as follows:

	2019	2018
Affiliated enterprises		
Zhejiang Airmate	$ 213,158	170,085
Other related party		
Tung Fu Electric	42,067	181,896
	$ 255,225	351,981

There is no significant difference between the sales conditions and general sales prices from the consolidated company to related party. There is no significant difference between the payment collection period and general dealers. Payment receivable among the related parties, for which no collateral security has been received, does not need to be recognized into impairment loss after evaluation.

2. Payment receivable from related party

The details of payment receivable from a related party by the consolidated company were as follows:

Recognition items	Type of related party	2019.12.31	2018.12.31
Notes receivable and accounts receivable	Affiliated enterprises	$ 87,920	49,817
Notes receivable and accounts receivable	Other related party	1,077	51,630
		$ 88,997	101,447

3. Advance paid to related party

Relevant expenses arising from services provided by a related party to the consolidated company were as follows:

		Transaction amount		Other payable payment to related party	
		2019	**2018**	**2019.12.31**	**2018.12.31**
Affiliated enterprises	$	15,211	12,231	9,680	6,312
Other related party		68	68	6	8
	$	**15,279**	**12,299**	**9,686**	**6,320**

The outstanding balance with this type of related party shall be settled with cash three days within the reporting date, and for common expenses, the payment has to be made in that same month. There is no significant difference between the transaction price and general transaction.

4. For the financing from financial institutions as of December 31, 2019 and 2018 by the consolidated company, its main management, and other related parties act as the joint guarantor.

(IV) Major managerial personnel transactions

Remuneration of major managers includes:

		2019	**2018**
Short-term employee benefits	$	56,159	31,968
After-retirement benefits		5,427	20,245
	$	61,586	52,213

VIII. Pledged assets

The details of the carrying value of pledged assets by the consolidated company were as follows:

Name of assets	**Pledge guarantee object**		**2019.12.31**	**2018.12.31**
Other current assets:				
Other financial assets-current (account for compensation)	Short-term loan and financing limit	$	8,593	19,652
Other financial assets-current (account for compensation)	Notes payable		140,681	61,891
Other financial assets-current (pledged deposit and account for compensation)	Corporate bonds guarantee limit		352,073	205,932
Property, Plant and Equipment	Short-term loan and financing limit		281,893	292,801
Other noncurrent assets				
Other financial assets - non-current (pledged deposit)	Corporate bonds guarantee limit		36,101	-
Refundable deposit	Long-term loan (including long-term loan due within one year)		13,819	13,843

Name of assets	Pledge guarantee object	2019.12.31	2018.12.31
		$ 833,160	594,119

IX. Significant Commitments and Contingencies

(I) Significant unrecognized contract commitment: None

(II) Contingent Liability

1. The accepted bank acceptance bills for the tri-party sales contract signed with the consolidated company followed the bank operation and practice in China. As of December 31, 2019, there was still NT$215,317 thousand remaining to obtain the "delivery notice" from a bank, hence exposing itself to possible credit risk. If the consolidated company conducts evaluation based on previous operation experience, cooperation practice and credit rating of dealers, there is no high possibility for the occurrence of the risk.
2. Endorsement and guarantee

   The amount of endorsement and guarantee provided by the consolidated company to the Company and subsidiaries was as follows:

	2019.12.31	2018.12.31
Endorsement and guarantee limit	$ 6,800,387	6,279,328
Actual disbursement amount	$ 2,363,110	3,402,001

X. Material Disaster Losses: None

XI. Subsequent Events

The pandemic of Covid-19 in early 2020 has caused uncertainty in the operation environment of the consolidated company in China and affected the operation of the consolidated company, including production and delivery delays, etc. The consolidated company has adjusted its production schedule and communicated with customers to coordinate product delivery date to meet customer shipping requirements as a response. However, the relevant information is still unclear and the amount of impact on operating results and financial positions cannot be reasonably expected. The consolidated company will continue to pay close attention on the development of the event for immediate assessment.

XII. Others

(I) A summary of personnel costs, depreciation, depletion, and amortization according to the type of function was as follows:

By function / By category	2019			2018		
	Falling into operating costs	Falling into operating expenses	Total	Falling into operating costs	Falling into operating expenses	Total
Employee benefit expense						
Salary expense	1,087,308	490,632	1,577,940	1,478,811	407,403	1,886,214
Labor and health insurance expense	19,259	29,678	48,937	45,184	49,964	95,148
Retirement fund expense	53,801	27,273	81,074	57,980	41,666	99,646
Other employee benefit expense	2,277	10,516	12,793	3,525	12,874	16,399
Depreciation expense	365,892	58,217	424,109	396,154	60,936	457,090
Amortization expense	2,070	7,085	9,155	2,17	10,887	13,062

(Note): including insurances like local medicare, unemployment, work injury and birth for subsidiaries in Mainland China.

(II) Operation seasonality:

The consolidated company is mainly engaged in sales of bi-seasonal products like the electric fan and electric heater, so it will see seasonal fluctuation for the influence of the weather. Among them, the sales of electric fan in Q1 every year is unfavorably influenced by winter weather conditions; downstream customers will order in advance in Q2 for the demand of electric fan in summer and in Q4 for the demand of electric heater in winter; in July it will depend on the weather changes; and in August to September, it will maintain. The consolidated company has flexibly adjusted the production of the electric fan, electric heater, and other categories according to market adjustment, weather changes, and customer demand, and attempted to satisfy the supply-demand with inventory management, to lower the seasonal influence.

(III) Old plant land development project

The consolidated company signed the Shenzhen industrial zone old plant land development plan with Shenzhen Baoan TCL Haichuanggu Technological Park Development Co Limited (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co Limited for joint cooperation and development on June 3, 2016, and would collect compensation of RMB 200 million (NT$859,328 thousand), for moving resettlement, transition resettlement, property relocation and production loss.

In accordance with the provisions of "accounting disposal doubts about participation in urban upgrading" in IFRS Q&A set released by Accounting Research Development Fund on October 2, 2017, the carrying amount of old buildings and demolition compensation and resettlement expenses collected from a construction company is calculated as right transformation expense to be undertaken (offset by distributed land and building discount after it) and based on returnable building and the land, so it falls into part of urban upgrading with the participation of landholders in essence, and enterprise has to adjust it as old land carrying amount. Therefore, as of December 30, 2019, the consolidated company after commencement of the development project would expect to collect in advance compensation RMB 200,000 thousand (NT$859,328 thousand) from for Shenzhen industrial zone old plant land development project and carrying amount of deferred development cost for fixed assets old building RMB 20,435 thousand (NT$87,803 thousand), long-term advanced rent RMB 2,159 thousand (NT$9,277 thousand) and the carrying amount of other input cost for relevant development project RMB 42,543 thousand (NT$182,793 thousand), which should be represented into other noncurrent liability-others as net amount. Please refer to Note 6 (7), 6 (8), 6 (10) and 6 (12) for details.

XIII. Note Disclosure

(I) Information about significant transactions:

Relevant information about significant transactions to be re-disclosed by the consolidated company in 2019 in accordance with the securities issuer financial report preparation standards was as follows:

1. Capital loaned to others

Unit: NT$ thousand

S/N (Note 1)	Loaned capital Company	Loan Subject	Transaction Accounts	Whether related or not Person	The most...for the period High amount	At the end of the perio Balance	Actual disbursement Outgoing amount	Interest rate Range	Capital Loan Nature (Note 2) Incoming	Transaction Incoming amount	Short-term financing capital Main reason	Must be recognized as allowance loss Amount	Collateral security Name	Collateral security Value	Capital loan to some Subjects Limit amount (Notes 3 and 4)	Capital loans Total limit (Note 3, 4)
1	AIRMATE CHINA INTERNATIONAL LIMITED (BVI)	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	Long-term receivable payment-related party	Yes	638,405	464,600	464,600	2.5%	2	-	Operating turnover	-		-	1,926,738	3,853,475
2	WAON DEVELOPMENT LIMITED (HONG KONG)	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	Long-term receivable payment-related party	Yes	1,041,261	1,031,193	1,031,193	2-2.5%	2	-	Operating turnover	-		-	1,620,502	3,241,004
2	WAON DEVELOPMENT LIMITED (HONG KONG)	The Company	Other receivable payment-related party	Yes	1,000,000	700,000	224,582	-	2	-	Operating turnover	-		-	1,296,402	3,241,004
3	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	WAON DEVELOPMENT LIMITED (HONG KONG)	Other receivable payment-related party	Yes	229,888	214,832	-	-	2	-	Operating turnover	-		-	891,551	2,228,877

Note 1:. How to fill in the codes is as follows:

1. Fill 0 for company.
2. The invested company is numbered according to type from the Arabic number 1 in sequence.

Note 2:. How to fill in for capital financing nature is as follows:

- Fill 1 for business transaction.
- Fill 2 for necessary short-term financing capital.

Note 3:. The highest limit of capital loan is 40% net value in the latest financial report of the Company, and the limit of capital loan for single enterprise cannot go over 20% net value of the Company. In subsidiaries where the Company directly or indirectly holds voting shares, for the same loan subject the authorization from the chairman has to be obtained for not going over 40% net value of the Company. Among the subsidiaries where the Company directly or indirectly holds 100% voting shares, the capital loan and limit are not restricted by the above provision, but the financing amount cannot go over 100% net value in the latest financial statement; only for some subjects, the financing amount cannot go over 50% net value in the latest financial statement of the loan company to a period of 10 years. In the event of business transactions with the Company, the individual capital loan and amount is limited by the capital loan and business transaction amount in the latest one year or in the same year between the two parties. The business transaction amount refers to the purchase or sales amount between them, whichever is higher.

Note 4:. The above transactions have been written off in preparing the consolidated financial report.

2. Endorsement or guarantee for others

Unit: NT$ thousand

S/N (Note 1)	Endorsement or guarantee	Subject of endorsement or guarantee (Note 2)		Single enterprise	Highest endorsement or guarantee amount for current period	Endorsement at the end of the period	Actual disbursement	Guarantee with property	Cumulative endorsement or guarantee amount	Endorsement or guarantee	To parent company	to affiliated company	To Mainland China
	Name of certifier company	Company name	Relation	Endorsement or guarantee limit (Note 3)	Endorsement or guarantee balance	Endorsement or guarantee balance (Note 4)	Disbursed amount	Endorsement or guarantee amount	Ratio in net value of latest financial statement	Highest limit (Note 3)	Endorsement or guarantee to affiliated companies	Endorsement or guarantee to parent company	Regional endorsement or guarantee
0	The Company	WAON DEVELOPMENT LIMITED (HONG KONG)	2	5,987,610	2,553,910 (USD 83,000 thousand)	1,918,720 (USD 64,000 thousand)	215,515	-	64.09%	14,969,025	Y		
0	The Company	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	2	5,987,610	208,570 (RMB 40,000 thousand, USD 1,000 thousand)	201,846 (RMB 40,000 thousand, USD 1,000 thousand)	163,176	-	6.74%	14,969,025	Y		Y
0	The Company	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD and AIRMATE ELECTRIC (JIUJIANG) CO., LTD	2	5,987,610	137,492 (RMB 32,000 thousand)	137,492 (RMB 32,000 thousand)	-	-	4.59%	14,969,025	Y		Y
0	The Company	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	2	5,987,610	75,685 (RMB 10,000 thousand, USD 1,000 thousand)	72,946 (RMB 10,000 thousand, USD 1,000 thousand)	72,946	-	2.44%	14,969,025	Y		Y
1	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	4	4,457,754	2,229,022 (RMB 508,000 thousand)	1,950,674 (RMB 454,000 thousand)	678,830	-	87.52%	11,144,385			Y
1	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	WAON DEVELOPMENT LIMITED (HONG KONG)	4	4,457,754	228,629 (RMB 50,000 thousand)	214,832 (RMB 50,000 thousand)	-	-	9.64%	11,144,385		Y	
2	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	4	4,389,490	1,710,370 (RMB 372,000 thousand)	1,598,350 (RMB 372,000 thousand)	878,083	-	72.83%	10,973,725			Y
3	WAON DEVELOPMENT LIMITED (HONG KONG)	AIRMATE (CAYMAN) INTERNATIOBAL CO LIMITED	3	6,482,008	705,527	705,527	354,560	-	21.77%	16,205,020		Y	

Note 1:. How to fill in the codes is as follows:

1. Fill 0 for company.
2. The invested company is numbered according to type from the Arabic number 1 in sequence.

Note 2:. The relation between endorsement guarantor and the subject of endorsement or guarantee is as follows:

1. Companies with business transactions.
2. Companies where the Company directly or indirectly holds over 50% voting shares.
3. Companies that directly or indirectly hold over 50% of voting shares in the Company.
4. Among companies where the Company directly or indirectly holds over 90% voting shares.
5. Companies endorsement guaranteed by all contributing shareholders according to their shareholding ratio for joint investment relations.
6. Mutually guaranteed companies among counterparts or co-constructors based on the need for undertaking projects.
7. Joint and several guarantees for performance in engaging in preselling house contracts among counterparts in accordance with consumer protection law.

Note 3:. For companies with a business transaction, the ceiling of endorsement or guarantee is 40% net value in the latest financial report of the Company, and for individual subjects, it is the amount of business transaction; the total amount of endorsement or guarantee for companies where the Company directly or indirectly holds over 50% voting shares, it is limited by 40% net value of the Company, and for individual subjects, it is limited by the investment amount. Among the subsidiaries, 100% invested by the Company, the endorsement or guarantee limit is 500% net value in the latest financial report, and for individual subjects, it is 200% net value in the latest financial report. For those having business transactions with the Company, individual endorsement or guarantee amount is limited by the number of business transactions among them. The above-mentioned amount of business transaction refers to purchase or sales amount, whichever is higher.

Note 4:. The exchange rates on the financial report date were USD:NTD = 1: 29.9800, RMB:HKD = 1: 1.1163, HKD:NTD = 1: 3.8490.

3. The holding of negotiable securities at the end of the period (excluding the part of invested subsidiaries, associated enterprises, and joint ventures equity): none.
4. The cumulative amount of buying or selling negotiable securities to reach NT$ 300 million or over 20% of actually received capital: none.
5. The amount of acquiring property to reach NT$ 300 million or over 20% of actually

received capital:

Unit: NT$ thousand

Company obtained property	Name Asset	Transaction date or date of the fact Transaction	Amount Price	Payment situation	Transaction subject	Relation	Previous transfer information of which transaction subject is related party				Reference basis for price	Determination Acquisition purpose and usage	Other agreed matters
							Owner	Relation with issuer	Transfer date	Amount			
AIRMATE ELECTRIC (JIUJIANG) CO., LTD	Land use right	2014.2.7	1,546,790 (RMB 360,000 thousand)	1,546,790 (RMB 360,000 thousand)	The Management Committee of Jiujiang Economic and Technological Development Zone	N	-	-	-	-	-	Production bases and national marketing and sales settlement centers	-

6. The amount of disposing of property to reach NT$ 300 million or over 20% of actually received capital: None
7. The amount of purchase and sales with a related party to reach NT$ 100 million or over 20% of actually received capital:

Unit: NT$ thousand

Purchase (sales) company	Transaction subject Name	Relation	Transaction situation				Situation and reason for difference between transaction condition and common transaction		Notes and accounts receivable (payable)		Note
			Purchase (sales)	Amount	Ratio of total purchase (sales)	Credit granting period	Unit price	Credit granting period	Balance	Ratio in total notes and accounts receivable (payable)	
AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	WAON DEVELOPMENT LIMITED (HONG KONG)	Parent-subsidiary company	Sales	(4,199,328)	(87) %	Collection according to its operation status	-		2,379,080	100%	
AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	Affiliated companies	Sales	(556,009)	(11) %	Collection according to its operation status	-		-	-%	
AIRMATE ELECTRIC (JIUJIANG) CO., LTD	ZHEJIANG AIRMATE ELECTRICAL SALES LIMITED	Invested companies where the affiliated companies hold 40% equity	Sales	(213,158)	(4) %	Monthly payment 30-90 days	-		87,920	7%	
AIRMATE ELECTRIC (JIUJIANG) CO., LTD	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	Affiliated companies	Sales	(183,051)	(3) %	Collection according to its operation status	-		-	-%	
WAON DEVELOPMENT LIMITED (HONG KONG)	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	Parent-subsidiary company	Purchase	4,199,328	97 %	Collection according to its operation status	-		(2,379,080)	(87)%	
AIRMATE ELECTRIC (JIUJIANG) CO., LTD	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	Affiliated companies	Purchase	556,009	19 %	Collection according to its operation status	-		-	-%	
ZHEJIANG AIRMATE ELECTRICAL SALES LIMITED	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	Invested companies where the affiliated companies hold 40% equity	Purchase	213,158	93 %	Monthly payment 30-90 days	-		(87,920)	(62)%	
AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	Affiliated companies	Purchase	183,051	5 %	Collection according to its operation status	-		-	-%	

Note: the above transactions, except for ZHEJIANG AIRMATE ELECTRICAL SALES LIMITED, had been written off in preparing the consolidated financial report.

8. The receivables from a related party to reach NT$ 100 million or 20% of actually received capital amount:

Unit: NT$ thousand

Recognition of receivables Company	Transaction subject Name	Relation	Receivable related party Payment balance (Note):	Turnover rate	Overdue receivables from related party Accounts Amount	Disposal means	Receivable from related party Recovered amount after the period	Recognition of allowance Lost amount
WAON DEVELOPMENT LIMITED (HONG KONG)	The Company	Parent-subsidiary company	224,582	-	-		-	-
WAON DEVELOPMENT LIMITED (HONG KONG)	AIRMATE ELECTRIC (JIUJIANG) CO., LTD	Parent-subsidiary company	1,055,772	-	-	-	-	-
AIRMATE CHINA INTERNATIONAL LIMITED (BVI)	AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	Parent-subsidiary company	612,699	-	-	-	-	-
AIRMATE ELECTRICAL (SHENZHEN) CO., LTD	WAON DEVELOPMENT LIMITED (HONG KONG)	Parent-subsidiary company	2,379,080	1.96%	-		421,052	-

Note: the above transactions had been written off in preparing the consolidated financial report.

9. Engagement in derivative instruments transaction:
   Please refer to Note 6 (2) for details of consolidated financial report.
10. Business relation and important transactions between the parent and subsidiary companies:

S/N	Name of transaction party	Transaction subject	Transaction Relation	Transaction Accounts	Amount	Transaction condition	Ratio in total revenue or assets
0	The Company	Waon Company	1	Other payable	224,582	Collection according to its own collection	3%
1	Airmate China	Airmate Shenzhen	1	Long-term receivable	612,699	Collection according to its own collection	7%
1	Airmate China	Airmate Shenzhen	1	Interest income	11,615	Collection according to its own collection	-%
2	Airmate Shenzhen	Airmate Jiujiang	3	Sales	556,009	Collection according to its own collection	5%
2	Airmate Shenzhen	Airmate Jiujiang	3	Other income	71,444	Collection according to its own collection	1%
2	Airmate Shenzhen	Airmate Jiujiang	1	Other expenses	128,285	Collection according to its own collection	1%
2	Airmate Shenzhen	Waon Company	2	Sales	4,199,328	Collection according to its own collection	41%
2	Airmate Shenzhen	Waon Company	2	Accounts receivable	2,379,080	Collection according to its own collection	27%
3	Waon Company	Airmate International	2	Other receivables	324	Collection according to its own collection	-%
3	Waon Company	Airmate China	2	Other receivables	295	Collection according to its own collection	-%
3	Waon Company	Airmate Shenzhen	1	Accounts payable	2,379,080	Collection according to its own collection	27%
3	Waon Company	Airmate Shenzhen	1	Other payable	218,863	Collection according to its own collection	2%
3	Waon Company	Airmate Jiujiang	1	Long-term receivable	1,055,772	Collection according to its own collection	12%
3	Waon Company	Airmate Jiujiang	1	Other receivable	2,604	Collection according to its own collection	-%
4	Airmate Jiujiang	Airmate Shenzhen	3	Sales	183,051	Collection according to its own collection	2%
4	Airmate Jiujiang	Waon Company	2	Sales	95,732	Collection according to its own collection	1%
4	Airmate Jiujiang	Waon Company	2	Accounts receivable	21,766	Collection according to its own collection	-%

Note 1:. How to fill in for the codes is as follows:

1. 0 represents the parent company.
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2:. The type of relations with transaction party is marked as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3:. For business relations and important transactions between parent-subsidiary companies, only the date about sales and accounts receivable is disclosed, to the exclusion of the other party's sales and accounts receivable.

(II) Relevant information about reinvestment business

The information about reinvestment business of the consolidated company in 2019 (excluding invested companies in Mainland China) is as follows:

Unit: thousand NT$/thousand shares

Investment companies Name	Invested companies Name	Location	Main business	Initial investment amount		Holding at the end of the period			Hightes during the period	Invested companies	Recognized for this period Investment profit or less (Note 2)	Note
				At the end of the period (Note 1)	End of last year (Note 1)	Number of shares	Ratio	Carrying amount (Note 2)	Shareholding or Contribution	Profit or loss for the period (Note 4)		
The Company	AIRMATE INTERNATIONAL HOLDING LIMITED	Virgin Islands	Controlling company	1,917,941 (USD 63,974 thousand)	1,917,941 (USD 63,974 thousand)	63,974	100.00%	3,853,216	100.00%	316,069	316,069	Directly invested subsidiary companyof the Company
AIRMATE INTERNATIONAL HOLDING LIMITED	AIRMATE CHINA INTERNATIONAL LIMITED (BVI)	Virgin Islands	Controlling company	2,091,435 (USD 69,761 thousand)	2,091,435 (USD 69,761 thousand)	69,761	100.00%	3,853,475	100.00%	316,127	316,127	Directly invested subsidiary companyof the Company
AIRMATE CHINA INTERNATIONAL LIMITED (BVI)	WAON DEVELOPMENT LIMITED(HONG KONG)	HONG KONG	Trading company	3,157,327 (HKD 820,298 thousand)	3,157,327 (HKD 820,298 thousand)	-	100.00%	3,241,004	100.00%	319,286	319,286	Directly invested subsidiary company of the Company

Note 1:. the exchange rates on the financial reporting date were USD:NTD=1:29.9800, RMB:HKD=1:1.1163, HKD:NTD=1:3.8490.

Note 2:. The above transactions had been written off in preparing the consolidated financial report.

(III) Mainland China investment information:

1. Relevant information about name, main business itens of invested companies in Mainland China

Unit: NT$ thousand

Invested companies in Mainland China Name of company	Main business Item	Actual receipt	Investment method	Cumulative remittance from Taiwan at the beginning of the perio	Remitted or recovered investment amount for the period		Cumulative remittance from Taiwan at the end of the period	Invested companies	Direct or indirect investment by the Company	Highest during the period	Investment recognized for the period	Investment at the end of the period Carrying amount of capital	Repatriation by the end of the period
		Capital amount (Note 4)		Cumulative investment amount (Note 2)	Remittance Recovery	Remittance Recovery	Cumulative investment amount (Note 2)	Profit or loss for the period	Shareholding ratio	Shareholding or Contribution	Profit or loss (Note 3, 6)	Value (Note 6)	Investment return
Airmate Electrical (Shenzhen) Co., Ltd.	Manufacturing and sales of household appliances and processing precision mold	959,360 (US$ 32,000 thousand)	(II)	-	-	-	-	136,489	100.00%	100.00%	136,489	2,228,877	-
Zhejiang Airmate Electrical Sales Limited	sales of electric appliances	45,115 (RMB 10,500 thousand)	(III)	-	-	-	-	12	40.00%	40.00%	5	25,228	-
Airmate Electric (Jiujiang) Co., Ltd.	Manufacturing and sales of household appliances and processing precision mold	2,182,544 (US$ 72,800 thousand)	(II) (III)	-	-	-	-	44,967	100.00%	100.00%	44,967	2,194,745	-
Shenzhen Airmate Technology Co., Ltd.	Sales, research and development of household appliances	42,966 (RMB 10,000 thousand)	(III)	-	-	-	-	6,546	51.00%	51.00%	1,306	11,845	-

2. Investment ceiling in Mainland China

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Review Committee of Ministry of Economy	Investment ceiling in Mainland China according to provisions of Investment Review Committee of Ministry of Economy
(Note 2)	(Note 2)	(Note 2)

Note 1:. Investment modes can be divided into the following three types:

(I) Going directly to Mainland China for investment.

(II) Reinvestment in Mainland China through a third region (Waon Development Co Limited).

(III) Others

Note 2:. The Company is an overseas company, so it is not bound by the limitations of "review principles on investment or technological cooperation in Mainland China".

Note 3:. The financial reports audited by CPAs of the invested company during the same period will be recognized.

Note 4:. the exchange rates on the financial reporting date were USD:NTD = 1: 29.9800, RMB:HKD = 1:1.1163, HKD:NTD = 1:3.8490.

Note 5:. For the above transactions, the invested mode of Airmate Electric Appliances (Jiujiang) Co Limited included: (II) reinvestment in Mainland China through a third region (Waon Development Co Limited) and (III) other modes (reinvestment through Airmate Electric Appliances (Shenzhen) Co Limited).

Note 6:. The above transactions, except for Zhejiang Airmate Electric Appliances Sales Co Limited, had been written off in preparing the consolidated financial report.

3. Substantial transactions:

Please refer to the description of "relevant information about substantial transactions" and "business relation and substantial transactions between parent-subsidiary companies" for direct or indirect substantial transactions between the consolidated company and invested companies in Mainland China in 2019.

XIV. Department information

(I) General information

The consolidated company has two report departments: domestic sales market and export sales market, with the former responsible for sales in Mainland China. The latter is responsible for sales in Northeast Asia, Europe, and America.

(II) Information involving profit or loss, asset, liability, and measurement basis and adjustment of report department

The consolidated company takes the departmental before-tax profit or loss (excluding income tax, non-frequently occurring profit or loss, financial asset (liability) profit or loss at fair value and exchange profit or loss) in internal management report reviewed by major operation decision-makers as te basis for resources allocation and evaluation of performance by the management. Because the income tax, non-frequently occurring profit or loss, financial asset (liability) profit or loss at fair value and exchange profit or loss are managed on the Group basis, so the consolidated company has not apportioned them to report departments. The reported amount is consistent with report used by operation decision-makers.

The accounting policies of the operation department are the same as the "summary description of substantial accounting policies" in Note 4. Transfer pricing among departments of the consolidated company is based on a similar conventional transaction with a third party.

The information and adjustment of operation department of the consolidated company were as follows:

	2019				
		Domestic sales market	Export sales market	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	$	5,378,679	4,764,102	-	10,142,781
Inter-departmental revenue		739,060	4,295,093	(5,034,153)	-
Interest revenue		34,607	19,805	(11,615)	42,797
Total revenue	**$**	**6,152,346**	**9,079,000**	**(5,045,768)**	**10,185,578**
Interest expense	**$**	**(61,262)**	**(38,235)**	**11,615**	**(87,882)**
Depreciation and amortization	**$**	**(250,185)**	**(183,079)**	**-**	**(433,264)**
Share of affiliated enterprises and joint ventures profit or loss using equity method	**$**	**5**	**-**	**-**	**5**
Report department profit or loss	**$**	**144,432**	**84,361**	**28,366**	**257,159**
Report department assets	**$**	**2,742,384**	**17,061,210**	**(15,969,827)**	**3,833,767**

	2018				
		Domestic sales market	Export sales market	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	$	5,847,769	4,767,171	-	10,614,940
Inter-departmental revenue		1,019,458	4,257,988	(5,277,446)	-
Interest revenue		56,541	22,254	(11,899)	66,896
Total revenue	**$**	**6,923,768**	**9,047,413**	**(5,289,345)**	**10,681,836**
Interest expense	**$**	**(86,270)**	**(35,680)**	**11,899**	**(110,051)**
Depreciation and amortization	**$**	**(289,076)**	**(181,076)**	**-**	**(470,152)**
Share of affiliated enterprises and joint ventures profit or loss using equity method	$	1,293	-	-	1,293
Report department profit or loss	**$**	**103,591**	**(35,294)**	**3,970**	**72,267**
Report department assets	**$**	**2,272,576**	**16,532,637**	**(15,418,745)**	**3,386,468**

The total revenue amount of report department in 2019 and 2018 should eliminate inter-departmental revenue NT$5,045,768 thousand and NT$5,289,345 thousand, respectively; the profit or loss adjustment item of report department in 2019 and 2018 was financial asset net loss at fair value and exchange gain (loss) amounting to respectively NT$28,366 thousand and NT$3,970 thousand.

(III) Information of product category

The information of revenue from external customers for the consolidated company was as follows:

Product name	2019	2018
Electric Fans	$ 6,560,708	6,778,857
Electric Heaters	2,558,181	2,922,860
Others	1,023,892	913,223
	$ 10,142,781	**10,614,940**

(IV) Regional information

Region	**2019**	**2018**
Revenue from external customers:		
Mainland China	$ 5,378,679	5,847,769
Japan	1,416,386	1,662,518
South Korea	1,498,561	1,144,974
Other countries	1,849,155	1,959,679
Total	**$ 10,142,781**	**10,614,940**
Noncurrent Assets:		
Mainland China and Hong Kong	**$ 3,667,312**	**3,225,259**

The noncurrent assets include investments accounted using the equity method, property, plants and equipment, right-of-use assets, intangible assets and other assets, and exlude financial instruments and deferred income tax assets.

(V) Information of major customers

	2019	**2018**
Customer of export sales market department	**$ 881,220**	**834,022**