Stock code: 1626

AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED

2019 Annual Report

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(Translation – In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

Published on May 25, 2020

I. Spokesperson
Name: Zhuang, Ya Song — Tel: (886)2-2700-1931
Title: Group Investment Relations Manager — E-mail: ysaasung@airmate-china.net

II. Deputy Spokesperson
Name: Shih, Jui Pin — Tel: (886)6-2645207
Title: Chairman and President of the Company — E-mail: shih@tungfu.com.tw

III. Name, title, contact phone number, and e-mail address of the designated agent within the territory of the Republic of China
Name: Shih, Jui Pin — Title: Chairman and President of the Company
Tel: (886)6-2645207 — E-mail: shih@tungfu.com.tw

IV. Address and telephone number of the head office and branches

(I) Head office: Airmate (Cayman) International Co Limited
Address: The Office of Codan Trust Company (Cayman) Limited Yard, Cricket Square, Hutchins Drive, P.O.BOX 2681 GT, George Town, Grand Cayman, British West Indies.
Tel: (86)-0755-27655988

(II) Subsidiaries

1. Airmate International Holding Limited
   Address: PO Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands
   Tel: (86)-0755-27655988
2. Airmate China International Limited (BVI)
   Address: Palm Grave House, P.O, Box438, Road Town, Tortola, British Virgin Islands
   Tel: (86)-0755-27655988
3. Waon Development Limited, Hong Kong (hereinafter "Waon Company")
   Address: Flat 1006-1007, 10/F, Fortress Tower 250 King's Road, North Point, Hong Kong
   Tel: (852)2578-3303
4. Airmate Electrical (Shenzhen) Limited (hereinafter "Airmate Shenzhen")
   Address: Huangfengling Industrial Zone, Shiyan Street, Baoan District, Shenzhen City, Guangdong Province
   Tel: (86)-0755-27655988
5. Waon Development Limited(Hong Kong),Taiwan Branch
   Address: 3F., No. 11, Xinzhong Rd., South Dist., Tainan City
   Tel: (886) 6- 2645207
6. Airmate Electrical (Jiujiang) Ltd.
   Address: No.1 Tonggang East Road, Chengxi Port District, Jiujiang Economic and Technological Development Zone, Jiangxi Province
   Tel: (86)-0792-2286888
7. Shenzhen Airmate Technology Co Limited
   Address: Huangfengling Industrial Zone, Shiyan Street, Baoan District, Shenzhen City, Guangdong Province
   Tel: (86)-0755-27655988
8. Airmate (Cayman) International Co Limited, Taiwan Branch
   Address: 3F., No. 11, Xinzhong Rd., South Dist., Tainan City
   Tel: (886) 6- 2645207

V. List of Directors

Job Title	Name	Nationality	Education and Career Background
Chairman	Shih, Jui Pin	The Republic of China	Department of Electronics, Professional Training College of Chubu University Japan Yuasa Primus Co., Ltd. Commodity Department employee
Director	Tsai, Cheng-Fu	The Republic of China	Master's degree, Department of Electronics, NKUST Person-in-charge of Lucky View Development (Int'l) Limited
Director	Cheng, Li-Ping	The Republic of China	Department of Statistics, Tamkang University Deputy General Manager of Tung Fu Electric Co., Ltd.
Director	Shih Li, Chueh-Chu	The Republic of China	Senior High School of Kuang Hua High School
Director	Shih, Jui-Lin	The Republic of China	Mount Ida College Department of Business Administration Employee of Data Systems Consulting Co., Ltd. Sales Department; Employee of Microcell Composite Company Sales Department;
Director	Chen, Yen-Fu	The Republic of China	Master of National Dong Hwa University College of Environmental Studies Project Manager of Chinghua Engineering Co., Ltd.(CEC), Assistant Sales Manager of Creating Nano Technologies Inc., Sales Representative of Nano Electronics and Micro System Technologies Inc., Assistant to the Ministry of Education Environmental Protection Group
Director	Chen, Shun-Loong	The Republic of China	Master of Graduate Institute of Business Administration, National Chung Hsing University; Bachelor's degree, Department of Industrial Management, National Taiwan University of Science and Technology General Manager of RT-Mart Department of Commodity
Independent Director	Chen, Ming-Chang	The Republic of China	Ph.D. of Graduate Institute of Business Administration, National Chengchi University, National Business Doctor Chairman of China Taiwanese Investment Management Association, General Manager of China Productivity Center, Director of Graduate Institute of Business Administration, National Chung Hsing University, Deputy Director of Small and Medium Enterprises Administration, Ministry of Economy Affairs, Director, Economic Division, Mainland Affairs Council
Independent Director	Fan, Chin-Hwa	The Republic of China	Master of Wisconsin University College of Statistics Bank of Canton, Deloitte Touche Tohmatsu Limited, Chen & Fan Accountancy Corporation, Crestridge Consulting
Independent Director	Chiu, Shean-Bii	The Republic of China	Master of Business Administration and Ph.D. in Accounting & Finance, Washington University, USA Chairman of Pension Fund Association, R.O.C.; Professor of Finance, National Taiwan University
Independent Director	Chi, Lai-Ping	The Republic of China	Bachelor of Economics, Columbia University and Master of International Relations, University of Chicago, USA Senior Vice President and President of Greater China Region of Sony Life Japan, Managing Director of Sino-US MetLife Insurance Co., Ltd., Chairman of MetLife Ltd. (Hong Kong), General Manager of MetLife Taiwan Insurance Co., Ltd.

VI. Stock Transfer Handling Agency
Agency: CTBC Bank, Department of Coporate Agency, website: www.ctbcbank.com
Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City Tel: (886)2-6636-5566

VII. Certificated Public Accountants (CPAs) for the most recent year's financial report
Names of CPAs: Li, Cihui and Lu, Guanwen Accounting firm: KPMG
Website: www.kpmg.com.tw Tel: (886) 2-8101-6666
Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City

VIII. The name of any exchanges where the company's securities are traded offshore and the method by which to access information on said offshore securities: not applicable

IX. Company Website: http://www.ticket-china.com

Contents

Chapter 1. Letter to Shareholders

I. Foreword

Affected by the turmoil in the world's political and economic situation and the continued fluctuations of the China-US trade war in 2019, global trade, consumption, and economics have been sluggish. Simultaneously, due to the severe downward trend in macroeconomic control, China's domestic appliance sales have begun to level off. Taking a comprehensive look at the Company's operating performance over the past year, in terms of overall operations that include the Chinese market, efficiencies have gradually surfaced, and profits have continued to improve. In addition to accelerating the development of smart home appliances in accordance with our long-term goals, we will work hard to expand the breadth, depth and penetration of channels. We will also improve quality and extend the brand image to seize new market opportunities.

Apart from fine-tuning our operations structure, the Company has deepened resource integration and improved production efficiency in the past year. We reduced production costs to increase the price competitiveness of our products. At the same time, we actively launched high-end household electrical appliance lines to add product value and enhance premium appeal of the brand. Through new product launches, channel convergence, deep cultivation and more, the deployment of our sales strategies will lead to continued expectations for excellent performance in 2020.

Below is an overview of the Company's 2019 operations and future prospects for 2020:

The Company is the ultimate parent company of the listed Group, mainly responsible for investment and holdings. The production base is located in Shenzhen, Guangdong Province and Jiujiang, Jiangxi Province, both in mainland China. 2019 consolidated revenues were NT$10.14 billion; combined net profit after tax was NT$252 million; and net profit per share after consolidated tax was NT$2.05. Looking ahead to 2020, the global and Chinese domestic economies still present many challenges. Facing the rapid qualitative and quantitative changes in the local consumer market and fierce competition in the small appliance industry, the Company will continue to steadily expand the scale of the group's operations. We will strengthen the Company's operational management through reasonable cost controls and overall synergy. By actively exploiting a blue ocean strategy and diving in with full customer service, we will work closely with major customers and grow with them. The Company will pursue competitiveness through our core values and sustainable development.

Looking forward to the future, as mainland China becomes more prosperous and with the continually improving living standard in mainland China, consumers have raised their standards for small household appliance quality. This presents an opportunity for the Company. However, facing a downturn in growth momentum and diversified and intense competition in the mainland China consumer goods market, the Company's re-invested subsidiaries, together with the Group, will tap into the potential of customer groups and robustly expand into the end-user market. Since the listing, the management team and employees have spared no effort in the production and operations of our primary business, upholding a spirit of humbleness, strict requirements for self-reflection, and a proactive, practical attitude. The Company will offer competitive optimized products in the small household appliance sector while creating maximal benefits for shareholders and employees. We will fulfill our corporate social responsibilities, thus paying back the shareholders and giving thanks for their continuous support and care.

II. 2019 Operating Results

(I) 2019 Operating Plan and Execution Results

Unit: thousand NT$

Item	2019 Audit	2018 Audit	Growth Rate
Consolidated operating revenue	10,142,781	10,614,940	(4.45)%
Consolidated operating profit	1,972,712	1,809,931	8.99%
Consolidated net profit	289,876	68,437	323.57%
Consolidated net non-operating income (expense)	32,948	3,830	760.26%
Consolidated net profit before tax	322,824	72,267	346.71%
Income tax expense	65,665	90,350	(27.32)%
Consolidated total profit and loss	257,159	(18,083)	1522.10%

(II) Budget implementation status

The Company did not publish information on financial forecast of 2019.

(III) Financial income & expenditures and profitability

Item	Year	2019	2018
Financial structure	Liabilities to assets ratio (%)	66.19	70.44
Liquidity analysis	Current ratio (%)	104.29	98.24
	Quick ratio (%)	61.01	55.45
Profitability	Return on assets (%)	3.78	0.97
	Return on shareholders' equity (%)	9.23	(0.58)
	Net profit margin (%)	2.48	(0.14)
	Earnings per share (NT$)	2.05	(0.12)

(IV) Annual research and technological developments

1. Annual research and technological development results
   - (1) Development of diagnosis and treatment tables
   - (2) Development of (five-in-one) integrated ceiling exhaust fan products with Bluetooth remote control
   - (3) Development of window-type air conditioners; application expansion of compressor product series
   - (4) Development of integrated fan with control PCB and motor integration
   - (5) Development of head controls with 433 MHz wireless remote control
   - (6) Development of quilt dryer
   - (7) Development of large-volume humidifying plate evaporative humidifier
   - (8) Application of electrolytic water sterilization technology to humidifiers
   - (9) Development of one-piece baseboard electric heater
   - (10) Development of tower heating coil electric heater
   - (11) Development of graphene baseboard electric heater
   - (12) Development of external rotor DC motor
2. Future research and technology development plans
   - (1) Short-term business development plans
     - A. Continue to develop various sterilization functions for new air systems and integrated ceiling exhaust fan products.

B. Expand the compressor product line of small air conditioners and dehumidifiers in the domestic market, and add models to suit the needs of different venues.

C. Continue to develop new heat insulation & anti-scalding materials, as well as processes, for electric heaters.

D. Application of low wind resistance and high-efficiency screening program to circulating fans.

E. Continue to expand development of stator-wound motors and applications research for cooling fins.

F. Development of high-efficiency air cleaners and rotary fans.

G. Development of high-speed entrance fans.

(2) Long-term business development plans

A. Development of household appliances for cleanliness and health (antimicrobial and sterilization).

B. Development of medical product series.

C. The Company plans to research the application of smart home appliance sensors and human-computer interaction (voice control).

D. Developing a variety of combination air processors (cooling, heating, sterilizing and humidifying).

E. Development of DIY fresh air products.

III. Operating plan overview of the year

1. Taking the branding in the Chinese market as the core policy, constructing an enterprise with competitiveness and core values to assure advantages in quality and volume, and strengthening the successful cooperation among Airmate, suppliers, and customers.
2. Continue to push forward the localization of employment for companies, build Group enterprise management patterns, devote to company product popularization and continuous development of new products, improvement of production technology, continuous improvement in automated production lines, and reasonable control over expense and cost, to realize operation profits.
3. Enhance harmonious labor relations, create the greatest profits for employees and shareholders, and fulfill corporate social responsibility.

(II) Sales volume forecast and the basis

The main markets of the Company's re-invested subsidiaries are mainland China, Northeast Asia, Europe, and America. Therefore, the estimated annual sales volume is primarily based on the relevant statistics of local industries, information feedback from key customers, and judgment of future market supply and demand. In general, the business volume and amount of small household appliances industry will continue to grow steadily in the future.

(III) Significant Sales and Production Policies

1. Export sales

- Steadily promote sales growth for the two seasons in Japan, Korea, Europe, and the US. Actively develop new customers and open new markets in Southeast Asia. At the same time, assist customers to develop new products and expand into Taiwan, China, and Thailand markets.
- Develop and promote multi-functional products for small household appliances. Build a one-stop export model, and strive for OEM orders.

2. Offline operation in China
   - Integration: We have divided the whole Chinese market into four sub-regional markets (eastern, western, southern, and northern) in which we have established four regional market director positions. We have done this to achieve more accurate and efficient market management to enhance the services for dealers and consumers of our brand. At the same time, we assist dealers through collaboration with the ability and efficiency to achieve online and offline integration.
   - Focus: Hot-selling products are targeted and SKUs are reduced to ensure sales efficiency, and improve production-marketing integration performance. Emphasize the turnover rate of dealers and factory inventories, lower the inventory at the end of the quarter, and realize a sales-based production plan.
   - Deep diving into channels: continue to expand the network of sales outlets, from 1200 in 2017 to the current 2000 Airmate image shops in counties/townships. Uplift user experience in chained 3C stores and supermarkets, enhance store image with investment in shopping guide training, and increase the store retailing amount as well as the ratio of high-end product sales.
3. Online operation in China
   - Multi-Platform Suitability Development: Given the different online consumers and sales modes of four platforms, namely Taobao Tianmao, Jingdong Mall, Suning Easy-to-buy and Merchandise Club, we will develop differentiated product portfolios suitable for all platforms to meet the needs of different consumers. Emphasize the development of other new sales channels such as Pinduoduo, Yunji, and NetEase Yeation. Establish vertical integration of sales and production to improve brand share across the network and channels. In addition, we will enter new sales in the secondary e-commerce channels, setting our sights on high-end target markets through emerging focused private domain channels such as videos, content e-commerce, and information streaming e-commerce.
   - Utilize the highly effective, low cost, and highly focused nature of online platforms. Apart from electric fans and heaters, make major entry into the market for clothes dryers, dehumidifiers, air exchange fans, and integrated ceiling exhaust fans, as well as other niche small appliance markets. By doing so, make way for higher, sustainable performance growth of the brand.
   - Online campaign: Use new social media and self-branded media as promotion

channels. Use outstanding, interactive, quality content as communication means to enhance communication with users in all segments and fans with different needs. Improve Airmate's popularity and reputation among all levels of consumer groups, and uplift its quality influence.

IV. The Company's future development strategy

The Company and its re-invested subsidiaries will continue to pay close attention to industry developments; develop high gross profit products; carry out new technology research, development, and modification; and pursue win-win-win cooperation with suppliers and customers. We will strengthen brand power and customer loyalty while actively responding to potential market and end customer demand. By quickly reacting to market changes, we will gain new markets and new customers. Achieving promotion and recognition for new products within the smart small home appliance market will create an ecological closed-loop effect.

V. The effect of external competition, the legal environment, and the overall business environment

(I) Impact from external competitive environment

The small household appliance industry is in a state of intense competition from all sides. The Company and subsidiaries will continue to give play to existing advantages by strengthening product differentiation and cost performance and conducting reasonable control over expense and cost, to lower impacts from the external competitive environment.

(II) Impact of legal environment

The Company and its important subsidiaries have not suffered any punishment or loss in recent years from the changes in the regulatory environment.

(III) Impact of the overall business environment

At present, the production and operation of re-invested subsidiaries of the Company are in mainland China. Although the overall environment for the local small household appliance industry is intensely competitive, economic development and significantly improved per capita income mean increasingly enhanced consumer spending power. Due to the ever-increasing desire for product quality and high responsiveness to new products and applications, it is expected to see continuous stable growth in the future.

Wishing you peace and happiness,

Airmate (Cayman) International Co Limited

President: Rui-Bin Shih

General Manager: Yung-Chang Lin

Account Manager: Mei-Hsiu Ho

Chapter 2. Company Profile

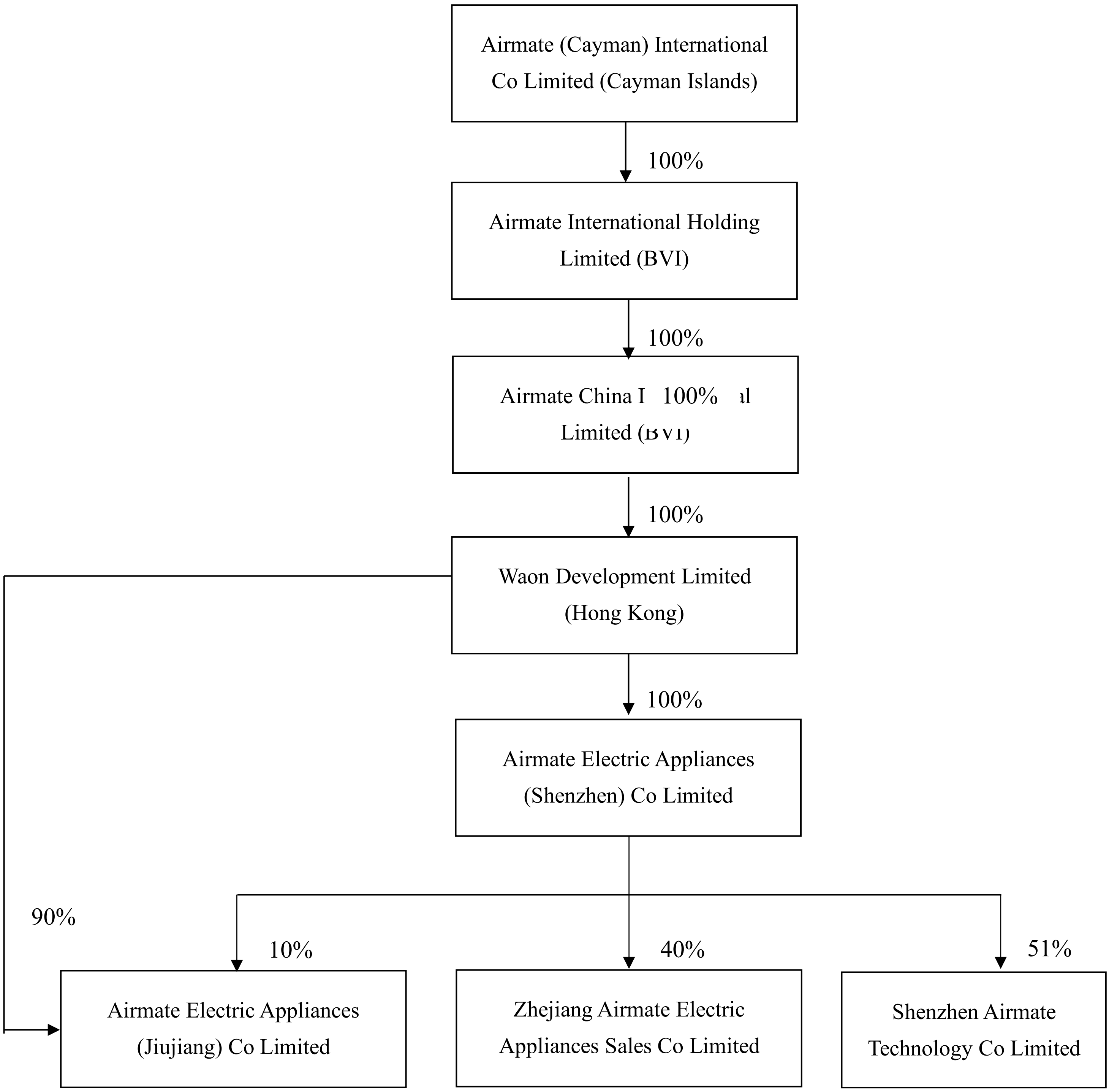
I. Date of Founding: March 11, 2004

II. Corporate and Group Profile

Airmate (Cayman) International Co Limited (hereinafter referred to as the Company) was established on March 11, 2014, as an overseas holding company registered in the Cayman Islands. The Company returned to Taiwan, with the entity to apply for registration of the counter and the application for a TWSE primary listing of its issued stock. As of the end of March 2020, the Company has 6 100% wholly-owned subsidiaries, including Airmate International Holding Limited (BVI), Airmate China International (BVI), Waon Development Limited (Hong Kong), Airmate Electrical (Shenzhen) Ltd., Airmate Electrical (Jiujiang) Ltd., and Shenzhen Airmate Technology Co., Ltd. Functions differentiate the operating entities. Shenzhen Airmate Technology Co., Ltd., and Airmate Electrical (Jiujiang) Ltd. are responsible for R&D, production and sales centers. Waon Development Limited (Hong Kong) is responsible for external orders. The Company specializes in the research and development, production and sales of electric fans, electric heaters and various small household appliances.

The Company started as a household OEM appliance manufacturer. In 1991, it established a production base - Airmated Electrical (Shenzhen) Ltd., which was committed to R&D and manufacture of exquisite small household appliances. In 1997, it officially launched its own brand “ A艾美特 ” products, and began to deploy sales channels with distributors in China systematically. The products are sold in more than 8,000 shopping malls in 31 provinces in China. At present, the domestic sales in mainland China account for about 53% of total sales. Besides, the Company also relies on its excellent R&D and production capacity to design, develop, and manufactures OEMs for various household appliances brands in the world. Through Waon Development Limited (Hong Kong), which is responsible for export sales, the service OEM customers cover Japan, South Korea, France, Germany, Canada, Singapore, the United States, and Australia. The export sales account for about 47% of the Group's total sales. The Company has become one of the most internationally recognized manufacturers in the household appliance industry. This is a significant recognition of the Company's efforts in the small household appliance market in China over the years.

III. Group Structure



IV. Corporate and Group History

Year	History of the Company and the Group
1973	The parent company of Airmate (Taiwan Dongfu Electrical Appliances Co., Ltd.) was founded in Taiwan.
1990	The management team and the substantial shareholders established Waon Development Limited (Hong Kong) with a registered capital of HK$13,510 thousand.
1991	Established Airmate Electrical (Shenzhen) Limited with a registered capital of US$23,750 thousand, and set up a major production base in Shenzhen to launch a global layout.
1994	Became the first foreign-invested enterprise to obtain CCEE safety certification for small household appliances in China. Start to cooperate with Sanyo Electric Co., Ltd. of Japan to produce dedicated Sanyo fan motors.
1996	Obtained ISO9002 quality control system international certification.
1997	Expand the Airmate brand into the Chinese market and cut into the electric heater market. Establishment of Airmate French subsidiary, registered capital Franc 50 thousand. Established Airmate China International Limited (BVI) with a registered capital of US$20,000 thousand.
1998	Established Airmate International Holding Limited with a registered capital of US$21,000 thousand.
1999	Obtained ISO9001 quality control system international certification. The China Association of Enterprises with Foreign Investment was awarded the National Foreign Investment Double Excellence Enterprise. By the share conversion, included Waon Company as a 100% subsidiary of Airmate International
2000	Establish a global sales network of more than 60 countries on five continents and become the largest supplier of household fans in Japan.
2001	Waon Company signed an equity transfer agreement with Airmate China to transfer the equity of Airmate Electrical (Shenzhen), which is 100% owned by the former Waon Company, to Airmate China.
2002	China Quality Inspection Association awarded the National Dual Guarantee Enterprise of Product Quality and After-Sale Service Credit. “Airmate” was named a famous trademark in Guangdong Province. Won the doual honors of Shenzhen Industry and Commerce Top 100 and Export Top 100
2003	Airmate expanded plant at Shenzhen Airmate fans passed the National Inspection-Free Product Quality. Awarded with National Dual Guarantee Enterprise of Product Quality and After-Sale Service Credit.
2004	The Company was established with HK$16,000 thousand in shares and became the ultimate parent company of the group through a series of stock exchange processes.
2005	Airmate extensively entered other small home appliances market. The State Administration of Quality Supervision, Inspection and Quarantine awarded the title of China's Famous Brand Products Rated as the First Shenzhen Import and Export Integrity AAA Enterprise. Rated as the Top 500 Company With the Most Valuable Brand in The Country.
2008	Airmate trademark was awarded the title of Well-Known Trademark. Capital increase by cash of HK$40 thousand.
2009	Won the award of the National High-tech Enterprise Award. Won the title of Guangdong Province Famous Brand Product. Elected as the Member of Shenzhen Quality and Credit Enterprise. capital increase by cash of HK$1,050 thousand. Transferred of surplus and employee dividend to capital of HK$4,820 thousand
2010	Won the honor of Shenzhen Intellectual Property Advantage Enterprise. Awarded the Director Award of Science and Technology Innovation in Bao'an District. Transferred of employee dividend to capital of HK$680 thousand
2011	Airmate's electric fan comprehensive market share in China for 10 consecutive years ranks the top 2 among domestic enterprises.

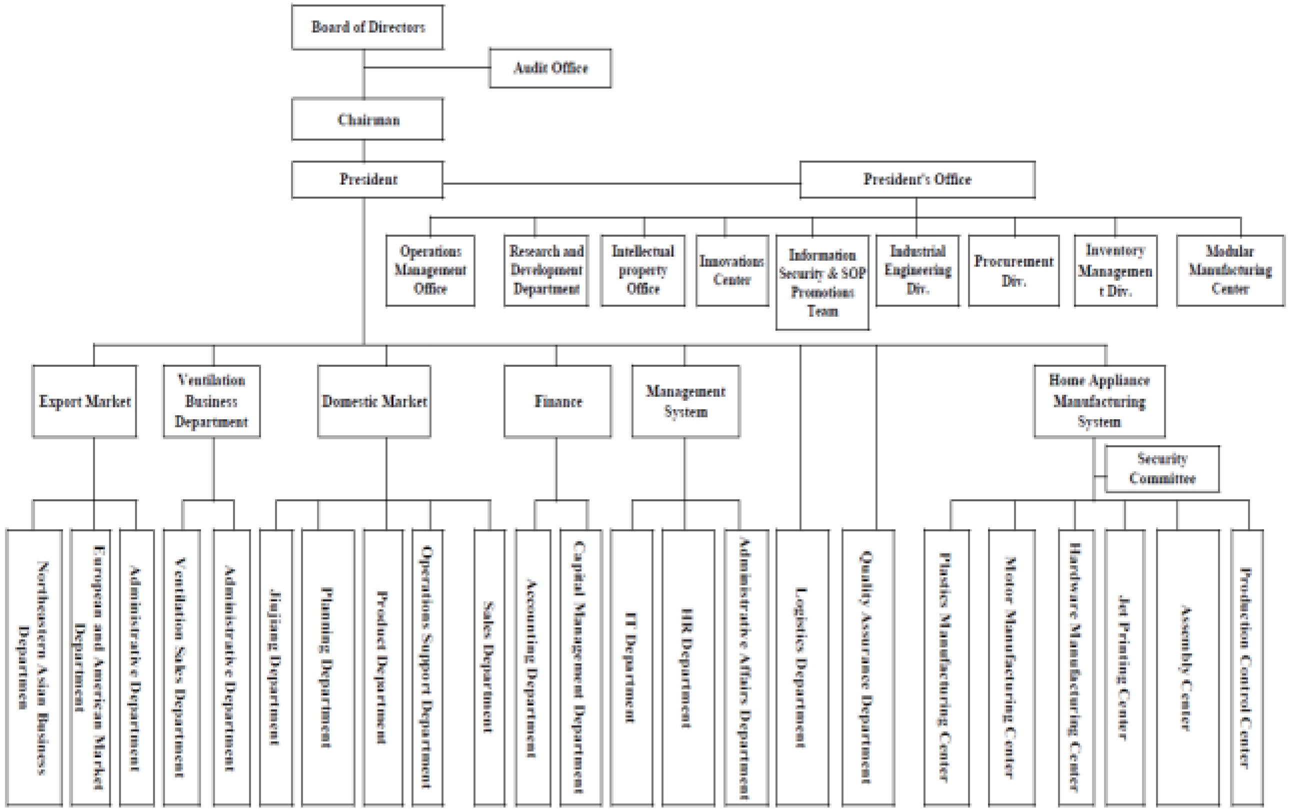
Year	History of the Company and the Group
	Airmate's electric heater comprehensive market share in China for 6 consecutive years ranks the top 3 among domestic enterprises.
2012	Transferred of capital surplus to capital of HK$203,310 thousand Capital increase by cash of HK$29,000 thousand. Re-elected nine Directors, including four Independent Directors, and set up an Audit Committee. On July 26, 2012, the shareholders' meeting approved a resolution to change the Company's par value per share from HK$1 to NT$10, with the paid-in capital of NT$1,102,442,500.
2013	Capital increase by cash of NT$122,500 thousand. On March 21, listed on the TWSE
2014	Established Airmate Electrical (Jiujiang) Ltd. with a registered capital of US$35,000 thousand. Mass production in October the same year.
2015	Joint venture with mainland Chinese to establish Airmate Technology Co., Ltd., specializes in kitchen appliances product design, development, and market development. With the registered capital of RMB $10,000 thousand, and the company holds 51% shares.
2016	Airmate Electrical (Jiujiang) Ltd. capital increase by cashd of US$23,000 thousand. On June 3, 2016, the Company signed a joint development project agreement with TCL Haichuanggu Technology Park Development Co., Ltd. (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co., Ltd. to develop old factories land in Shenzhen Industrial Zone. Completed the liquidation of Airmate Europe LLC. on 8 June 2016.
2017	The capital increase by cash of Airmate Electrical (JIUJIANG) Limited of US$3,300 thousand.
2018	Airmate Electrical (Jiujiang) Ltd. capital increase by cashd of US$1,850 thousand. Airmate Fresh Wind Division was established on April 30, 2018 The development project of the old factory land in Shenzhen Industrial Zone signed by the Company and TCL Haichuanggu Technology Park Development Co., Ltd. (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co., Ltd. started in October 2018.
2019	The capital increase by cash of Airmate (Cayman) International Co. Limited of US$120,000 thousand. Airmate Black and White Swan Air Circulating Fan Serie won the TMIC's Best New Product under Circulating Fan Category ad the Golden Wheat Quality Award under Household Appliances Digital Category. The brand of Airmate has renewed and upgraded, the new trademark design follows the core of "Air Mate AIRMATE艾美特" with "Technology, Aesthetics and Home Mate" brand positioning upgrade, combine the technology and the aesthetics.

V. Risk Items: Please refer to the Chapter VII-6 of this Annual Report.

Chapter 3. Corporate Governance Report

I. Corporate Organization

(I) Organizational Structure



(II) Responsibilities and Functions of Major Departments

Major Departments		Functions
Board of Directors		Planning Company-wide business operations and policies, establishing operational goals and appointing the Company's major managers to execute Company business.
Audit Department		Responsible for various auditing tasks and the internal control evaluation and implementation of the Company as well as proposing recommendations for improvement and continuously monitoring progress of improvement.
President (CEO)		Perform resolutions from the Board of Directors meeting and Company management.
President's Office (CEO's Office)		Managing Company operational management, information security management, execute SOP, innovation center, patent applications, handling of legal cases, and maintaining investor relations.
Export Market	Export Business Department	Developing and maintaning the Company's export business.
	Sales Administration Department	Day-to-day internal management work of the Expert Business Department.
Domestic Market	Sales Department	Developing and maintaining the Company's business in China.
	Jiujiang Department	Developing and maintaining the Company's business in China region.
	Planning Department	Establishing and promoting the Company's brand and image in China region.

Major Departments		Functions
	Product Department	Product development in China region.
	Operations Support Department	Communication and coordination between the Company's sales headquarter and various departments and day-to-day internal management work in China region.
Ventilation Business Department	Ventilation Sales Department	Expansion and maintenance of ventilation business products in China region.
	Administrative Department	Day-to-day internal management works of Ventilation Sales Department in China region.
Financing Department	Accounting Department	Accounting and bookkeeping tasks and establishing and carrying out the accounting policy.
	Capital Management Department	Capital planning and appropriations.
IT Department		Researching and establishing the Company's IT policy, IT system planning and maintenance, and telecommunications planning, setting, and maintenance.
HR Department		Manages human resources-related tasks.
Administrative Affairs Department		Day-to-day administrative management.
Research and Development Department		Coordinating the Company's R&D resources and establishing R&D objectives.
Logistics Department		Manages the Company's purchasing and warehousing tasks.
Quality Assurance Department		In charge of various quality controls and handles customer grievances.
Home Appliance Manufacturing Department		Production of plastics, motors, hardware, inkjet printing and assembly.

II. Directors, Supervisors, President, Vice President, Assistant Vice Presidents and Managers of Departments and Branches

(I) Basic information of Directors

1. Director information

As of April 13, 2020

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation
Director	The Republic of China	Shih, Jui Pin	Male	2018.06.11	3 years	2011.09.01	1,359,522	1.11	1,489,687	1.09	264,805	0.19	–	–	Department of Electronics, Affiliated College of Central University, Aichi Prefecture, Japan Japan Yuasa Primus Co., Ltd. Commodity Deparment employee	Chairman of Airmate International Holding Limited; Chairman of Airmate China International Limited (BVI); Chairman of Waon Development Limited (Hong Kong); Chairman of Wacon Development Limited (Hong Kong), Taiwan Branch; Chairman and General Manager of Airmate Electric (Shenzhen) Co., Limited; Vice Chairman and General Manager of Airmate Electric (Jiujiang) Co., Limited; Chairman of Tung Fu Electric Co., Limited; Representative of Pearl Place Holdings Limited	Director	Shih Li, Chueh-Chu	Mother and son
																	Director	Shih, Jui-Lin	Brothers

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation
Director	The Republic of China	Tsai, Cheng-Fu	Male	2018.06.11	3 years	2004.04.30	3,666,837	2.98	3,931,165	2.87	–	–	–	–	Master of Electronic Engineering, National Kaohsiung University of Science and Technology Person-in-charge of Lucky View Development (Int'l) Limited	Director of Waon Development Limited (Hong Kong); Vice Chairman at Airmate Electrical (Shenzhen) Limited; Director of Zhejiang Airmate Electric Sales Limited; Person-in-charge of Joyful Oasis Limited; Chairman of Airmate Electric (Jiujiang) Limited; Executive and Legal Representative of Shenzhen Airmate Technology Co. Limited	–	–	–
Director	The Republic of China	Cheng, Li-Ping	Male	2018.06.11	3 years	2006.12.18	3,095,192	2.52	3,095,192	2.26	48,250	0.04	–	–	Department of Statistics, Tamkang University Deputy General Manager of Tung Fu Electric Co., Limited	Director of Waon Development Limited (Hong Kong); Director of Airmate Eclectic (Jiujiang) Limited	–	–	–
Director	The Republic of China	Shih Li, Chueh-Chu	Female	2018.06.11	3 years	2006.12.18	1,864,992	1.52	2,048,748	1.50	–	–	–	–	Kuang Hua Senior High School	Director of Waon Development Limited (Hong Kong); Director of Tung Fu Electric Co., Limited	Chairman of the Board Director	Shih Jui-Pin Shih Jui-Lin	Mother and son Mother and son

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Date elected or assumes office</th><th rowspan="2">Term</th><th rowspan="2">Date first elected</th><th colspan="2">Shares held when elected</th><th colspan="2">Shares currently held</th><th colspan="2">Shares held by spouse and minor children</th><th colspan="2">Shares held in others' names</th><th rowspan="2">Education and Work Experience</th><th rowspan="2">Titles concurrently held at the Company and other companies</th><th colspan="3">Other supervisory or director roles held by spouse or second-degree relations:</th></tr>
<tr><th>Number of Shares</th><th>Shareholding (%)</th><th>Number of Shares</th><th>Shareholding (%)</th><th>Number of Shares</th><th>Shareholding (%)</th><th>Number of Shares</th><th>Shareholding (%)</th><th>Title</th><th>Name</th><th>Relation</th></tr>
<tr><td>Director</td><td>The Republic of China</td><td>Chen, Yen-Fu</td><td>Male</td><td>2018.06.11</td><td>3 years</td><td>2018.06.11</td><td>15,000</td><td>0.01</td><td>16,081</td><td>0.01</td><td>1,278,240</td><td>0.93</td><td>–</td><td>–</td><td>Institute of Environmental Policy, National Dong Hwa University
Assistant Manager of Ministry of Education Environmental Protection Division; Project Manager of Capital Engineering Corp; Business Specialist of Nano Electronics and Micro System Technologies, Inc.; Business Assistant Manager of Creating Nano Technologies</td><td>Sales Assistant Manager, Li Pai Yi Co., Limited</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">The Republic of China</td><td rowspan="2">Shih Jui-Lin</td><td rowspan="2">Male</td><td rowspan="2">2018.06.11</td><td rowspan="2">3 years</td><td rowspan="2">2018.06.11</td><td rowspan="2">260,000</td><td rowspan="2">0.21</td><td rowspan="2">575,691</td><td rowspan="2">0.42</td><td rowspan="2">150,670</td><td rowspan="2">0.11</td><td rowspan="2">–</td><td rowspan="2">–</td><td rowspan="2">Department of Business Administration, Mount Ida College, USA
Business Department Staff of Data Systems Consulting So., Limited; Business Department Staff of Microcell Composite Company</td><td rowspan="2">Research Director of Airmate Electric (Shenzhen) Co., Limited; Manager of Airmate Electric (Shenzhen) Co., Limited Export Sales Department;</td><td>Chairman of the Board</td><td>Shih, Jui-Pin</td><td>Brothers</td></tr>
<tr><td>Director</td><td>Shih Li, Chueh-Chu</td><td>Mother and son</td></tr>
</table>

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation
Director	The Republic of China	Chen Shun-Loong	Male	2018.06.11	3 years	2018.06.11	2,254,000	1.83	2,252,000	1.65	–	–	–	–	Master of Graduate Institute of Business Administration, National Chung Hsing University; Bachelor's degree, Department of Industrial Management, National Taiwan University of Science and Technology General Manager of RT-Mart Department of Commodity	–	–	–	–
Independent Director	The Republic of China	Chiu, Shean-Bii	Male	2018.06.11	3 years	2012.05.15	–	–	–	–	–	–	–	–	Master of Business Administration and Ph.D. in Accounting & Finance, Washington University, USA President of Pension Fund Association, R.O.C.; Professor, Department of Finance Department, National Taiwan University	Independent Director of ECOVE Environment Corporation; Independent Director of Long Chen Paper Co., Limited; Professor, Department of Finance, National Taiwan University; Judicial Person Republic of China Securities	–	–	–

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation
Independent Director	The Republic of China	Chen, Ming-Chang	Male	2018.06.11	3 years	2012.05.15	–	–	–	–	–	–	–	–	Ph.D. of Graduate Institue of Business Administration, National Chengchi University; National Business Doctor Chairman of Taiwanese Investment Management Association of China; General Manager of China Productivity Center; Director of Graduate Institute of Business Administration, National Chung Hsing University; Deputy Director of Small and Medium Enterprises Administration, Ministry of Economy Affairs; Director, Economic Division, Mainland Affairs Council	Dean of Management Institue in Taipei; Lecturer, Nanhua University; Independent Director of Global Wafer Co., Limited; Independent Director of Career Consulting Co., Limited; Independent Director of Shane Global Holding Inc.	–	–	–
Independent Director	The Republic of China USA	Fan, Chin-Hwa	Male	2018.06.11	3 years	2012.05.15	5,000	0.00	5,000	0.00	–	–	–	–	Master of Accounting, Wisconsin University, USA Bank of Canton of California; Deloitte Touche Tohmatsu Limited; Chen & Fan Accountancy Corporation; Crestridge Consulting	Crestridge Consulting; Independent Director of New Omni Bank	–	–	–

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation
Independent Director	The Republic of China USA	Chi, Lai-Ping	Male	2018.06.11	3 years	2012.09.05	–	–	–	–	–	–	–	–	Bachelors in Economics, Columbia University, USA. Masters in International Relations, Chicago University, USA. Senior Vice President and President of Greater China Region at Sony Life Insurance Co., Limited; Managing Director of Zhongmei Liantai Metropolis Life Insurance Co., Limited; Chairman of the Board of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited; General Manager of MetLife Taiwan Insurance Co., Limited	Adjunct Professor of University of International Business and Economics in Beijing; Director of Trimaran PR Asia Limited; Independent Director of Yuanta Financial Holding Co., Limited	–	–	–

2. Major Shareholders of Institutional Shareholders: Not applicable, as the Company's Directors and Independent Directors are not institutional shareholders.
3. Major Shareholders of Substantial Institutional Shareholders: Not applicable.
4. Directors' Information

Conditions Name	Has more than 5 years of work experience and the following professional qualifications			Meets conditions of independence (note)												Concurrently serves as Independent Director for multiple other publicly owned corporations
	Serves in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has work experiences in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10	11	12	
Shih, Jui-Pin	–	–	✓	–	–	–	–	–	✓	✓	–	✓	✓	✓	✓	–
Cheng, Li-Ping	–	–	✓	–	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Tsai, Cheng-Fu	–	–	✓	–	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Shih, Jui-Lin	–	–	✓	–	–	–	–	✓	✓	✓	–	✓	✓	✓	✓	–
Shih Li, Chueh-Chu	–	–	✓	✓	–	–	–	–	✓	✓	–	✓	✓	✓	✓	–
Chen, Yen-Fu	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Chen, Shun-Loong	–	–	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Chen, Ming-Chang	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Fan, Chin-Hwa	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chiu, Shean-Bii	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chi, Lai-Ping	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: For any Director or Supervisor who fulfills the relevant condition(s) for 2 fiscal years before being elected to the office or during the term of office, please provide the [ ] sign in the field next to the corresponding conditions✓.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a Director or Supervisor of the Company or any of its affiliates. (This restriction does not apply to Independent Directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country).
(3) Not natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
(4) Not spouse, relative within the second degree of kinship, or lineal relative within the

third degree of kinship, of a managerial officer under (1) or any of the persons in (2) or (3).

(5) Not a Director, Supervisor, or employee of an corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among top 5 in shareholdings, or that designates its representatives to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (This restriction does not apply to Independent Directors in the Company or its parent company, subsidiary or subsidiary of the same parent, which have been appointed in accordance with local laws or laws of the registered country).

(6) Not a Director, Supervisor, or employee of that other company that controls a majority of the Company's Director seats or voting shares and those of any other company. (This restriction does not apply to Independent Directors in the Company or its parent company, subsidiary or subsidiary of the same parent, which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a Director (or governor), Supervisor, or employee of that other company or institution serve as the Chairperson, President, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution or a spouse thereof (This restriction does not apply to Independent Directors in the Company or its parent company, subsidiary or subsidiary of the same parent, which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a Director, Supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (This restriction does not apply to Independent Directors in the Company or its parent company, subsidiary or subsidiary of the same parent, which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual who, or an owner, partner, Director, Supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship with any Director.

(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(12) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 or the Company Act.

(II) Information of the President, Vice Presidents, Directors, and Supervisors from each Department and Branch Institutions

As of April 13, 2020

Title	Nationality	Name	Gender	Date of Appointment	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding (%)	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)			Title	Name	Relation
President	The Republic of China	Lin, Yung-chang (Note 1)	Male	2019.08.08	190,812	0.14	—	—	—	—	Department of Electrical Engineering, Fu Jen Catholic University Engineer of Uniforce Technology Corporator Senior Manager of Getac Technology Corporation	—	—	—	—
Chief Operating Officer (COO)	The Republic of China	Tseng, Chao-Ting	Male	2018.11.14	254,120	0.19			—	—	Department of International Business, Chung Yuan Christian University Information and Finance Manager at Airmate Electrical (Shenzhen) Limited Purchasing Manager of Chicony Electronics Co., Ltd; Assistant Manager in Supply Chain Management Department of Tsannkuen (Zhangzhou) Enterprise Co., Ltd.	President of Tung Fu Electric Co., Ltd; Director of Airmate Electrical (Jiujiang) Limited	—	—	—
Assistant Manager	China	Piao, Yuan-Zhe	Male	2009.01.13	10,295	0.01	—	—	—	—	Environmental Engineering Department, Xi'an University of Architecture and Technology Export Sales, Deputy Manager and Manager of Airmate Electrical (Shenzhen) Limited	—	—	—	—
Head of China Market Department	Mainland China	Lei Yan	Female	2018.09.10	—	—	—	—	—	—	Department of Law, Hengyang Gong'an Cadre Secondary Specialized School, Hunan Province Director of Airmate	—			

Title	Nationality	Name	Gender	Date of Appointment	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding (%)	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)			Title	Name	Relation
											Electrical (Shenzhen) Limited China Market Department				
Audit Manager	The Republic of China	Hsu, Ming-Hsiung	Male	2017.10.11	30,000	0.02	–	–	–	–	Department of Accounting, Shih Chien University Financial Analyst and Coordinator at Chinese Television System (CTS); Auditing Specialist at 7-ELEVEN	Audit Manager of Airmate International Holding Limited, Airmate China International Limited (BVI), Waon Development Limited (Hong Kong), Taiwan Branch, Airmate Electrical (Shenzhen) Limited, and Airmate Electrical (Jiujiang) Limited	–	–	–
Accounting Manager	The Republic of China	Ho, Mei-Hsiu	Female	2019.01.10	96,046	0.07	–	–	–	–	Department of Financial Management, National Kaohsiung University of Science and Technology Audit Manager of KPMG	Accounting Manager of Airmate International Holding Limited, Airmate China International Limited (BVI), Waon Development Limited (Hong Kong), Taiwan Branch, Airmate Electrical (Shenzhen) Limited, and Airmate Electrical (Jiujiang) Limited; Supervisor of Zhejiang Airmate Electrical Sales Limited and Shenzhen Airmate Technology Co. Limited			
Finance Manager	The Republic of China	Lin, Huang-Ming	Male	2019.01.10	94,325	0.07	–	–	–	–	Bachelor's degree, Department of Public Finance, Feng Chia University; Master's degree	Finance Manager of Airmate International Holding Limited, Airmate China			

Title	Nationality	Name	Gender	Date of Appointment	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding (%)	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)			Title	Name	Relation
											in International Finance, National Taipei University Bank of Taichung; Binhai Nanya Recycling Co., Limited, Jiangsu Province	International Limited (BVI), Waon Development Limited (Hong Kong), Taiwan Branch, Airmate Electrical (Shenzhen) Limited, and Airmate Electrical (Jiujiang) Limited			

Note 1. Due to personnel relocation on July 1, 2019, Mr Shih, Jui-Pin, the Chairman of the Board, was removed as President and the appointment of Mr. Lin Yung-Chang as the new President of the Company was effective upon approval from the Board meeting on August 8, 2019.

Note 2. Where the Chairman and the General Manager or the personnel in an equivalent position (Top Manager) are the same person, spouse or first-degree relative of each other, reasons, rationality, necessity, and responsive measures shall be described: None.

III. Compensations to Directors, Supervisors, President and Vice Presidents in the Most Recent Year

1. Remuneration of Directors (including Independent Directors)

(1) Renumeration of Directors in the most recent year (2019)

Unit: NT$1,000

Title	Name	Directors' Remuneration								Ratio of total remuneration A, B, C, and D to net Income (%) (Note 3)		Remuneration paid to concurrent employees								Ratio of total remuneration A, B, C, D, E, F, and G to net Income (%) (Note 3)		Remuneration from an invested company other than the Company's subsidiary or parent company
		Compensations (A)		Retirement allowance (B)		Directors' bonus (C) (Note 1)		Allowances (D)				Salary, bonus, and allowances (E)		Severance pay (F)		Employee bonus (G) (Note 2)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman of the Board	Shih, Jui-Pin	–	10,434	–	–	498	498	25	25	0.21	4.35	–	2,071	–	–	923	–	923	–	0.57	5.54	None
Director	Tsai, Cheng-Fu	6,114	9,154	–	–	498	498	25	25	2.63	3.84	–	–	–	–	–	–	–	–	2.63	3.84	None
Director	Cheng, Li-Ping	–	1,578	–	–	498	498	25	25	0.21	0.83	1,200	1,200	–	–	–	–	–	–	0.68	1.31	None
Director	Shih Li, Chueh-Chu	–	–	–	–	497	497	25	25	0.20	0.52	–	–	–	–	–	–	–	–	0.21	0.21	None
Director	Shih, Jui-Lin	–	789	–	–	498	498	25	25	0.21	0.21	1,355	2,730	–	24	250	–	250	–	0.84	1.71	None
Director	Chen, Yen-Fu	–	–	–	–	497	497	25	25	0.21	0.21	–	–	–	–	–	–	–	–	0.21	0.21	None
Director	Chen, Shun-Loong	–	–	–	–	497	497	25	25	0.21	0.21	–	–	–	–	–	–	–	–	0.21	0.21	None
Independent Director	Chen, Mnig-Chang	1,200	1,200	–	–	–	–	25	25	0.49	0.49	–	–	–	–	–	–	–	–	0.49	0.49	None
Independent Director	Fan, Chin-Hwa	1,200	1,200	–	–	–	–	25	25	0.49	0.49	–	–	–	–	–	–	–	–	0.49	0.49	None
Independent Director	Chiu, Shean-Bii	1,200	1,200	–	–	–	–	25	25	0.49	0.49	–	–	–	–	–	–	–	–	0.49	0.49	None
Independent Director	Chi, Lai-Ping	1,200	1,200	–	–	–	–	25	25	0.49	0.49	–	–	–	–	–	–	–	–	0.49	0.49	None

Note 1. In the most recent year (2019), the Board of Directors has approved of a cumulative sum of NT$3,483 thousand on March 12, 2020 as remuneration for Directors and Supervisors. The shareholder's meeting has yet to approve of this resolution.

Note 2. In the most recent year (2019), the Board of Directors has approved of a cumulative sum of NT$17,417 thousand on March 12, 2020 as remuneration for employees. The shareholder's meeting has yet to approve of this resolution.

Note 3. After-tax income for the Company and the Consolidated Entity was both NT$251,919 thousand in 2019.

Table of Range of Remuneration

Table of Remuneration Ranges for Directors	Name of Director			
	Total remunerations from A to D (A+B+C+D)		Total remunerations from A to G (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Lower than NT$2,000,000	Shih, Jui-Pin, Cheng, Li-Ping, Shih, Jui-Lin, Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong, Chen, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping	Shih, Jui-Lin, Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong, Chen, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping	Shih, Jui-Pin, Cheng, Li-Ping, Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong, Chen, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping	Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong, Chen, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping
NT$2,000,000 (inclusive) to NT$5,000,000	–	Cheng-Li-Ping	Shih, Jui-Lin	Shih, Jui-Lin, Cheng, Li-Ping
NT$5,000,000 (inclusive) to NT$10,000,000	Tsai, Cheng-Fu	Tsai, Cheng-Fu	Tsai, Cheng-Fu	Tsai, Cheng-Fu
NT$10,000,000 (inclusive) to NT$15,000,000	–	Shih, Jui-Pin	–	Shih, Jui-Pin
NT$15,000,000 (inclusive) to NT$30,000,000	–	–	–	Cheng, Li-Ping
NT$30,000,000 (inclusive) to NT$50,000,000	–	–	–	–
NT$50,000,000 (inclusive) to NT$100,000,000	–	–	–	–
Over NT$100,000,000	–	–	–	–
Total	14 persons	14 persons	14 persons	14 persons

2. Remunerations for Supervisors: Not applicable.

3. Remuneration for the President and Vice President

Unit: NT$1,000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Pay (A)</th><th colspan="2">Retirement allowance (B)</th><th colspan="2">Bonus and special fee (C)</th><th colspan="4">Profit-sharing employee bonus (D)</th><th colspan="2">Ratio of total remuneration A, B, C, and D to net Income (%) (Note 1)</th><th rowspan="3">Remuneration from an invested company other than the Company's subsidiary or parent company</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements</th><th colspan="2">The Company</th><th colspan="2">All companies in the consolidated financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements</th></tr>
<tr><th>Cash amount</th><th>Stock amount</th><th>Cash amount</th><th>Stock amount</th></tr>
<tr><td>Chairman of the Board</td><td>Shih, Jui Pin (Note 2)</td><td rowspan="14">–</td><td rowspan="14">19,142</td><td rowspan="14">–</td><td rowspan="14">5,403</td><td rowspan="14">2,647</td><td rowspan="14">6,072</td><td rowspan="14">1,788</td><td rowspan="14">–</td><td rowspan="14">1,788</td><td rowspan="14">–</td><td rowspan="14">1.76</td><td rowspan="14">12.86</td><td rowspan="14">None</td></tr>
<tr><td>President</td><td>Lin, Yung-Chang (Note 2)</td></tr>
<tr><td>President</td><td>Zhang ,Wan-Quan (Note 3)</td></tr>
<tr><td>Chief Operating Officer (COO)</td><td>Tseng, Chao-Ting</td></tr>
<tr><td>Vice President</td><td>Kanai, Mari (Note 4)</td></tr>
<tr><td>Vice President</td><td>Tseng, Yan-Min (Note 5)</td></tr>
<tr><td>Assistant Manager</td><td>Chen, Yung-Shen (Note 6)</td></tr>
<tr><td>Assistant Manager</td><td>Piao, Yuan-Zhe</td></tr>
<tr><td>Head of China Market Department</td><td>Lei Yan</td></tr>
<tr><td>Accounting Manager</td><td>Ho, Mei-Hsiu (Note 7)</td></tr>
<tr><td>Finance Manager</td><td>Lin, Huang-Ming (Note 7)</td></tr>
<tr><td>Chief Financial Officer (CFO)</td><td>Chang, Chih-Wei (Note 7)</td></tr>
<tr><td>Audit Manager</td><td>Hsu, Ming-Hsiung</td></tr>
</table>

Note 1. After-tax net income for the Company and the Consolidated Entity was both NT$251,919 thousand in 2019.

Note 2. Due to personnel relocation on July 1, 2019, Mr. Shih, Jui-Pin, the Chairman of the Board, was removed as President and the appointment of Mr. Lin Yung-Chang as the new President of the Company was effective upon approval from the Board meeting on August 8, 2019.

Note 3. Due to personal career planning goals, Mr. Zhang, Wan-Quan has assumed the position of Senior Consultant at Airmate Electric (Jiujiang) Co., Limited since February 12, 2019, and the President position was concurrently served by Chairman Shih, Jui-Pin.

Note 4. Due to personal career planning goals, Ms. Kanai, Mari resigned as Vice President since June 30, 2019.

Note 5. Due to personal career planning goals, Mr. Tseng, Yan-Min resigned as Vice President on December 31, 2019 and assumed the position of Chairman's Office Advisor of the Company since January 1, 2020.

Note 6. Due to personal career planning goals, Mr. Chen, Yung-Shen resigned as Assistant Manager of Information Department since October 31, 2019.

Note 7. Due to personal career planning goals, Mr. Chang, Chih-Wei resigned as Finance and Accounting Manager on January 10, 2019, and the Accounting Manager position was assumed by Manager Ho, Mei-Hsiu, while the Finance Manager position was assumed by Manager Lin, Huang-Ming.

Table of Range of Remuneration

Table of Remuneration Ranges for President and Vice Presidents	Name of President and Vice President	
	The Company	All companies in the consolidated financial statements
Lower than NT$2,000,000	Shih, Jui-Pin, Lin Yung-Chang, Tseng, Chao-Ting, Ho, Mei-Hsiu, Lin, Huang-Ming, Hsu, Ming-Hsiung, Tseng, Yan-Min, Piao, Yuan-Zhe	Kanai, Mari, Chen, Yung-Shen, Lin, Huang-Ming, Piao, Yuan-Zhe, Zhang ,Wan-Quan, Chang, Chih-Wei
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	–	Shih, Jui-Pin, Lin Yung-Chang, Tseng, Chao-Ting, Ho, Mei-Hsiu, Hsu, Ming-Hsiung, Lei Yan
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	–	Tseng, Yan-Min
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	–	–
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	–	–
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	–	–
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	–	–
Over NT$100,000,000	–	–
Total	8 persons	13 persons

4. Names of Managers and the Distribution of Employees' Profit-sharing Bonus

as of April 13, 2020, Unit: NT$1,000

	Job Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to the after-tax net income (%)
Manager	Chairman	Shih, Jui Pin (Note 2)	–	2,038	2,038	-13.96
	President	Lin, Yung-Chang (Note 2)				
	President	Zhang ,Wan-Quan (Note 3)				
	Chief Operating Officer (COO)	Tseng, Chao-Ting				
	Vice President	Kanai, Mari (Note 4)				
	Vice President	Tseng, Yan-Min (Note 5)				
	Assistant Manager	Chen, Yung-Shen (Note 6)				
	Assistant Manager	Piao, Yuan-Zhe				
	Head of China Market Department	Lei Yan				
	Accounting Manager	Ho, Mei-Hsiu (Note 7)				
	Finance Manager	Lin, Huang-Ming (Note 7)				
	Chief Financial Officer (CFO)	Chang, Chih-Wei (Note 7)				
	Audit Manager	Hsu, Ming-Hsiung				

Note 1. In the most recent year (2019), the Board of Directors has approved of a cumulative sum of NT$17,417 thousand on March 12, 2020 as remuneration for employees. The shareholders' meeting has yet to approve of this resolution.

Note 2. Due to personnel relocation on July 1, 2019, Mr Shih, Jui-Pin, the Chairman of the Board, was removed as President and the appointment of Mr. Lin Yung-Chang as the new President of the Company was effective upon approval from the Board meeting on August 8, 2019.

Note 3. Due to personal career planning goals, Mr. Zhang, Wan-Quan has assumed the position of Senior

Consultant at Airmate Electric (Jiujiang) Co., Limited since February 12, 2019, and the President position was concurrently served by Chairman Shih, Jui-Pin.

Note 4. Due to personal career planning goals, Ms. Kanai, Mari resigned as Vice President since June 30, 2019.

Note 5. Due to personal career planning goals, Mr. Tseng, Yan-Min resigned as Vice President on December 31, 2019 and assumed the position of Chairman's Office Advisor of the Company since January 1, 2020.

Note 6. Due to personal career planning goals, Mr. Chen, Yung-Shen resigned as Assistant Manager of Information Department since October 31, 2019.

Note 7. Due to personal career planning goals, Mr. Chang, Chih-Wei resigned as Financial and Accounting Manager on January 10, 2019 and the Accounting Manager position was assumed by Manager Ho, Mei-Hsiu,
while the Finance Manger position was assumed by Manager Lin, Huang-Ming.

5. Top 5 highest remuneration paid to management personnel

Job Title	Name	Pay (A)		Retirement allowance (B)		Bonus and special fee (C)		Profit-sharing employee bonus (D)				Ratio of total remuneration A, B, C, and D to net Income (%) (Note 1)		Remuneration from an invested company other than the Company's subsidiary or parent company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Shih, Jui Pin													
President	Lin, Yung-chang													
Chief Operating Officer (COO)	Tseng, Chao-Ting													
Vice President	Tseng, Yan-Min													
Head of China Market Department	Lei Yan													

(IV) Separate comparison and explanation of analysis of the ratio of remunerations paid by the Company and all companies in the Consolidated Financial Statements to Company directors, supervisors, President, and Vice President in the most recent two years on the after-tax net income and explanation of policies, standards, and packages for payment of remuneration, as well as the procedures followed for determining the remuneration, and their linkages to business performance and future risk exposure.

(1) Ratio of remunerations paid to Directors, Supervisors, President and Vice President in the most recent two years on the after-tax net income

Unit: NT$1,000

Item	2019		2018	
	Remunerations	Ratio on the after-tax net income (%)	Remunerations	Ratio on the after-tax net income (%)
Director	37,696	14.96	35,462	242.91
President and Vice President	32,406	12.86	43,704	299.36

Note: The after-tax net income (loss) from the Company and the Consolidated Financial Statements in 2019 and 2018 were NT$251,919 thousand and NT$14,599 thousand.

(2) Policies, standards, and packages for payment of remuneration, as well as the procedures followed for determining the remuneration, and their linkages to business performance and future risk exposure.

A. Directors

Directors' remunerations are determined by the Board of Directors by referencing recommendations from the Remuneration Committee and average industry standards. Directors' remunerations include travel expenses, appropriation of net income and allowances. Appropriation of net income has been clearly stipulated in the Company's Articles of Association, in which any surplus present after paying income taxes and offsetting any past deficits, 10% of which will be appropriated as legal capital reserve and special capital reserve, and the no more than 3% of the balance can be appropriated as Directors' remunerations. After a resolution has been approved at the Board meeting, the Board will submit the proposal for approval at the shareholders' meeting.

B. President and Vice Presidents

Remunerations for President and Vice Presidents are handled in accordance with the Company's HR regulations in line with their titles, levels of contribution to the Company and in consideration of industry standards.

IV. Status of Corporate Governance

(I) The Board of Directors

Functions of the Board of Directors

The Board of Directors has convened 5 meetings (A) in 2019 with the following attendance from its members:

Job Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual presence (attendance) rate (%) (B/A)	Note
Chairman	Shih, Jui Pin	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Director	Cheng, Li-Ping	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Director	Tsai, Cheng-Fu	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Director	Shih Li, Chueh-Chu	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Director	Shih, Jui-Lin	4	1	80	Elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Director	Chen, Shun-Loong	4	1	80	Elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Director	Chen, Yen-Fu	5	-	100	Elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Independent Director	Chen, Ming-Chang	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Independent Director	Fan, Chin-Hwa	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Independent Director	Chiu, Shean-Bii	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.
Independent Director	Chi, Lai-Ping	5	-	100	Elected by the general shareholders' meeting on May 15, 2012 and re-elected by the general shareholders' meeting on June 11, 2018. Attendance required: 5 times.

Other required disclosure:

I. The date of the Board meeting, the term, content of the proposals, opinion of all members of the Audit Committee, and the Company's handling of the opinion of Audit Committee shall be recorded under the following circumstances in the operations of the Board meeting:
   (I) Items listed in Article 14-3 of Securities and Exchange Act: Please see Material Resolutions from the Board meetings.
   (II) Other than the matters mentioned above, other resolutions on which the Independent Directors have dissenting opinions or qualified opinions: None.

II. In regard to the recusal of Directors from voting due to conflict of interests, the name of the Directors, the

Job Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual presence (attendance) rate (%) (B/A)	Note

proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated: None.

III. Listed OTC companies should disclose information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the Board's self (or peer) evaluation, and fill out the attached table 2 (2) The Execution Process of the Board Evaluation: Relevant information will be disclosed on the website designated by the Company and the competent authority to enhance information transparency.

IV. Objectives of strengthening the functions of the Board of Directors in the current year and the most recent year (such as the establishment of an audit committee, improving information transparency, etc.) and evaluation of execution process: The company has passed the resolution of the Board of Directors on June 8, 2012 to establish the audit committee and remuneration committee. Relevant information will be disclosed on the website designated by the Company and the competent authority to enhance information transparency.

(II) Implementation of Audit Committee Meetings

Audit Committee has been set up on June 8, 2012 and its composition includes all Independent Directors. At least one meeting will be convened in each quarter, and the operations of the Audit Committee in the current year and the most recent year are as follow:

The Audit Committee convened 5 meetings in 2019 (A), with the following attendance records from the Independent Directors:

Job Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Note
Independent Director	Chen, Ming-Chang	5	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 5 times.
Independent Director	Fan, Chin-Hwa	5	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 5 times.
Independent Director	Chiu, Shean-Bii	5	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 5 times.
Independent Director	Chi, Lai-Ping	5	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 5 times.

Other required disclosure:

I. The date of the board meeting, the term, content of the proposals, opinion of all Independent Directors, and the Company's handling of the opinion of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

(I) Items listed in Article 14-3 of Securities and Exchange Act.

1. 1st meeting of the Audit Committee on March 4, 2019

   Content of proposal:

   a. Approved the Company's 2018 Statement of Internal Control System.
   b. Approved the Company's 2018 Business Report and Consolidated Financial Statements.
   c. Approved the Company's 2018 deficit offset
   d. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong).
   e. Approved the Company's proposal to amend the Regulations Governing the Acquisition and Disposal of Assets.
   f. Approved the amendments to the Company's Articles of Association.
   g. Approved the Company's proposal to establish Standardized Operating Procedures to Handle Directors' Requests.
   h. Approved the Company's subsequent appointment of the Accounting Manager and termination of the Finance Manager.

   Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

   The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

2. 2nd meeting of the Audit Committee on May 3, 2019

   Content of proposal:

   a. Approved the Company's First Quarter (Q1) 2019 Consolidated Financial Statements.
   b. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong), Airmate Electrical (Shenzhen) Limited and Airmate Electical (Jiujiang) Limited.

   Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

   The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

3. 3rd meeting of the Audit Committee on August 8, 2019
   Content of proposal:
   a. Approved the Company's First Quarter (Q1) 2019 Consolidated Financial Statements.
   b. Approved the Budget Execution Report 2019 and updated the forecasts for the next 6 months.
   c. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong), Airmate Electrical (Shenzhen) Limited and Airmate Electical (Jiujiang) Limited.
   d. Approved the subscription record date for the transfer of Company's treasury stock to employees.
   e. Approved the Company's plan to raise and issue the Third (term) Secured Convertible Corporate Bonds in the Republic of China.
   f. Approved the Company's plan to raise and issue the Third (term) Secured Convertible Corporate Bonds in the Republic of China, apply for the issuance of corporate bond guarantee limit to CTBC Bank, Far East International Commercial Bank, Taiwan Shin Kong Commercial Bank, Chang Hwa Commercial Bank and Cathay United Bank.

   Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.
   The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.
4. 4th meeting of the Audit Committee on November 7, 2019
   Content of proposal:
   a. Approved the new internal control system of Airmate (Cayman) International Co., Limited.
   b. Approved the Company's Third Quarter (Q3) 2019 Consolidated Financial Statements.
   c. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong).
   d. Approved the issue price of new shares of the Company issued through cash increase in 2019.

   Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.
   The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.
5. 5th meeting of the Audit Committee on December 13, 2019
   Content of proposal:
   a. Approved the Annual Audit Plan 2020 of Airmate (Cayman) International Co., Limited.
   b. Approved the Company's renewal of liability insurance for Directors and managers.
   c. Approved the Company's 2020 Budget Plan.
   d. Approved the proposal for the endorsement/guarantee for subsidiary Airmate Electrical (Shenzhen) Limited and Airmate Electrical (Jiujiang) Limited.
   e. Approved the replacement of the Company's CPA.

   Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.
   The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

(II) In addition to the items in the preceding paragraphs, other resolutions passed by the majority of all Directors but yet to be approved by the Audit Committee: None.

II. In regards to the recusal of Independent Directors from voting due to conflict of interests, the name of the Independent Directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated: None

III. Communications between the Independent Directors and the internal Audit Manager and CPAs (for instance, method and communications over Company finance and business and results): the Company's audit department regularly provides audit reports on internal audits to the Independent Directors, and Independent Directors can also review the Company's financing and business executions at all times as the Board of Directors also reports the latest audit status, and should they have any questions or concerns about the Company's operations, they can immediately communicate with managers of relevant departments and undertake necessary review and improvement. In addition, in terms of communications with CPA, in case an Independent Director has any questions or concerns about the Company's financing and business executions, he or she can communicate with the Company's CPAs at any time and to instruct relevant departments to undertake necessary review and improvement.

(III) Implementation of Corporate Governance and the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Does the Company establish and disclose its corporate governance practices in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established and disclose its corporate governance practices at the Company's website in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.	None.
II. Shareholding structure & shareholders' rights (I) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedure? (II) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders? (III) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses? (IV) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V V V V		(I) The Company's spokesperson is responsible for handling shareholder recommendations and disputes, and any questions concerning legal issues will be handled by the Company's lawyers. (II) The Company maintains substantial shareholders with controlling power as well as the persons exercising ultimate control over those substantial shareholders through the shareholders' registry provided by our share transfer agency. (III) In accordance with the Company's relevant internal control system and subsidiaries' supervision methods, conduct regular operation reviews, and at the same time, the audit unit regularly supervises the implementation. (IV) The Company has established Codes of Ethical Conduct for Directors, Supervisors, and Managers as well as Ethical Code of Conduct for Employees.	None.
III. Composition and Responsibilities of the Board of Directors (I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly? (II) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other functional	V	V V V	(I) The Company has yet to establish a diversification policy for the composition of the Board of Directors. (II) The Company has yet to establish other committees. (III) The Company has yet to establish a methodology. (IV) The Company's CPAs have already made recusal on obligations that either directly or indirectly concern their interests, and the Board of Directors periodically evaluates the independence of the CPAs.	Item (4) does not contain major deviations from the requirements of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and items (1), (2), and (3) will be implemented based on actual needs in the future.

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
committees? (III) Does the Company establish a Board performance evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the Board of Directors as the Individual Directors' salary and nomination renewal references? (IV) Does the Company regularly evaluate the independence of its CPAs?				
IV. Is the TWSE/TPEX listed company equipped with qualified and appropriate number of corporate governance personnel, and appointed a corporate governance director to be in charge of corporate governance affairs including, but not limited to, providing Directors and Supervisors with required information for business execution, assisting Directors and Supervisors to follow Decrees, for business execution, handling relevant matters with Board meetings and shareholders' meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of Board meetings and shareholders' meetings?	V		The Company's CFO concurrently serves as the Secretary to the Board of Directors.	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and does not show major deviations.
V. Has the Company set up communication channels for its stakeholders, and set up designated zone for stakeholders on its corporate website, as well as appropriately responds to important CSR issues raised by stakeholders?	V		Relevant departments are responsible for receiving and handling interests and rights related to consumers, suppliers, financial institutions, and other stakeholders of the Company. Employees can provide their opinions and feedback to various levels of the management.	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and does not show major deviations.
VI. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	V		The Company's share transfer agency is the Share Agency Service at CTBC Bank.	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
				and does not show major deviations.
VII. Information Disclosure (I) Does the Company establish a website to disclose information on financial operations and corporate governance? (II) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose Company information, implement a spokesperson system, and disclosing the process of investor conferences on the Company website)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V V		(I) The Company announces business status on the Company website and discloses financial information on the Market Observation Post System (MOPS). (II) The Company has established a corporate website in Chinese, and has designated personnel for information collection and disclosure. The spokesperson system is also implemented in practice. (III) The Company announces and declares financial reports within the time limit in accordance with the regulations of the competent authority.	Item (1), (2) are in compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and do not show major deviations, while Item (3) has been reported in time in accordance with the regulations. It will depend on the actual operations to decide if financial reports for the first, second and third quarters as well as the operating status for each month shall be reported before the specified deadline.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors)?	V		(I) Employee rights and employee wellness: The Employee Welfare Committee, retirement allowance and group insurance have been executed to protect employees' rights and wellness. (II) Investor relations, supplier relations and rights of stakeholders: The Company conducts detailed announcement of various information that shall be disclosed pursuant to laws and regulations to serve as references for the investors and the public. Contracts are periodically signed with suppliers to maintain positive supplier relations. (III) Directors' training: The Company provides training records at all times to aid in Directors' decision-making and regularly announce Directors' training	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and does not show major deviations.

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			status. (IV) Implementation of risk management policies and risk evaluation measures: the Company's management officers are all equipped with adequate understanding of the industry and the Company's positioning as well as the Company development objectives for the future. Every decision is made upon prudent evaluation and then discussed, authorized and implemented by the Board of Directors to ensure Company assets and to reduce risks. (V) Implementation of customer relations policies: The Company has set up customer service hotline, and designated personnel will provide consultation services and responses to suggestions and complaints from the consumers. At the same time, relevant departments are also informed via written correspondence. (VI) The Company purchases liability insurance for Directors on an annual basis.	
IX. Please provide information on the status of improvement regarding the results of Corporate Governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements that are yet to be implemented, state the areas and policies the Company has set as priority for improvement: According to the regulations of the competent authority, the Company conducts self-evaluation of corporate governance to improve the corporate governance situation gradually, so as to enhance the image of corporate governance.				

(IV) Composition, Duties, and Operations of the Remuneration Committee

1. Composition of the Remuneration Committee

Identity	Conditions Name	Has more than 5 years of work experience and the following professional qualifications			Meets conditions of independence (note)										Concurrently serves as a member of the Remuneration Committee at other publicly listed companies	Note
		Serves in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has work experiences in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chen, Ming-Chang	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Fan, Chin-Hwa	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	None
Independent Director	Chiu, Shean-Bii	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	None
Independent Director	Chi, Lai-Ping	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the [ ] sign in the field next to the corresponding condition(s). ✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliated companies. But Independent Directors established by the Company or its parent company or subsidiary pursuant to the national or local laws are excluded from this condition.

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) or (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. This does not apply to Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the Company's Director seats or voting shares and those of any other company are not controlled by the same person: a Director, Supervisor, or employee of that other company. This does not apply to Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the Chairman, President, or person holding an equivalent position of the company and

a person in any of those positions at another company or institution are not the same person or are not spouses: a Director (or governor), Supervisor, or employee of that other company or institution. This does not apply to Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a Director, Supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. This does not apply to particular company or institution that holds more than 20% of the Company's issued shares and not exceed 50%; and Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(9) Not a professional individual who, or an owner, partner, Director, Supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Duties of the Remuneration Committee

The Remuneration Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.

(1) Formulate and regularly review the policy, system, standards, and structure of the performance assessment, salary, and remuneration of directors and managerial officers.

(2) Establishing and periodically reviewing the compensations for directors, supervisors, and managerial officers. The Remuneration Committee shall convene at least two (2) meetings, called by its Convener, in each year, and meetings can also be called whenever necessary.

3. Operations of Remuneration Committee

(1) The Company's Remuneration Committee consists of four (4) members.

(2) Term of office of the current Committee: from June 11, 2018 to June 10, 2021. The Remuneration Committee has convened 2 meetings (A) in the most recent year (2019) with the following qualifications and attendance records from its members:

Job Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Note
Convener	Chen, Ming-Chang	3	—	100	The member of the 3rd session of the Remuneration Committee was re-

Job Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Note
					elected by the Board of Directors on June 11, 2018.
Member	Fan, Chin-Hwa	3	－	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.
Member	Chiu, Shean-Bii	3	－	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.
Member	Chi, Lai-Ping	3	－	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.

Other required disclosure:

I. In the event the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, resolution from the Board of Directors, and the method the opinion from the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.

II. For the decisions made by the Remuneration Committee, if there are documented records of members who veto or withhold from expressing the comment, the date, term, agenda, all members' comments, and the measures for handling these comments shall be elaborated: None.

(V) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and establish risk management policies or strategies?		V	Though the Company has yet to establish a corporate social responsibility policy or system, but in order to realize our obligations as a corporate citizen and to give back to the society, the Company will continue to work toward fulfilling corporate governance, developing a sustainable environment, maintaining social welfare and reinforcing CSR and information disclosure in practice.	The future plan is based on the materiality principle to conduct risk assessments on environment, social and corporate governance issues related to the Company's operations, and to establish relevant risk managment policies or strategies.
II. Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR which the senior management is responsible for with the authorization of the Board of directors and reports the situation to the Board of Directors?		V	Though the Company has yet to establish a corporate social responsibility policy or system, but in order to realize our obligations as a corporate citizen and to give back to the society, the Company will continue to work toward fulfilling corporate governance, developing a sustainable environment, maintaining social welfare and reinforcing CSR and information disclosure in practice.	The future plan is to established an exclusively (or concurrently) dedicated unit for promoting CSR which the senior management is responsible for with the authorization of the Board of Directors and reports the situation to the Board of Directors.
III. Environmental Issues (I) Has the Company set an environmental management system designed to industry characteristics? (II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures? (IV) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	V V V V		(I) The Company has received numerous ISO certification, and stipulated comprehensive standards on quality management, safety and health, and environmental protection. In addition, the Company is also in compliance with review standards from the competent authority and meet the expectations from the public regarding giving back to the society. (II) To effective reduce production costs, the Company has always been committed to the effective utilization of various resources over the long-term. Since the wastes resulting from the Company production processes are mostly wastewater and gas waste, the Company has already purchased waste water and gas waste treatment facilities; this, potential burden and impacts to the environment are fairly limited. (III) The Company is always committed to energy conservation and carbon reduction on a day-to-day basis	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			during operations to conserve power usage during production. (IV) The Company has calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management.	
IV. Social Issues (I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately? (III) Does the Company provide employees with a safe and healthy work environment and regularly undertakes employees' safety and health training? (IV) Has the Company established an effective competency development career training program for employees? (V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures? (VI) Has the Company established supplier management policies, required supplier to comply with relevant regulations on environmental protection, occupational safety and health or labour human rights, and their implementation?	V V V V V	V	(I) The Company has established management rules pursuant to relevant laws and regulations and clearly states protection of human rights and employee welfare in these rules. Holding true to the philosophy of "achieving synergistic growth of the Company and its employees," the Company also provides various employee benefits. (II) The Company has established management rules pursuant to relevant laws and regulations and clearly states protection of human rights and employee welfare in these rules. Holding true to the philosophy of "achieving synergistic growth of the Company and its employees", the Company also provides various employee benefits. (III) The Company is dedicated to employee safety and health and implements new employee and on-the-job training as well as routine external and internal training. We also organize employee safety and fire safety and rescue drills and regularly provide allowances for employee health checkup as well as provide suitable and adequate protective gear and tools. (IV) The Company has not yet established effective career planning and development plans for its employees and will propose relevant plans in the future. (V) The Company provides a transparent and effective consumer grievance and complaint procedure to ensure consumer rights and for our products and services, and	Items (I) to (V) are in compliance with Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and (VI) will be established based on actual needs in the future.

<table>
<tr><th rowspan="2">Item</th><th colspan="3">State of operations</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>a Customer Service section has been set up on our corporate website. The Company is in compliance with relevant provisions and international standards for marketing and making of products and services.

(VI) For the Company's supplier management policies, there is no currently clear specification requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labour human rights.</td><td></td></tr>
<tr><td>V. Has the Company followed internationally recognized guidelines, prepare and publish reports such as its CSR Report to disclose non-financial information of the Company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?</td><td></td><td>V</td><td>Currently, the Company has not yet prepared a CSR Report.</td><td>Improvements will continue to be made in the future.</td></tr>
<tr><td colspan="5">VI. If the Company has established its own corporate social responsibility code of practice in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations from the prescribed code of practice and the actual activities taken by the Company:
The Company has not yet established CSR Best Practice Principles.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the Company’s implementation of corporate social responsibility:
(I) The Company implements and reinforces environmental management pursuant to related environmental protection laws and has achieved stellar performance in this aspect. The Company has repeatedly been honored with accolades from local governments including Ecological Model Enterprise and National Low-Carbon Economy Model Business.
(II) The Company responds to community activities from time to time and actively participates in community welfare events.
(III) The Company provides channels for employees to provide suggestions and feedback and organizes various meetings including employee relations meeting and employee seminars so that personnel from every level and every department can fully express their opinions.</td></tr>
</table>

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

<table>
<tr><th rowspan="2">Items assessed</th><th colspan="3">State of operations</th><th rowspan="2">Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>I. Establishing Corporate Code of Conduct and Ethics Policy and implementation measures
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</td><td>V
V</td><td>V</td><td>(I) The Company has established the Codes of Ethical Conduct for Directors and Managers. The Company advocates for and encourages honest and ethical conduct during meetings from time to time. In addition, Chapter III of the Employee Code of Conduct clearly states our management mission of "integrity, faithfulness, work-related and diligence."
(II) The Codes of Ethical Conduct for Directors and Managers clearly state that in case a Director or a managerial officer violates the Codes, besides facing legal consequences, the violator will also face administrative liability from the Company's audit department. In case of serious offense, the Company will report to the Board of Directors for discussion. Moreover, to ensure that conduct from Directors and managers are in compliance with the Codes and to foster the understanding of the Company's ethical corporate standards from stakeholders including customers, suppliers, and other external parties, the Company organizes communications meetings and conducts employees' educational training to foster a corporate culture dedicated to ethical conduct. Promotions are undertaken in public areas and other venues and slogans are also designed to advocate for and to remind the internal staff of our corporate culture. (III) The Company has also designed internal control and internal audit systems, and the audit department is
(III) The Company has also designed internal control and internal audit systems, and the audit department is in charge of carrying out relevant auditing activities.</td><td>No deviation is found between the Company's measures in Item (1) and (2) and the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and Item (3) will be established based on actual needs in the future.</td></tr>
</table>

Items assessed	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			Important business activities such as sales and purchasing are treated as key auditing factors, and if material fraudulent or inappropriate conducts are found, incentive/disincentive measures will be carried out immediately.	
II. Ethics management practices (I) Has the Company assessed the integrity records of its business partners, and included business conduct and ethics related clauses in its business contracts? (II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly? (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Does the Company organize internal and external training geared towards business integrity practices on a regular basis?	V V V V	 V	(I) Before transacting with key accounts, the Company always verifies the credit of the counterparty to prevent dealing with those with records of unethical conduct. (II) Though the Company has yet to establish a designated unit for promotions of ethical corporate management, the Audit Office conducts audit during each year both regularly and from time to time as needed. Audit results are reported to the Audit Committee and the Board of Directors, and appropriate remedial measures are taken. (III) The Company has established an employee whistleblower and grievance mailbox. When an employee finds any violation of the laws or the Ethical Code of Conduct, any person may report about the incident to the employee grievance mailbox and a designated person will report and handle the matter accordingly. (IV) The design of the Company operations includes an accounting system which provides standards and guidelines for accounting personnel to follow during operations. At the same time, an internal control mechanism has been established pursuant to laws and the Company's actual practices, and audit procedures are carried out accordingly and results are reported to the Audit Committee and the Board of Directors. (V) The Company regularly organizes internal and external training geared towards business integrity practices.	No deviation is found between the Company's measures in items (I), (III), (IV), and (V) and Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and item (II) will be established based on actual needs in the future.

<table>
<tr><th rowspan="2">Items assessed</th><th colspan="3">State of operations</th><th rowspan="2">Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>III. Implementation of the whistleblowing system
(I) Has the Company established specific whistleblowing and incentive procedures, set up conveniently accessible whistleblowing channels, and designated responsible individuals to handle the complaint received?
(II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?
(III) (III) Does the Company adopt proper measures to prevent a whistleblower from retaliation for reporting about the incident?</td><td>V
V
V</td><td></td><td>(I) The Company has established an employee whistleblower and grievance mailbox. When an employee finds any violation of the laws or the Ethical Code of Conduct, any person may report about the incident to the employee grievance mailbox and a designated person will report and handle the matter accordingly.</td><td>No deviation is found between the Company's measures and Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>IV. Strengthening information disclosure
(I) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?</td><td>V</td><td></td><td>(II) The Company has established a corporate website in Chinese, and specific sections which disclose about the Company's operations to investors will be established on the website based on actual needs in the future.
(III) The Company has set up designated personnel to be in charge of collection of Company information and to disclose such information on the MOPS.</td><td>No deviation is found between the Company's measures and Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the Company:
The Company is a foreign enterprise, and though currently the Company has yet to establish its own ethical corporate management best practices. Nevertheless, as stated in the paragraphs above, substantially, the Company has already operated and regulated various operating activities in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies in practice. In addition, the Company has established four seats of Independent Directors, internal auditing system and formulated the Audit Committee. Currently, no material abnormal violation of the ethical corporate management has occurred, and the Company will amend relevant management methods in accordance with current status and legal regulations to fulfill standards included in the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">VI. Other important information that facilitate the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles):
1. The Company advocates our determination toward ethical business management and relevant policies to transacting counterparties, and invites them to participate in the Company's educational training:
(1) The Company often invites suppliers to participate in our meetings, which in addition to reviewing quality problems found in purchases, also promote our</td></tr>
</table>

Items assessed	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	

management philosophies.

(2) The Company reviews new suppliers and undertakes onsite and written review in accordance with items included on the Supplier Evaluation Form. Items include inspections of processes, delivery, and fulfillment of social responsibility. At the same time, we also interview the persons-in-charge of suppliers to understand their management philosophies and whether they are operated in an ethical manner.

2. Reviewing and amending the Company's Ethical Corporate Management Best Practice Principles:
Chapter III of the Company's Employee Code of Conduct clearly states our management mission of "integrity, faithfulness, work-related and diligence." The Company has always viewed this mission statement as the highest guiding principle of Company operations and management since inception. Based on the aforementioned management principle, the Company has further established the Codes of Ethical Conduct for Directors and Managers to sure that conducts from Directors and managers are in compliance with ethical standards and to foster the understanding of the Company's ethical corporate standards from stakeholders including customers, suppliers, and other external parties.

(VII) Method of inquiring about the Company's corporate governance policy and relevant regulations:

Though the establishment of the Company's Corporate Governance policy has been approved by the Board of Directors on March 12, 2020, substantially, the Company has already operated and carried out corporate governance in practice, and the Company will take setting relevant regulations into consideration to further promote the operations of corporate governance in practice. The Company also discloses above-mentioned corporate governance related regulations on Market Observation Post System (MOPS) , the Company's internal and external websites for reference by related parties of the Company.

(VIII) Other material information that can enhance the understanding of corporate governance within the Company:

1. Directors' training records:

Title	Name	Date of Appointment	Date of Training or Continuing Studies	Organizer	Name of course	Length of course (in hours)
Chairman	Shih, Jui Pin	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3
Director	Cheng, Li-Ping	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3

Director	Tsai, Cheng-Fu	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3
Director	Shih Li, Chueh-Chu	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3
Director	Shih, Jui-Lin	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3
Director	Chen, Shun-Loong	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
Director	Chen, Yen-Fu	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3
Independent Director	Chen, Ming-Chang	2018.06.11	2019.05.07	Taiwan Corporate Governance Association	Corporate governance and compliance	3
			2019.05.07	Taiwan Corporate Governance Association	New provisions of the Economic Substantive Act of the tax haven and corporates' response	3
Independent Director	Chiu, Shean-Bii	2018.06.11	2019.06.26	Taiwan Institute of Directors	2019 Annual Meeting of Taiwan Institute of Directors - A+ Companies X Shareholder Value	4
			2019.08.02	Securities & Futures Institute	Offensive and Defensive Warfare in Trade Secret Protection	3
Independent Director	Fan, Chin-Hwa	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3
Independent Director	Chi, Lai-Ping	2018.06.11	2019.08.08	Taiwan Corporate Governance Association	The opportunities and impacts of overseas investors returning to Taiwan under the essential requirements of tax haven	3
			2019.12.13	Taiwan Corporate Governance Association	Analysis of employees' renumeration	3

2. Managers' training records

Job Title	Name	Date of Appointment	Date of Training or Continuing Studies	Organizer	Name of course	Length of course (in hours)
Accounting Manager	Ho, Mei-Hsiu	103.01.01	2019.07.23	Accounting Research and Development Foundation	"IFRS15 Revenue, Practical Application" IFRS15 Analysis of Revenue Recognition Practical Issues	3
			2019.07.25 ~ 2019.07.26	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
			2019.11.27	Accounting Research and Development Foundation	Comparison, Legal Responsibility and Case Analysis of Economic Espionage Crime in the United States and Trade Secrets Act in Taiwan	3
			2019.12.19 ~ 2019.12.20	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Audit Manager	Hsu, Ming-Hsiung	106.10.11	2019.06.17	The Institute of Internal Auditors - Chinese Taiwan	Essentials of Internal Auditing in Compliance with Laws and Regulations	6
			2019.06.18	Accounting Research and Development Foundation	Professional Study of Internal Audit and Control Practices in the Digital Economy Era	6
			2019.07.18	Accounting Research and Development Foundation	Corporate Crisis Management - Focusing on Risk Management and Crisis Communication	6
			2019.09.16	Accounting Research and Development Foundation	Establishing the Audit Law Compliance Practices of Corporate Governance Personnel Required By The Competent Authorities	6
			2019.09.18	Accounting Research and Development Foundation	Key Points of Securities Trading Law and Analysis of Major Illegal Cases That Internal Auditors Should Know	6
			2019.11.12	The Institute of Internal Auditors - Chinese Taiwan	Corporate Protection @Digital Technology Should Pay Attention to the Protection of Personal Assets- Beginning with the EU General Data Protection Regulation (GDPR)	6
			2019.12.16	Accounting Research and Development Foundation	Audit Management Practice Analysis of the Latest Version of "Corporate Governance Roadmap (2018-2020)"	6
			2019.12.20	The Institute of Internal Auditors - Chinese Taiwan	Introduction of Acquisition or Disposal of Asset Processing Standards and Related Internal Control and Internal Audit Systems of Public Entities	6

3. Other material information: To facilitate investors to understand relevant information, all Company information is announced on the Market Observation Post System (MOPS).

(IX) Implementation of Internal Control System

1. Statement of Internal Control System

艾美特（開曼）國際有限公司

內部控制制度聲明書

日期：109年3月12日

本公司民國108年度之內部控制制度，依據自行評估的結果，謹聲明如下：

一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。

二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。

三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。

四、公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。

五、本公司基於前項評估結果，認為本公司於民國108年12月31日的內部控制制度（含對子公司之監督與管理），包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。

六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。

七、本聲明書業經本公司民國109年03月12日董事會通過，出席董事[illegible]人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

For and on behalf of
AIRMATE (CAYMAN) INTERNATIONAL CO.LIMITED
艾美特（開曼）國際有限公司

Authorized Signature(s)

艾美特（開曼）國際有限公司

董事長：　　　　簽章

總經理：　　　　簽章

林永昌印

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA’s audit report: None.

(X) From the most recent fiscal year up to the publication of the Annual Report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Significant resolutions made in/by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of this Annual Report:

1. Material resolutions from the Shareholders' Meeting in 2019 and as of the date of publication of this Annual Report:

Date of meeting	Proposal	Result of Resolution	Status of implementation
2019.06.06	a. Adopted the Company's 2018 Business Report and Consolidated Financial Statements. b. Adopted the Company's 2018 Appropriation of Net Income. c. Approved the amendment to the "Procedure for Acquisition or Disposal of Assets". d. Approved the amendments to the "Articles of Association".	Voting results of the proposal - total voting rights represented at the Shareholders meeting: 87,994,492 votes; total votes in favor of the proposal: 82,519,633 votes, accounting for 93.77% on the total votes. The proposal was approved as proposed. Voting results of the proposal - total voting rights represented at the Shareholders meeting: 87,994,492 votes; total votes in favor of the proposal: 82,509,633 votes, accounting for 93.76% on the total votes. The proposal was approved as proposed. Voting results of the proposal - total voting rights represented at the Shareholders meeting: 87,994,492 votes; total votes in favor of the proposal: 85,519,633 votes, accounting for 93.77% on the total votes. The proposal was approved as proposed. Voting results of the proposal - total voting rights represented at the Shareholders meeting: 87,994,492 votes; total votes in favor of the proposal: 82,519,633 votes, accounting for 93.77% on the total votes. The proposal was approved as proposed.	Complete Complete Implemented in accordance with the amended Procedure for Acquisition or Disposal of Assets. Implemented in accordance with the amended Articles of Association.

2. Material resolutions from the Board of Directors meeting in 2019 and as of the date of publication of this Annual Repor

Date of meeting	Proposal	Result of Resolution
2019.03.04	a. Approved the Company's 2018 Statement of Internal Control System. b. Approved the Company's 2018 Business Report and Consolidated Financial Statements. c. Approved the Company's 2018 employee bonus and Directors' bonus allocations. d. Approved the Company's 2018 Statement of Deficit Compensations.	Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors and total amount of endorsements/guarantees and estimated costs will be prepared within one week after

	e. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong). f. Approved the Company's proposal to amend the Regulations Governing the Acquisition and Disposal of Assets. g. Approved the amendments to the Company's Articles of Association. h. Approved the Company's proposal to establish Standardized Operating Procedures to Handle Directors' Requests. i. Approved the Company's subsequent appointment of the Accounting Manager and termination of the Finance Manager. j. Approved the calling of 2019 Annual General Shareholders' Meeting.	the meeting. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors, and background investigation of Mr. Lin, Huangming will be completed ASAP and reported to the Directors via email. Approved by all attending Directors.
2019.05.03	a. Approved the Company's First Quarter (Q1) 2019 Consolidated Financial Statements. b. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong) and Airmate Electrical (Shenzhen) Limited and Airmate Electric Appliances (Jiujiang) Co Limited. Extempore Motion: Director Chen, Ming-Chang proposed: 1. The Company's management should pay more attention to the financial status of customers with arrears in accounts receivable. 2. The Company's management should recruit talent from different aspects at the right time to form a better management team. Chairman of the Board Shih Jui-Pin replied: The Company will recruit new talents at the right time, and it is expected to proceed after June.	Approved by all attending Directors. Approved by all attending Directors.
2019.08.08	a. Approved the Company's Second Quarter (Q2) 2019 Consolidated Financial Statements. b. Approved the 2019 Budget Execution Report and updated the budget for the second half of the year. c. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong), Airmate Electric (Shenzhen) Limited and Airmate Electric (Jiujiang) Limited. d. Approved the subscription date of the treasury stock of the Company transferred to employees o e. Approved the Company's proposal to replace the President. f. Approved to issue new shares of the Company for capital inrease. g. Approved the Company's plan to raise and issue the Third (term) Secured Convertible Corporate Bonds in the Republic of China. h. Approved the Company's plan to raise and issue the Third (term) Secured Convertible Corporate Bonds in the Republic of China, apply for the issuance of corporate bond guarantee limit to CTBC Bank, Far East International Commercial Bank, Taiwan Shin Kong Commercial Bank, Chang Hwa Commercial Bank and Cathay United Bank. i. Approved the Company's remunerations for Directors from January to June 2019.	Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all other attending Directors after recusal from certain Directors to prevent conflicts of interest.

	j. Approved the Company's remunerations for Independent Directors from January to June 2019. k. Approved the Company's remunerations for managerial officers from January to June 2019. Chen Shun-Loong proposed: For financing, the Company should evaluate the process of private marketable security and understand the various financing ways comprehensively. Independent Director proposed: If adopts private marketable security as the financing method, the Company should obtain a letter of intent from a strategic investor and submit to the Board of Directors for discussion.	Approved by all other attending Directors after recusal from certain Directors to prevent conflicts of interest. Approved by all attending Directors.
2019.11.07	a. Approved the new Internal Control System of Airmate (Cayman) International Co., Limited b. Approved the Company's Third Quarter (Q3) 2019 Consolidated Financial Statements. c. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong). d. Approved the issued price of new shares issued by the Company in 2019 for capital increase. e. Approved the appropriation of the subscription share amount granted to managerial officers and employees from new shares issued for capital increase in 2019.	Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors.
2019.12.13	a. Aprroved 2020 Audit Plan of Airmate (Cayman) International Co., Limited. b. Approved the Company's renewal of liability insurance for Directors and managerial officers. c. Approved the Company's 2020 Budget Plan. d. Approved the proposal for the endorsement/guarantee for subsidiary Airmate Electric (Shenzhen) Limited and Airmate Electric (Jiujiang) Limited. e. Approved the replacement of the Company's CPA. f. Approved the Company's remunerations for Directors from January to December 2019. g. Approved the Company's remunerations for Independent Directors from January to December 2019. h. Approved the Company's remunerations for managerial officers from January to December 2019.	Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all other attending Directors after recusal from certain Directors to prevent conflicts of interest. Approved by all other attending Directors after recusal from certain Directors to prevent conflicts of interest. Approved by all attending Directors.
2020.03.12	a. Approved the Company's 2019 "Statement of Internal Control System." b. Approved the Company's 2019 Business Report and Consolidated Financial Statements. c. Approved the Company's 2019 employee bonus and Directors' bonus allocations. d. Approved the 2019 Appropriation of Net Income. e. Approved the issuance of new shares with surplus for capital increase. f. Approved the proposal for the endorsement/guarantee for subsidiary Waon Development Limited (Hong Kong). g. Approved the amendements to the Company's Operating Procedures for Loaning of Funds to Others. h. Approved the amendements to the Endorsement/Guarantee Management Measures. i. Approved the amendments to the Articles of Association. j. Approved the amendments to the Procedures for Election of Directors.	Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors. Approved by all attending Directors.

	k. Approved the amendments to the Rules of Procedure for Shareholders Meeting.	Approved by all attending Directors.
	l. Approved the amendments to the Preparation Procedures of Financial Statements.	Approved by all attending Directors.
	m. Approved the proposal for the Company's Corporate Governance Best Practice Principles.	Approved by all attending Directors.
	n. Approved the Company's remunerations for Directors from January to December 2019.	Approved by all attending Directors.
	o. Approved the Compensations for managerial officers from January to December 2019.	Approved by all other attending Directors after recusal from certain Directors to prevent conflicts of interest.
	p. Approved the calling of 2020 Annual General Shareholders' Meeting.	Approved by all attending Directors.
	Extempore Motion: Chen Shun-Loong proposed: 1. With the impact of COVID-19, the sales of air-conditioning products decrease and the sales of circulating fans will increase. 2. Pay more attention to the account risk in China market. 3. Since Japanese yen appreciates, the orders from Japan should be donominated in Japanese yen.	Approved by all attending Directors.

(XII) In the most recent year and as of the date of publication of the Annual Report, for dissenting opinions from Directors or Supervisors for material resolutions passed by the Board meeting that were recorded or included written statements, please indicate the contents: None.

(XIII) In the most recent fiscal year and as of the date of publication of the Annual Report, a summary of the resignation and dismissal of the Company personnel including Chairman, President, accounting managers, finance managers, internal auditing managers and R&D managers:

As of April 13, 2020

Title	Name	Date of appointment	Date of dismissal	Resignation or reason of termination
Chief Financial Officer (CFO)	Chang, Chih-Wei	2015.05	2019.01	Career planning
President	Zhang, Wan-Quan	2014.09	2019.02	Career planning
Vice President	Kanai, Mari	2009.01	2019.06	Career planning
Assistant Manager	Chen, Yung-Shen	2010.01	2019.10	Career planning
Vice President	Tseng, Yan-Min	2009.01	2019.12	Career planning

V. Information on CPA Professional Fees

Range of compensations for CPA professional fees

Accounting Firm	Name of CPA		Auditing period	Remarks
KPMG Taiwan	Derek Hsu	Kuan-Wen Lu	From January 1, 2019 to December 31, 2019	-

Unit: NT$1,000

Range of compensations \ Category of fees		Audit Fees	Non-audit fees (Note 1)	Total
1	Less than NT$2,000,000	-	165	165
2	NT$2,000,000 (inclusive) to NT$4,000,000	-	-	-
3	NT$4,000,000 (inclusive) to NT$8,000,000	-	-	-
4	NT$6,000,000 (inclusive) to NT$8,000,000	5,940	-	5,940
5	NT$8,000,000 (inclusive) to NT$10,000,000	-	-	-
6	NT$10,000,000 or above	-	-	-

Note 1: Non-audit fees were mostly attributable to business registration fees.

(I) Where the Company's non-audit fees paid to the CPAs, accounting firm of the CPAs and its related companies reaches one-fourth (25%) of the audit fees: Not applicable.

(II) Where the Company replaces the CPA and the auditing fees paid in the year of the replacement is less than that of the previous year: None.

(III) Auditing fee is 10% or more less than the previous year: None.

VI. Information on Replacement of CPA:

Replacement of CPA in 2019 was in line with KPMG's internal job rotations .

VII. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

VIII. Conditions of share transfer and changes in equity pledge from the Directors, Supervisors, managers, and shareholders who hold more than 10% of shares, from the past year up to the date printed on the Annual Report:

(1) Share transfer and changes in equity pledge from Directors, Supervisors, managers, and substantial shareholders holding more than 10% of Company shares

Unit: Shares

Title	Name	2019		As of April 13. 2020	
		Changes in shares held	Changes in shares pledged	Changes in shares held	Changes in shares pledged
Chairman (Note 2)	Shih, Jui Pin	130,165	—	—	—
Director and Senior Consultant	Cheng, Li-Ping	—	—	—	—
Director	Tsai, Cheng-Fu	264,328	—	—	—
Director	Shih Li, Chueh-Chu	168,756	—	—	—

Title	Name	2019		As of April 13. 2020	
		Changes in shares held	Changes in shares pledged	Changes in shares held	Changes in shares pledged
Director	Shih, Jui-Lin	315,691	—	—	—
Director	Chen, Shun-Loong	(2,000)	—	—	—
Director	Chen, Yen-Fu	1,081	—	—	—
Independent Director	Chen, Ming-Chang	—	—	—	—
Independent Director	Fan, Chin-Hwa	—	—	—	—
Independent Director	Chiu, Shean-Bii	—	—	—	—
Independent Director	Chi, Lai-Ping	—	—	—	—
Substantial shareholders holding 10% or more of Company shares	Pearl Place Holdings Ltd	—	—	—	—
President (Note 2)	Lin, Yung-chang	190,812	—	—	—
Chief Operating Officer (COO)	Tseng, Chao-Ting	192,875	—	(80,000)	—
Head of China Market Department	Lei Yan	—	—	—	—
Senior Manager	Piao, Yuan-Zhe	—	—	—	—
Manager	Hsu, Ming-Hsiung	30,000	—	—	—
Accounting Manager (Note 3)	Ho, Mei-Hsiu	96,046	—	—	—
Finance Manager (Note 9)	Lin, Huang-Ming	94,325	—	—	—
CFO (Note 3)	Chang, Chih-Wei	—	—	—	—
President (Note 4)	Zhang, Wan-Quan	—	—	—	—
Vice President (Note 5)	Kanai, Mari	—	—	—	—
Assistant Manager (Note 6)	Chen, Yung-Shen	—	—	—	—
Vice President (Note 7)	Tseng, Yan-Min	—	—	—	—

Note 1. Directors were elected at the shareholders' meeting on June 11, 2018.

Note 2. Due to personnel relocation on July 1, 2019, Mr Shih, Jui-Pin, the Chairman of the Board, was removed as President and the appointment of Mr. Lin Yung-Chang as the new President of the Company was effective upon approval from the Board meeting on August 8, 2019.

Note 3. Due to personal career planning goals, Mr. Chang, Chih Wei resigned as Finance and Accounting Manager on January 10, 2019, and the Accounting Manager position was assumed by Manager Ho, Mei Hsiu, while the Finance Manager position was assumed by Manager Lin, Huang Ming.

Note 4. Due to personal career planning goals, Mr. Zhang, Wan-Quan has assumed the position of Senior Consultant at Airmate Electric (Jiujiang) Co., Limited since February 12, 2019, and the President position was concurrently served by Chairman Shih, Jui-Pin.

Note 5. Due to personal career planning goals, Ms. Kanai, Mari resigned as Vice President since June 30, 2019.

Note 6. Due to personal career planning goals, Mr. Chen, Yung-Shen resigned as Assistant Manager of Information Department since October 31, 2019.

Note 7. Due to personal career planning goals, Mr. Tseng, Yan-Min resigned as Vice President on December 31, 2019 and assumed the position of Chairman's Office Advisor of the Company since January 1, 2020.

(2) Information on equity transfer from related parties: None.

(3) Information on equity pledge from related parties: None.

IX. Relationship information between 10 largest substantial shareholders

As of April 13, 2020 Unit: shares; %

Name	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who are spouses or second-degree relatives of each other		Note
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name (OR NAME)	Relation	
Pearl Place Holdings Limited	25,592,500	18.70	–	–	–	–	–	–	
Representative: Shih, Jui Pin	1,489,687	1.09	264,805	0.19	–	–	–	–	
Superb Rhyme Limited	6,529,096	4.77	–	–	–	–	–	–	
Representative: Tseng, Wan-Lin	1,230,240	0.26	78,000	0.06	–	–	–	–	
Joyful Will Group Limited	4,834,213	3.53	–	–	–	–	–	–	
Representative: EAST NETWORK LTD.c	–	–	–	–	–	–	–	–	
Strong Fit Holdings Limitetd	4,626,774	3.38	–	–	–	–	–	–	
Representative: Lin, Mei-Hsiang	48,250	0.04	3,095,192	2.26	–	–	Cheng, Li-Ping	Spouse	
Tsai, Cheng-Fu	3,931,165	2.87	–	–	–	–	Robust View Ltd. Representative: Liu, Tsui-Hui	Spouse	
Cheng, Li-Ping	3,095,192	2.26	48,250	0.04	–	–	Strong Fit Holdings Limitetd Representative: Lin, Mei-Hsiang	Spouse	
Robust View Limited	3,019,882	2.21	–	–	–	–	–	–	
Representative: Liu, Tsui-Hui	–	–	3,931,165	2.87	–	–	Tsai, Cheng-Fu	Spouse	
Investment account of Shixun Limited Company (entrusted to the custody of CTBC Bank)	2,759,273	2.02	–	–	–	–	–	–	
Investment account of Sunshine International Co., Ltd.(entrusted to the custody of CTBC Bank)	2,515,745	1.84	–	–	–	–	–	–	
Dedicated investment account of Jung Wei Co., Ltd, in the custody of CTBC Bank	2,300,000	1.68	–	–	–	–	–	–	

X. Shares held by the Company, its Directors, Supervisors, managers, and businesses either directly or indirectly controlled by the Company as a result of investment, and the ratio of consolidated shares held

As of April 13, 2020; Unit: NT$1,000; shares; %

Reinvestment business	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Ownership	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Airmate International Holding Limited	63,974	100.00	—	—	63,974	100.00
Airmate China International Limited (BVI)	69,761	100.00	—	—	69,761	100.00
Waon Development Limited (Hong Kong)	(Note 1)	100.00	—	—	—	100.00
Airmate Electrical (Shenzhen) Limited	(Note 1)	100.00	—	—	—	100.00
Zhejiang Airmate Electrical Sales Limited	(Note 1)	40.00	—	—	—	40.00
Airmate Electrical (Jiujiang) Limited	(Note 1)	100.00	—	—	—	100.00
Airmate Technology (Shenzhen) Co. Limited	(Note 1) (Note 2)	100.00	—	—	—	100.00

Note 1. This is a related company and hence does not issue shares.

Note 2. Airmate Electrical (Shenzhen) acquired the remaining 49% control of Shenzhen Airmate Technology Co., Limited (AIrmate Technology) on January 6, 2020 and completed the change of company name to Airmate Technology (Shenzhen) Co., Limited.

Chapter 4. Funding Status

I. Capital & Shares

(I) Sources of capital:

1. The process of capital formation

Unit: NT$1,000/thousand shares

Month/ Year	Issue Price (NTD)	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Share Capital	Capital Increased by Assets Other than Cash	Others
2004.04	HK$ 0.1	5,000,000	HK$ 500,000	160,000	HK$ 16,000	Capital stock at establishment	–	
2008.07	HK$ 0.1	5,000,000	HK$ 500,000	160,400	HK$ 16,040	Capital increase by cash of HKD$ 40 thousand	–	
2009.12	HK$ 0.1	5,000,000	HK$ 500,000	176,100	HK$ 17,610	Capital increase of HK$1,570 thousand from employee bonus	–	
2009.03	HK$ 0.1	5,000,000	HK$ 500,000	186,600	HK$ 18,660	Capital increase by cash HK$ 1,050 thousand	–	
2009.12	HK$ 0.1	5,000,000	HK$ 500,000	219,100	HK$ 21,910	Capital increase of HK$ 3,250 thousand by retained earnings	–	
2010.07	HK$ 0.1	5,000,000	HK$ 500,000	225,900	HK$ 22,590	Capital increase of HK$ 680 thousand by employee bonus	–	
2012.02	HK$ 1	500,000	HK$ 500,000	225,900	HK$ 225,900	Capital increase of HK$203,310 thousand from capital reserve	–	
2012.05	HK$ 1	500,000	HK$ 500,000	254,900	HK$ 254,900	Capital increase by cash of NT$29,000 thousand	–	
2012.08	NT$ 10	216,250	NT$ 2,162,500	110,244	NT$ 1,102,443	Conversion of denomination from Hong Kong Dollar to NT Dollar	–	Note 1
2013.03	NT$ 10	216,250	NT$ 2,162,500	122,494	NT$ 1,224,942	Capital Increase by Cash		Note 2
2014.09	NT$ 10	216,250	NT$ 2,162,500	122,885	NT$ 1,228,846	convertible bonds of NT$3,904 thousand	–	Note 3
2016.11	NT$ 10	216,250	NT$ 2,162,500	122,844	NT$ 1,228,436	Write-off of treasury stock of NT$41 thousand for the reduction in capital	–	Note 4
2019.12	NT$ 10	216,250	NT$ 2,162,500	136,851	NT$ 1,368,506	Capital increase of NT$120,000 thousand and convertible bonds of NT$20,070 thousand		Note 5

Note 1. On July 26, 2012, the shareholders' meeting approved a resolution to change the company's stock denomination currency from Hong Kong dollar to New Taiwan dollar.
Note 2. The official document No. 1010012865 issued by the FSC on January 3, 2013.
Note 3. September 2014, the date on which the bondholders of convertible corporate bonds exercised of their conversion rights.
Note 4. November 17, 2016, is the record date for the reduction of capital of treasury stock
Note 5. The official document No. 1080333469 issued by the FSC on January 3, 2013.

2. Types of shares issued

Unit: Shares

Type of Shares	Authorized Capital			Note
	Outstanding Shares	Unissued shares	Total	
Registered ordinary shares	136,850,637	79,399,363	216,250,000	Listed Company Stock

1. Information for Shelf Registration: Not applicable

(II) Shareholder Structure

April 13, 2020; Unit: Shares

Shareholder Structure / Number of Shares	Government agencies	Financial institutions	Other Legal Persons	Individual	Foreign institutions and foreigners	Treasury shares	Total
Number of shareholders	—	—	19	2,398	90	—	2,507
Shareholding (Shares)	—	—	2,623,879	67,214,372	67,012,386	—	136,850,637
Shareholding Ratio (%)	—	—	1.92	49.11	48.97	—	100.00

The percentages of shares held by China investors is: 2.67%

(III) Share Distribution

1. Common Stock

April 13, 2020; Unit: Shares

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio (%)
1 ~ 999	231	29,060	0.02
1,000 ~ 5,000	1,456	2,868,670	2.10
5,001 ~ 10,000	256	2,045,492	1.49
10,001 ~ 15,000	106	1,319,245	0.96
15,001 ~ 20,000	77	1,417,388	1.04
20,001 ~ 30,000	78	2,004,663	1.46
30,001 ~ 40,000	41	1,432,656	1.05
40,001 ~ 50,000	37	1,709,280	1.25
50,001 ~ 100,000	87	6,430,813	4.70
100,001 ~ 200,000	50	7,292,494	5.33
200,001 ~ 400,000	37	10,075,542	7.36
400,001 ~ 600,000	13	6,741,467	4.93
600,001 ~ 800,000	9	6,047,394	4.42
800,001 ~ 1,000,000	4	3,508,849	2.56
1,000,001 or more	25	83,927,624	61.33
Total	2,507	136,850,637	100.00

2. Preferred stock: Not applicable.

(IV) List of Major Shareholders

Name, Number of shares held, and shareholding percentage of shareholders who hold more than 5% of the shares or the 10 largest shareholders:

April 13, 2020; Unit: Shares

Shares / Name of Major Shareholders	Nationality/Place of registration	Shareholding (Shares)	Shareholding Ratio (%)
Pearl Place Holdings Limited	British Virgin Islands	25,592,500	18.70
Superb Rhyme Limited	British Virgin Islands	6,529,096	4.77
Joyful Will Group Limited	American Samoa	4,834,213	3.53
Strong Fit Holdings Limited	British Virgin Islands	4,626,774	3.38
Tsai, Cheng-Fu	The Republic of China	3,931,165	2.87

Cheng, Li-Ping	The Republic of China	3,095,192	2.26
Robust View Limited	British Virgin Islands	3,019,882	2.21
Investment account of Shixun Limited Company (entrusted to the custody of CTBC Bank)	The Republic of China	2,759,273	2.02
Investment account of Sunshine International Co., Ltd.(entrusted to the custody of CTBC Bank)	The Republic of China	2,515,745	1.84
Dedicated investment account of Jung Wei Co., Ltd, in the custody of CTBC Bank	The Republic of China	2,300,000	1.68

(V) Market Price, Book Value, Earnings, and Dividends in Past 2 Years

Unit: Thousand shares; NT$

<table>
<tr><th colspan="3">Item / Year</th><th>2018</th><th>2019</th><th>As of March 31, 2020</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">High</td><td>26.30</td><td>35.70</td><td>30.15</td></tr>
<tr><td colspan="2">Low</td><td>12.05</td><td>13.00</td><td>16.5</td></tr>
<tr><td colspan="2">Average</td><td>19.42</td><td>26.15</td><td>25.54</td></tr>
<tr><td rowspan="2">Net value per share</td><td colspan="2">Before distribution</td><td>20.04</td><td>21.88</td><td>21.88</td></tr>
<tr><td colspan="2">After distribution</td><td>20.04</td><td>21.88</td><td>21.88</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted Average Shares</td><td>121,614</td><td>122,906</td><td>122,906</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Before retrospective adjustment</td><td>(0.12)</td><td>2.05</td><td>-</td></tr>
<tr><td>After retrospective adjustment</td><td>Not applicable</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash Dividends</td><td>-</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Dividends from retained earnings</td><td>-</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
<tr><td>Dividend for paid-in capital</td><td>-</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends</td><td>-</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
<tr><td rowspan="3">Return on Investments</td><td colspan="2">Price/Earnings Ratio (Note 1)</td><td>(161.83)</td><td>12.76</td><td>-</td></tr>
<tr><td colspan="2">Price/Dividend Ratio (Note 2)</td><td>-</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 4)</td><td>-</td><td>Not yet distributed</td><td>Not yet distributed</td></tr>
</table>

Note 1. Price/Earnings Ratio = Average closing share price of the period/Earnings per share.
Note 2. Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.
Note 3. Cash dividend yield = Cash dividend per share/average closing share price of the year.

(VI) The Company's dividend policy, implementation status, and expected significant changes

1. Dividend Policies under the Articles of Association

   The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 12.3(a) hereof, Supermajority Resolution and subject to these Articles and any direction of the Company in general meeting, declare a dividend to be paid to the Members in proportion to the number of shares held by them, and such dividend may be paid in cash, shares or in whole or in part in various assets in accordance with Article 14.2.

No unpaid dividend shall bear interest as against the Company. Subject to Article 14.1 of the Constitution, the board of directors may decide to distribute all or part of the dividend in specific assets (shares or securities of other companies) and deal with the related issues arising from the distribution; only, before the board of directors decides the value of such assets, the board of directors shall obtain the consent of the shareholders who intend to receive the specific assets and send the value of such assets to certified public accountants of the Republic of China for auditing and attestation. The Board of Directors may issue cash to some shareholders according to the value of such assets in order to adjust the rights and interests of shareholders. Without limiting the generality of the above provisions, the board of directors may deliver such specific assets to the trustee on such conditions as it deems appropriate and issue fractional shares. In the absence of any violation of the Cayman Company Law, the company shall not issue dividends or distribute other dividends except for the realized profits of the Company, the premium account for the issuance of shares or the dividends paid or distributed by the reserve or other funds allowed by the Cayman Company Law. Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the number of the shares that a Member holds. If any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividends accordingly.

Except as otherwise stipulated in the Cayman Company Law, the Articles of Association or the rights attached to shares, the Company may distribute profits in accordance with a proposal for profit distribution approved by the Board and sanctioned by the Members by an Ordinary Resolution, in annual general meetings.

For so long as the shares are registered on the Emerging Stock Market or listed on the Taipei Exchange (TPEx), if there are profits, in making the profit distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) 10% of surplus reserve (hereinafter referred to as "legal reserve") (unless the legal reserve has reached the Company's paid-in capital) ; and (iv) special surplus reserve required by the Securities Authority in accordance with the Rules of public companies. If there is still a surplus, upon the approval of the shareholders' meeting it may be distributed in the following order:

a. Five percent (5%) to ten percent (10%) as a bonus to employees, including employees of the Company's subsidiaries.
b. No more than 3% as remuneration for the Directors (excluding Independent Directors);
c. If there is any surplus, all or part of the undistributed surpluses accumulated in previous years may be distributed to shareholders in proportion to the shareholding ratio; and
d. 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.

2. Proposed dividend distribution:
   For the appropriate of net income 2019, the Board of Directors has approved the distribution of cash dividends of NT$109,480,510 and stock dividends of NT$ 27,370,130 on March 12, 2020. The distribution will be processed in accordance with relevant regulations after the resolution of the shareholders' meeting on June 1, 2020.

(VII) Impact of Stock Dividends Issuance by the resolution of the shareholders on the Company's business performance and earnings per share :

The Company does not need to prepare the 2019 Financial Forecast. Thererfore, this item is not applicable.

(VIII) Employees' Compensation and Remuneration of Directors and Supervisors (the Company did not set up Supervisors)

1. The percentage or scope of compensation for employees, Directors, and Supervisors as prescribed under the Articles of Association:
   For so long as the shares are registered on the Emerging Stock Market or listed on the Taipei Exchange (TPEx), if there are profits, in making the profit distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) 10% of surplus reserve; and (iv) special surplus reserve required by the Securities Authority in accordance with the Rules of public companies. If there is still a surplus, upon the approval of the shareholders' meeting it may be distributed in the following order:
   (1) Five percent (5%) to ten percent (10%) as a bonus to employees, including employees of the Company's subsidiaries;
   (2) No more than 3% as remuneration for the Directors (excluding Independent Directors);
   (3) Subject to the provisions of the Cayman Company Law and by Article 14.5, the remuneration of employees and Directors and the amount of dividends determined by the Board of Directors to conform with the dividend policy stipulated in the preceding paragraph. If there is any surplus, all or part of the undistributed surpluses accumulated in previous years may be distributed to shareholders in proportion to the shareholding ratio.
   (4) 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.

2. Accounting treatment for the basis of estimating the amount of the employees' compensation, remuneration of Directors and Supervisors for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures. The bonus to employees and Directors' remuneration of the Company are determined in accordance with the Articles of Association of the Company and are assessed in each year in accordance with this basis. However, if the accrued amounts are different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences are recorded as a change in accounting estimate, after the annual adjustment of the shareholders' meeting resolutions, recognized as gain or loss of the shareholders' meeting year.
3. Distribution of compensation to the Board of Directors
   (1) Remuneration to employees, Directors, and Supervisors allocated in cash or stock If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:
   (2) Propose to allocate remuneration in cash, NT$17,416,618 for employees and NT$3,483,324 for Directors. There has been no discrepancy from the amount in estimated annual recognized expenses.
   (3) The amount of any employees' compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: not applicable.
   Estimated earnings per share after proposed allotment of employees' compensation and remuneration of Directors and Supervisors:

   Since the implementation of expensing employee bonus and the compensation of directors and supervisors since 2008, the employee bonus fees and the remuneration expenses of directors and supervisors have been estimated, so the calculated earnings per share are the same as the consolidated financial statements.
4. Actual distribution of remunerations for employees, Directors, and Supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized compensations for employees, Directors, and Supervisors, the difference, cause, and treatment of the discrepancy be described:

   The Company's earnings distribution plan for 2018 was approved by the shareholders' meeting on June 6, 2019. Proposed to allocate remuneration in cash, NT$4,026,279 for employees and NT$748,896 for Directors. No difference between the actual distribution of employees' and directors' remuneration in the year and the distribution amount approved by the shareholders' meeting.

(IX) Shares buyback by the Company (Completed):

April 13, 2020

Buy-back time	First (term)	Second (term)	Third (term)	Fourth(term)
Purpose of Repurchase	To maintain company credit and shareholders' equity	Transfer ownership of shares to employees	Transfer ownership of shares to employees	Transfer ownership of shares to employees
Scheduled buy-back period	September 5, 2016 ~ October 5, 2016	November 7, 2016 ~ December 15, 2016	March 6, 2017 ~ May 5, 2017	January 3, 2018 ~ February 12, 2018
Price range	25.75-27	25-25.59	18.35-39	16.75-38
Type and quantity of shares already bought back	41 thousand common shares	442 thousand common shares	316 thousand common shares	500 thousand common shares
Monetary amount of shares bought	NT$1,088 thousand	NT$11,225 thousand	NT$9,352 thousand	NT$12,474 thousand
Number of shares voided/transferred	41 thousand shares	442 thousand shares	316 thousand shares	500 thousand shares
The accumulated holding of the Company's shares	-	-	-	-
The ratio of the cumulative number of shares held of in Company to the total number of shares issued (%)	-	-	-	-

II. Issuance of Corporate Bonds

(I) Overseas corporate bonds: Not applicable.

(II) Domestic corporate bonds:

Type of Corporate Bond	Second (term) Secured Convertible Corporate Bonds	Third (term) Secured Convertible Corporate Bonds
Issue date	September 30, 2017	December 4, 2019
Par Value	NT$100,000	NT$100,000
Issue Price	NT$100,000	NT$100,000
Total	NT$500,000 thousand	NT$300,000 thousand
Interest rate	0%	0%
Duration	Three-year term Maturity date: September 30, 2020	Three-year term Maturity date: December 4, 2022
Guarantee Agency	Taishin International Bank, CTBC Bank, Taiwan Shin Kong Commercial Bank, Ltd. and Far Eastern International Bank	CTBC Bank, Taiwan Shin Kong Commercial Bank, Ltd. and Far Eastern International Bank
Trustee	Bank of SinoPac	Bank of SinoPac
Underwriter	Taishin Securities Co., Ltd.	KGI Securities Co., Ltd.
Certifying Attorney	None	None
Certifying CPA	None	None
Redemption method	Except for the bondholders to convert the bonds into ordinary shares of the Company by Article 11	Except for convertible corporate bondholders (hereafter referred to as "bondholders") to convert the bonds

	of the Method, or to exercise the put right by Article 22 of the Method, or the Company shall redeem the bonds in advance according to Article 21 of the Method, or the Company will buy back the bonds and cancel from securities firm's business office. At maturity, it will be repaid in cash based on the par value.	into ordinary shares of the Company by Article 11 of the Method, or the Company shall redeem the bonds in advance according to Article 21 of the Method, or the Company will buy back the bonds and cancel from securities firm's business office. At maturity, it will be repaid in cash based on 101.51% par value (annual yield of 0.5%).
Outstanding Principal Balance	NT$500,000 thousand	NT$300,000 thousand
Redemption or Early Repayment Clause	(I) In case of the closing price of the Company's common shares is above the then conversion price by 30% (inclusive) for 30 consecutive trading days during the period from the next day (January 1, 2018) after 3 months of the bonds issued to 40 days (August 21, 2020) before the maturity date, within the next 30 business days, the Company may send a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from holders with cash according to face amount within 5 operation days after the bonds redeem base date. (II) In case the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the next date (January 1,	(I) In case of the closing price of the Company's common shares is above the then conversion price by 30% (inclusive) for 30 consecutive trading days during the period from the next day (March 5, 2020) after 3 months of the bonds issued to 40 days (October 25, 2022) before the maturity date, within the next 30 business days, the Company may send a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from holders with cash according to face amount within 5 operation days after the bonds redeem base date. (II) In case the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the next date (March 5, 2020) after 3 months of the bonds

		2018) after 1 month of the bonds issue to 40 days (August 21, 2020) before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time by sending a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from holders with cash according to face amount within 5 operation days after the bonds redeem base date. (III) If the creditor fails to reply in writing to the Company's stock agency (effective upon delivery and based on the postmark date) before the date of the redemption recorded date set out in the Bond Redemption Notice, the Company will redeem the convertible corporate bonds held by the creditor in cash within 5 business days after the date of the redemption recorded date.	issue to 40 days (October 25, 2022) before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time by sending a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from holders with cash according to face amount within 5 operation days after the bonds redeem base date. (III) If the creditor fails to reply in writing to the Company's stock agency (effective upon delivery and based on the postmark date) before the date of the redemption recorded date set out in the Bond Redemption Notice, the Company will redeem the convertible corporate bonds held by the creditor in cash within 5 business days after the date of the redemption recorded date.
Restrictive Clause		None	None
Name of credit rating institution, rating date, and corporate bond rating results		None	None
Other rights	Amount of ordinary shares already converted (swapped or warranted) and global/overseas depositary receipts or other negotiable securities	From the issued date of the convertible corporate bond to December 31, 2019, bondholders have applied for the conversion to the Company's ordinary shares of 2,007 thousand shares with the par	No conversion applied

	as of the publishing date of the Annual Report.	value of NT$56,800 thousand. The resulting decrease in the relevant subscription capital surplus is NT$1,405 thousand. The premium capital reserve resulting from the issuance of new shares by bond conversion in 2019 was NT$37,389 thousand. The share capital resulting from the bond conversion is NT$20,070 thousand. Please refer to Note 6 (19) of the 2019 Consolidated Financial Report.	
	Rules governing issuance or conversion (Exchanged or subscription)	In accordance with the Company's provisions on the issuance and conversion of secured convertible corporate bonds	In accordance with the Company's provisions on the issuance and conversion of secured convertible corporate bonds
Possible dilution of equity or impact to the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks		If the second unsecured conversion of corporate bonds issued in the Republic of China is converted into ordinary shares after the issuance, the maximum dilution ratio of the original shareholders' equity is 10.36%. Moreover, since the conversion price is issued at the excess of par, if the original shareholders wish to maintain the original share ratio, they can obtain the required shares from the trading market at a relatively low price, without actually losing their rights and interests.	If the second unsecured conversion of corporate bonds issued in the Republic of China is converted into ordinary shares after the issuance, the maximum dilution ratio of the original shareholders' equity is 6.46%. Moreover, since the conversion price is issued at the excess of par, if the original shareholders wish to maintain the original share ratio, they can obtain the required shares from the trading market at a relatively low price, without actually losing their rights and interests.
Name of the commissioned custodian of exchangeable underlyings		None	None

1. Information on conversion of corporate bonds

Exercising of employee stock options		Second (term) Secured Convertible Corporate Bonds		Third (term) Secured Convertible Corporate Bonds	
Item / Year		2019	Current year up to March 31, 2020	2019	Current year up to March 31, 2020
Market value of convertible corporate bond	High	125.5	110.50	108.30	109.00
	Low	101.25	99.70	104.70	101.00
	Average	109.98	102.32	105.80	105.24
Conversion Proce		NT$ 28 ~ 28.3	No conversion applied	No conversion applied	No conversion applied
Issue (processing) date and conversion price at issuance.		September 30, 2017 NT$ 28.3	September 30, 2017 NT$ 28.3	December 4, 2019 NT$ 32	December 4, 2019
Methods of fulfilling conversion obligations		Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares

(III) Overseas corporate bonds: None.

(IV) Information on exchange of corporate bonds: Not applicable

(V) Information for shelf registration: Not applicable.

(VI) Information on corporate bonds with stop options: Not applicable.

III. Preferred Stocks: None.

IV. Overseas Depositary Receipt: None.

V. Employee Stock Warrant: Not issued.

VI. New Shares to Employees with Restricted Rights: None.

VII. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.

VIII. Financing Plans and Implementation: Not applicable.

Chapter 5. Overview of Business Operations

I. Description of the Business

(I) Scope of Business

(1) Major lines of business

As a player in the home appliance industry, the Company mainly engages in the production of electric fans, electric heaters, and other small home appliances, as well as related components and molds, and is committed to the research and development, production, and sale of various types of quality small home appliances.

(2) Weight of major lines of business

Unit: NT$1,000

Year / Product	2018		2019	
	Amount	Weight (%)	Amount	Weight (%)
Electric Fans	6,778,857	63.86	6,560,708	64.68
Electric Heaters	2,922,860	27.54	2,558,181	25.22
Other small home appliances	451,012	4.25	430,583	4.25
Electrical products	293,364	2.76	322,576	3.18
Others	168,847	1.59	270,733	2.67
Total	10,614,940	100.00	10,142,781	100.00

Note: Others include components and molds.

(3) Current products (services)

A. Electric fans, mainly pedestal fans and cooling fans, contain a total of 21 series with 646 kinds of products. The representative models are as follows:

a. Table fans, b. stand fans, c. box fans, d. wall-mounted fans, e. tower fans, f. cooling fans, g. USB fans, h. ceiling fans, i. whole-house fans, and j. industrial fans.

B. Electric heaters, mainly convection heaters and quartz glass tube heaters, contain a total of 20 series with 353 kinds of products. The representative models are as follows:

a. Strip heaters, b. convection heaters, c. PTC heaters, d. quartz glass tube heaters, e. ceramic radar heaters, f. fin heaters, g. motherboard heaters, h. fast heaters, i. halogen heaters, j. washer dryers, k. electric stove heaters, and l. Japanese kotatsu heaters.

C. Small home appliances contain a total of 8 series, including high-speed juicers, induction stoves, humidifiers/dehumidifiers, electric cookers, and air purifiers. The representative models are as follows:

a. Induction stoves, b. humidifiers, c. electric pressure cookers, d. electric cookers, e. air purifiers, f. juicers, g. food processors, h. infrared stoves, i. dehumidifiers, j. vacuum cleaners, and k. germicidal lamps.

D. Electrical products mainly contain integrated ceiling systems and hand dryers. The representative models are as follows:

a. Integrated ceiling systems, b. Control systems, c. bathroom lighting, d. window systems, e. hand dryers, and f. fresh air systems.

(4) New products (services) planned for development

Type of Product	Future Development
Electric thermal storage heaters	In response to China's "Coal-to-Electricity" policy, the Company plans to develop electric thermal storage heaters in replacement of water heating systems and increase revenue and market share in the industry.
Air purifiers	The Company will continue to improve the efficiency of motors and increase market share of brushless DC BMC motors. The Company will continue to optimize 6-pole motors. The Company will develop brushless DC BMC motors to improve the core competitiveness of air purifiers and fresh air systems.
Fresh air systems	As fresh air systems have an explosive increase in the post-smog economy, the Company plans to develop fresh air systems to increase market share in the future.
Health care home appliances	The health care market has potential for growth; in particular, demand for smart high-speed food processors is large. The Company plans to continuously invest in smart high-speed food processors to secure its market share in the high-end kitchen appliance market.
Fresh air systems for medical use	Cross-infection is vital for the medical industry. Fresh air systems for medical use have high potential for growth. At present, the research and development team led by Dr. Zhong Nanshan starts to develop anti-infective devices, which create a new opportunity for another industry.

(II) Overview of the Industry

(1) Current status and development of the industry

A. Overall economy

The Company's main products include electric fans, electric heaters, electrical products (ventilating fans, hand dryers, and bathroom lighting) and other small home appliances (such as juicers, induction stoves, humidifiers/dehumidifiers, electric cookers, and air purifiers); in particular, the sales of electric fans, electric heaters, and other small home appliances account the most. The main function of small home appliances is to bring convenience to people and improve people's quality of life with higher elasticity of demand. Demand for small home appliances is extremely sensitive to the economic cycle and easy to change with the consumption power. The economic environment will lead to an increase or decrease of consumers' demand for small home appliances. Therefore, the overall economy has a significant impact on the small home appliance industry.

According to the forecast for the global economy, in 2019, the global economic downturn exceeded expectations. International trade friction continued to escalate. Monetary policy had to shift to easy monetary policy with low interest rates or even negative interest rates. The global economy is in a dilemma of "low growth rate, low inflation, and low interest rate". Looking ahead into 2020, in the absence of a fundamental improvement in global trade frictions, with sluggish international direct investment, and limited room for global policy adjustments, the global economy is still at risk of continued decline.

For the impact of the COVID-19 on the global economy in early 2020, a short-term negative impact is inevitable. Many countries have adopted methods including the control of immigration personnel, suspension of work and schools to keep people away from the virus. This has had a certain impact on the economies of various countries and the global economy with short-term trade and a decrease in consumption. People's diversified consumption is temporarily transformed into purchases needed for daily life. The economic data such as short-term CPI, CDP is not applicable during this special period. The medium-term impact is uncertain. Substantial results have been achieved in the prevention and control of the global epidemic. After all industries in the word are fully resumed, the negative marginal effect will gradually decrease to zero, and there will be slightly faster economic growth. The economic downturn cannot be stopped immediately because the impact of the partial rupture in the global industrial chain will be continued due to the butterfly effect until the companies find the alternatives to reopen the upstream and downstream industrial chain. After these large-scale epidemics are controlled, the long-term impact will be small and the global economy will be back on track.It is believed that many governments will strengthen the development of the medical and healthcare industry after the epidemic ends, thus will increase the reserves of medical and related emergency resources, encourage the establishment of relevant medical institutions, train more medical personnel. These measures will promote the development of the medical industry for a period of time. Meanwhiles, development of other industries will not change significantly because of the epidemics and will continue to move forward in accordance with the recent popular industries 4.0, which digital economy will continue to dominate.

At present, all countries in the world urgently need to break down the barriers, focus on the future, jointly build an open, cooperative, innovative and shared world economy, and encourage the world economy back to the track of strong growth.

With the rapid improvement of national consumption power and the large population base in Asian countries, Asia economies, including China, will continue to increase their demand for home appliances that improve their basic quality of like. Obviously, Asia is a consumer market with high development potential.

B. Consumer trends in the small home appliance industry globally and in China

The small home appliance industry in China has significant global share of sales or production. China has the following conditions for the rapid popularization of small appliances: (1) the government's "Home Appliances to the Countryside" policy (which ended in May 2013), (2) rapid increase in consumer spending, and (3) strong capacity for small home appliances production. According to the Profile of Home Appliances Manufacturers and the Dynamics of Home Appliances Manufacturers published by the Taiwan Industry Economics Services, China is both the main sales market and the major manufacturing country for global home appliances. As a result, the development of China's home appliance industry has a significant impact on the development of the global home appliance industry.

In 2019, the home appliance industry faced a slowdown in domestic GDP growth with the impact of Sino-U.S. trade friction, the weakening of the wealth effect of the stock market and property market, and the weakening of household disposable income. In addition to the upgrade of manufacturing lines, major Chinese companies have has also seized the opportunity of major international companies to divestiture their household appliances business in order to concentrate on their businesses and actively acquire related businesses.

According to AVC, the total retail sales of China's home appliance market reached RMB 1.0758 trillion in 2019, of which kitchen appliances and small appliances accounted for RMB 162.6 billion, up 14.9% YoY. The main reason is that the average ownership of home appliances continues to increase, and the demand for replacements dominates the market. However, as the economic growth rate slowed down in recent years, it is estimated that the growth of the home appliance market will also slow down.

C. Export of China's small home appliance industry

China is currently the major production site and a big exporter of home appliances globally. At present, there are thousands of small home appliance manufacturers in China. According to the statistics of Tianto Info Consulting, China's export of small home appliances accounts for 40% of the global export market. It is difficult for oversea brands to find appropriate alternatives in short-term and it is less likely that orders will be transferred to other countries or regions. Therefore, China has a significant impact on the global market. However, in recent years due to Sino-US trade frictions, the growth of export of China's small home appliance has slowed down.

According to the 2019 data, export of China's small home appliance amounted to US$43.09 billion, up 5.6% YoY. After the decline in major small home appliances in 2016, the export of small home appliances has grown for three consecutive years. But in the past three years, the growth rate has slowed down year by year.

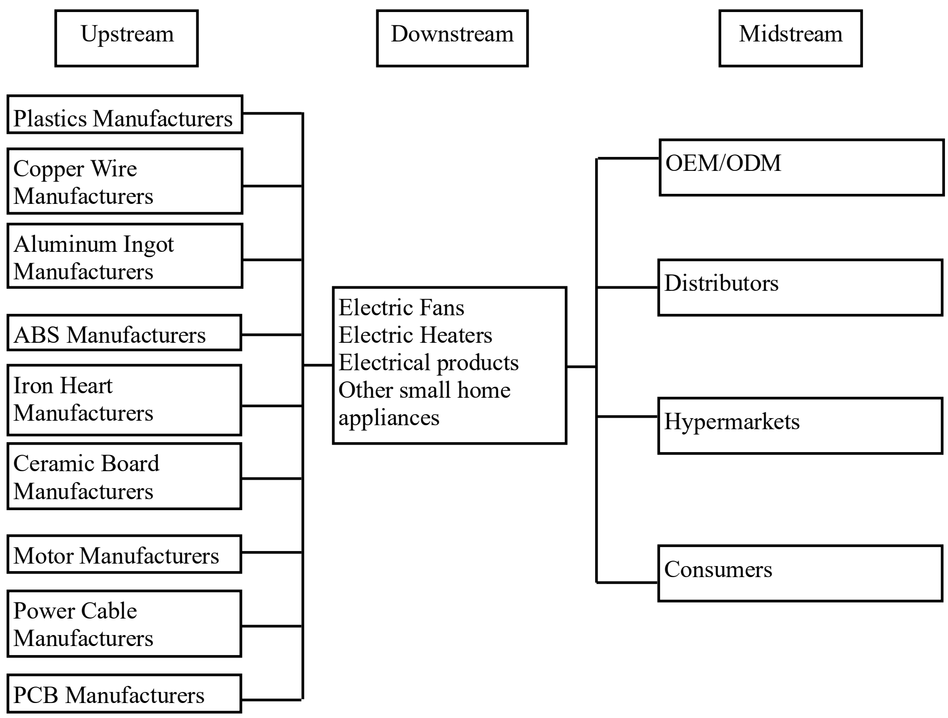
Among them, the bigger impact is the rapid growth of small home appliances such as humidifiers, robot vacuum. The scale of expects dropped significantly. In contrast, the air/water purifiers have a high consumption potential.

D. Economic cycle

Today, small home appliances are staples in developed countries; they are essential for maintaining a good living environment. With higher levels of income in developed countries, demand for novel, well-designed, lightweight or energy-saving products is high. Since the main potential market of small home appliances is currently concentrated in emerging economies and developing countries, consumption capacities and prices of the small home appliances will affect the demand for small home appliances in these countries. Many small home appliances are seasonal products, which are more susceptible to the impact of the annual off-peak season. For example, in summer, the sales of electric fans will increase and the sales of electric heaters will decrease; in winter, the sales of electric heaters will increase and the sales of electric fans will decrease. This indicates that the sales of small home appliances will change due to seasonal changes according to their functions and nature.

In summary, although small home appliances may be affected by the economic cycle, the effect is relatively small as they are mostly daily necessities in major markets, such as emerging economies and developing countries. The sales volume of small home appliances changes with seasons, depending on their functions and nature. The costs of raw materials and labor have gradually increased in recent years, which has a greater impact on the small home appliance industry. In the long run, however, there is no obvious economic cycle of the small home appliance industry.

(2) Links between the upstream, midstream, and downstream segments of the industry



A. Links between the upstream and downstream segments

The Company belongs to the home appliance industry. The upstream segment of the industry includes plastics and copper wire manufacturers; the midstream segment includes the Company, Midea, Singfun, Lianchuang, Haier, Joyoung, and Gree; the downstream segment includes retailers.

The Company mainly engages in the research and development, design, manufacture, and sale of small home appliances and has its own brands. Therefore, the Company falls into to the midstream and downstream segments of the industry. The business model of the Company contains OEM/ODM for export and domestic sales of brand products. As an OEM/ODM for export, the Company designs and manufactures products based on the customers' requirements and sells products to foreign customers through Waon Development Limited (Hong Kong), Taiwan Branch; in terms of domestic sales, as an OBM, the Company sells AIRMATE products directly to distributors in Taiwan.

B. Downstream segment and sales channels

Demand for small home appliances in the downstream market will directly affect the sales volume of the industry. Potential customers include distributors, agents, wholesalers, and consumer electronics retailers. Since customers are dispersed and can easily obtain the same specifications in the market, it is difficult to control them; in addition, the quality and after-sales service and maintenance of small home appliances require additional attention.

The Company has been actively developing the small home appliance markets at home and abroad as both an OEM/ODM and an OBM. The exports and domestic sales have helped expand the production line and scale of business. The Company's products are mainly sold through distributors; that is, the ownership of finished products is transferred to distributors, which then are responsible to retail the finished products. At present, the Company works with nearly 240 distributors, among which 20% have formed the cooperation with the Company for more than a decade. Many of the distributors have maintained a long-term business relationship with the Company as they have made profits by selling the Company's home appliances.

(3) Development trends of products

A. Room for growth remains big in the small home appliance market

With the increasing requirements for the quality of life, small home appliances that improve the living standard are recognized by the market. In China, home appliance manufacturers have developed original products built on traditional home appliances, including electric pressure cookers, soybean milk machines, and bathroom heat lamps according to the characteristics of the consumer market. These original products have market value and result in the emergence of distinctive small home appliance brands. In recent years, the growth rate of small home appliances has been continuously improved. Electric cookers are the most common small home appliances with the highest penetration rate (97%) in China, followed by induction cookers with the penetration rate of 77%. Due to extreme weather, the penetration rate of electric kettles and electric heaters reached 64% and 53%, respectively; electric pressure cookers have gained popularity in recent years with the penetration rate of about 41%; however, the number of small home appliances per household was relatively low. Statistics have showed that every household in developed countries has nearly 40 kinds of small home appliances, while every household in major cities across China averaged less than 10 kinds. It shows that the market is not saturated yet, and the small home appliance market in China has great potential for development; in addition, China's 13th Five-year Plan will also lead the small home appliance industry to energy conservation, environmental protection and intelligence, comprehensively upgrading the industry value-chain from raw materials, key components, and manufacture to services.

B. Brand value positioning is the future development goal

Due to the low barriers to entry, numerous small home appliance manufacturers have emerged in China. How to obtain the recognition from consumers, clearly position the brands, and create market segmentation with other competitors is the focus of the small home appliance industry in the future. In addition to product launches, the Company aims to improve the quality of products and adopt a clear pricing strategy, so as to clearly position AIRMATE.

C. Energy-saving and eco-friendly small home appliances will become the mainstream

As the world's population continues to increase, environmental pollution and damage become more serious, and global warming issues have gradually become a topic of concern. The 2009 United Nations Climate Change Conference held in Copenhagen also discussed how to reduce greenhouse gas emissions. Energy conservation and carbon reduction have become the common goals globally. Energy conservation and environmental protection have become an important indicator for manufacturers and consumers. As electricity prices continue to rise, consumers are heading toward home appliances that have a high rate of electricity conservation. Under the consumers' needs and national policy, eco-friendly small home appliances will become a trend. The government of China has also ordered that home appliances marked "energy-efficient" for identification. In the future, it is inevitable that energy conservation and environmental protection will become the mainstream in the small home appliance market.

D. Product intelligence and functional diversification will become prominent

Electric heaters and humidifiers are popular in winter. Electric heaters are favored by the general public because of the heating effect, and humidifiers are indispensable for dry climate. In recent years, one of the most important features of new products has been the combination of electric heaters and humidifiers; multiple functions of other small home appliances, such as juicers and soybean milk machines, have also become prevalent. Soybean milk machines can be used to make fruit and vegetable drinks, and juicers can be used to make soybean milk. The operations of small home appliances have also become smarter and easier, from touch to control, which brings convenience to a fast paced life. As small home appliances evolve with multi-functionality and intelligence, product features gradually disappear. How to ensure the intelligent and multi-functional development of small home appliances and the distinctive product features at the same time has also become the focus of small home appliance manufacturers.

E. Online shopping for small home appliances will develop at a high speed

Benefiting from the popularization of the Internet, the development of online shopping for small home appliances has gradually become a trend. In the era of the widespread network, e-commerce will be the key marketing strategy. At present, online shopping for small home appliances is developing at a high speed, accounting for 60% of the total sales of home appliances, It is because small home appliances are small and pretty, easy to handle. This makes online sales more feasible and relatively easy to install and transport. Due to COVID-19 in 2020, the demand for home appliances such as kitchen electric appliances, cleaning and sterilization appliances increases. With the popular live-streaming marketing and social media e-commerce marketing model, it not only sells products, but also displays promotional information, and used internet to increase corporate awareness. In addition, home appliance manufacturers also provide manufacturers with direct supply, sole agent and other operating modes to increase sales.

(4) Competition

Due to the low barriers to entry, there are many small home appliance manufacturers. Although the government's "Home Appliances to the Countryside" policy has increased the requirements for product specifications, competition is becoming more intense in China as major home appliance manufacturers are eager to enter the highly profitable small home appliance market. To secure the brand value in the industry, small home appliance manufacturers must continuously improve niches and develop products of originality and diversity.

In the future, the Company will develop small home appliances that are compact, energy-efficient, silent, and well-designed and equipped with original features to increase the differentiation and brand value; in addition, the Company will develop new technologies in collaboration with technology associations to launch new products ahead of competitors, improve the brand image, and secure leadership.

The Company has been developing quality home appliances and has made progress in electric fans and electric heaters. In terms of electric fans and electric heaters, the Company is second only to the Chinese company, Midea. The biggest feature of the electric fan series is the innovative design of the exterior and functions. For example, the industry-first refrigerated dehumidifiers feature dehumidification and refrigeration with the low-energy compressor and eco-friendly refrigerant. The cooling fan series adopts the water loop spray technology with negative ions in fresh air. The industry's first anti-mosquito fan improves the added value of electric fans in life. In April 2011, the Company established the Energy-Efficient Motor Technology Research Center in collaboration with the NCKU Electric Motor Technology Research Center to research on energy-efficient motors. The energy-saving DC electric fans developed in the same year can save electricity by nearly 50%. By introducing innovative technology, the Company was able to turn traditional electric fans into eco-friendly products.

In terms of electric heaters, the Company has developed a series of electric heaters, from 3D fast heaters, patented 3D wavy fin oil heaters, and European fast heaters with thermal channels and alloy heating elements to IPX4 waterproof bathroom heaters with APP control, remote control, timing, and power management setup, which can be used in living rooms, bedrooms, and bathrooms. The Company has invested greatly in the research and development expenditures and personnel and built a complete production line for cross-field small home appliances to meet the customers' need for one-stop services. With a competitive niche, the Company will continue to develop and launch products that meet or foresee customers' needs.

(III) Overview of Technologies and Research and Development Works

(1) Technology and research and development of products

A. Ultra-quiet, energy-efficient motors

The Company has engaged in the manufacture of small home appliances for nearly 25 years with mature technical capabilities. In the early years, the Company provided motors for Sanyo and honed manufacturing skills, from the selection of materials, motor winding, and mechanical transmission to component manufacturing and motor manufacturing, up to the standards in the Japan market. Motors manufactured by the Company were eco-friendly, silent, and energy-efficient and highly recognized in the market. In recent years, the Company has developed new motors with better quality and low cost and has an annual capacity of 15 million motors or more.

B. Smart home appliance control systems

The Company's home appliances are human-oriented and bring comfort and health to consumers. Built on these advantages, the Company has developed China's first smart control fans; multi-speed fans, original plateau/sleep/natural air supply controls, and human-oriented controls, such as temperature sensing, timing, power management setup, have also been developed; in addition to infrared control, high-tech controls, such as Bluetooth control and fuzzy control, are also in place. In 2011, the Company successfully developed automotive motor brakes. At present, the Company is developing automatic face control, motion image control, and other high-tech controls. The Company's R&D Department has a team specific to electronic control systems. With many years of experience in smart home appliance control systems, the team has an outstanding capability of integrating state-of-the-art technologies in the industry or related industries and can master the future development trend of home appliances.

C. Research and applications of aerodynamics

The Company is one of the largest ventilator manufacturers in China. Because of the strong correlation between products and aerodynamics, the Company has developed a series of electric fans that generate wind by air movement, a series of ventilating fans that exchange air by air pressure, a series of fan heaters that heat the air, and a series of air purifiers that filter and purify air. The application of aerodynamics is a long-term research topic of the Company's R&D Department. With years of experience in the design of air passage and air supply parameters with core technologies, the Company has offered ultra silent, high ventilation, and high-speed fans built on the results of research on aerodynamics.

D. Thermal materials for home appliances

Market share of the Company's electric heaters ranks among the top three in China. The core of electric heaters is the development and application of thermal materials. Since the introduction of the first electric heater in 1993, the Company's R&D Department has developed thousands of electric heaters. AIRMATE is one of the most thermal material-rich brands in the world. A variety of thermal materials, such as superconductivity iron chromium strip, quartz glass tubes, far-infrared heating tubes, near-infrared heating tubes, stainless steel heating tubes, carbon heating tubes, halogen heating tubes, semiconductor thermoelectric films, sheet-based heating films, far-infrared ceramic thermal storage boards, and negative temperature coefficient PTC heating elements, are fully applied to electric heaters. Different thermal materials are used to meet the needs of different consumers and different places.

The Company has also formed the research and development and technology alliances with National Cheng Kung University, National Kaohsiung University of Science and Technology, and Fujian University of Technology to provide more niches for research and development works. Every year, the Company develops about 200 new products and applies for about 40 patents. The average development cycle of new products is about 120 days (that is, a new product is developed every 2 days); in addition, the Company has an industry-wide product testing center to ensure the quality of products.

(2) Research and development personnel and their education

Unit: Person

Year / Education	2018	2019	2020 Till March 31
Ph.D.	—	—	—
Master's degree	—	2	2
Bachelor's degree	116	111	72
Junior college or below	17	14	38
Total	133	127	124

18. R&D expenses invested each year for the last five years

Unit: NT$1,000

Year / Education	2015	2016	2017	2018	2019
Research and development expenditures	160,384	158,835	164,096	160,820	146,226
Net operating revenue	10,967,669	11,032,005	10,024,202	10,614,940	10,142,781
Ratio of research and development expenditures to net operating revenue (%)	1.46	1.44	1.64	1.52	1.44

18. Successfully developed technologies or products

Year	Major Results of Research and Development
2011	1. The application of brushless DC motors to electric fans improved power efficiency by 80% or more. 2. Anti-mosquito fans were developed. 3. Power-efficient air supply products were developed with the design of air passage and blades. 4. Kitchen appliances, such as vacuum cleaners and ovens, were continuously developed for production.
2012	1. Third-generation DC inverter motors were developed to reduce noise and improve power efficiency by 20% or more. 2. Second-generation high-speed food processors were developed to improve the quality of the food processor series. 3. Infrared sensing brake DC air supply products were developed. 4. Smart energy-saving dehumidifiers were developed. 5. The power efficiency of induction cookers was improved by 10%. 6. Turkey cookers specifier to the U.S. market were developed. 7. The smart sterilization-efficient and dust-collection air purifier series was developed.
2013	1. Three-dimensional heaters were developed. 2. High power ceiling heaters were developed. 3. Washer dryers were developed. 4. Smart phone Bluetooth controlled DC fans were developed. 5. Fruit and vegetable dryers were developed. 6. Mattress vacuum cleaners were developed. 7. Energy-saving fans were developed. 8. Household coffee machines were developed.
2014	1. Coffee machines for Northeast Asian, European, and U.S. markets were developed. 2. Smart home appliances, such as smart air purifiers, were developed. 3. Second-generation heat exchange ventilating fans were certified by DIBT. 4. The Japanese kotatsu heater series was developed. 5. 7-blade silent fan blades were developed. 6. Sensing (energy-saving) fans were developed. 7. Unfolding motors were developed. 8. Cooling/heating tower fans were developed.
2015	1. Kitchen tabletop hand dryers were developed. 2. 7-blade silent plume fan blades were developed. 3. USB charging tower fans were developed. 4. UV sterilization humidifiers were developed.

Year	Major Results of Research and Development
	5. CBS2066E food processors specific to the Europe market met the FLGB requirements. 6. Commercial coffee machines were developed. 7. WIFI air purifiers were developed. 8. Unfolding motors were developed. 9. Frequency control systems were developed.
2016	1. The fresh air system series was developed. 2. 5-blade silent crescent fan blades were developed. 3. High humidification silent vaporizer humidifiers were developed. 4. 360-degree PTC heaters were developed. 5. Silent fan blades were developed. 6. Two-in-one fans were developed. 7. Fin oil heaters were developed. 8. Large-interval foot switch fans were developed. 9. Smart high-speed food processors were developed. 10. Low-noise DC motor ventilating fans were developed.
2017	1. Fresh air systems were extended and improved. 2. Coffee machines for the Japan market were developed. 3. Silent exhaust fans were developed. 4. Isolation tables for hospitals were developed. 5. High purification (air multiplier) air purifiers were developed. 6. Electric thermal storage heaters were developed. 7. Cooling/heating tower fans were developed. 8. High humidification humidifiers were developed. 9. Air purifying PTC heaters were developed. 10. Voice control fans and heaters were developed. 11. Mosquito repellent fans were developed. 12. Siri control fans were developed. 13. Oil/PTC heaters were developed. 14. Convection/PTC heaters were developed. 15. Outdoor anti-mosquito fans were developed. 16. 6-pole motors were developed. 17. BMC motors were developed. 18. The brushless DC motor control panel series was developed.
2018	1. New mist fans were developed. 2. Silent blades were developed. 3. Silent tower cooling/heating fans were developed. 4. Double-sided reflector heaters were developed. 5. Humidifiers and air purifiers were developed. 6. Box fans were developed. 7. Quilt dryers were developed. 8. Brushless DC BMC motors were developed. 9. Standard, modular PCBs were developed. 10. Air purifying fans were developed. 11. Humidifying fans were developed. 12. Tower PTC heaters were developed. 13. High humidification vaporizer humidifiers were developed. 14. High humidification PTC vaporizer humidifiers were developed. 15. Tower strip heaters were developed. 16. Cabinet strip heaters were developed. 17. Roller-type natural vaporizing humidifiers were developed.

Year	Major Results of Research and Development
	18. The 50-degree upward oscillating structure was developed.
2019	1. Research and development of clinic table 2. Research and development of 5-in-1 bathroom master and bluetooth remote control 3. Research and development of window air conditioner of the compressor application expansion series 4. Development of one-piece style fan with the integration of main control PCV and motor 5. Developement of head operation and 433 wireless remote control 6. Development of quilt dryer 7. Development of evaporative humidifier with large capacity humidification plate 8. Application of electrolysis water sterilization technology in humidifier 9. Development of one-piece style skirting radiator 10. Research and development of tower strip heater 11. Development of graphene skirting radiator 12. Development of outer rotor DC motor

(IV) Long-term and short-term business development plans

(1) Short-term business development plans

A. Continue to research and develop various types of sterilization functions applied to ventilation system and bathroom master.

B. Expand the compressor product line of small air conditioners and dehumidifiers in the domestic market and increase the production models to satisfy different needs.

C. Continue to develop and research on new heat insulation and anti-scald materials and processes applied to radiator.

D. Apply low wind resistance and high efficiency screening program to loop fan.

E. Continue to increase the development of stator winding motor and research on cooling film application.

F. Development of high-efficiency air purifier and rotary fan.

G. Development of high-speed entrance fan.

(2) Long-term business development plans

A. Development of healthy and clean household appliances (sterilization) series.

B. Research and development of medical series product.

C. Research and development of sensor and human-machine interaction (voice control) of smart household appliances.

D. Research on various compound air-handling units (cold, heat, humidification).

E. Research on DIY direction of ventilation products.

II. Overview of the Industry

(I) Market Analysis

(1) Geographic areas of main products

Unit: NT$1,000

Year / Geographic Area	2018		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
China	5,847,769	55.09	5,378,679	53.03
Northeast Asia	2,802,772	26.40	3,003,552	29.61
Others	1,964,399	18.51	1,760,550	17.36
Total	10,614,940	100.00	10,142,781	100.00

Note: Northeast Asia refers to Japan and South Korean.

(2) Market share

According to the 2019 Annual Report on the Domestic Appliance Industry in China, the retail sales of home appliances in China was RMB891 billion; in particular, the retail sales of small home appliances in China reached RMB180.3 billion. Small home appliances covered all categories in the daily life, including home care, personal care, kitchen care, and health care. Based on the statistics, the Company's net sales in 2019 reached NT$10.143 billion, accounting for 5.62% of the small home appliance market in China.

(3) Future demand and supply conditions and growth potential

As the power supply facilities in urban areas of China have been improved gradually, along with the increasing spending power, the main sales market for home appliances remains in cities. The consumption model of residents in urban areas covers staples, entertainment, sport, leisure, and luxury. At present, due to he large rural population, the urbanization rate of China's administrative districts is difficult for China to reach an urbanization rate of 80% or more like the developed countries. China is working on the balanced development in remote areas through various initiatives, including the "Home Appliances to the Countryside" policy, and the 12th Five-year Plan aiming to improve the level of urbanization. According to the international experiences in economic development, in the middle and late stages of industrialization and urbanization, the economic development would accelerate due to the industrial upgrade and expansion of urban population. China has abundant human resources, and the quality of labor is gradually improving; industries become more and more diversified; in addition to an increase in basic wages, more start-ups emerge, and the middle-class population expands year by year, which significant improving the consumers' spending power. As a result, demand for small home appliances in China will grow significantly in the future with an increase in the spending power and the government's support.

To expand domestic demand, the government of China has implemented new policies, where energy conservation and carbon reduction heads the list of priorities, including economic development, policy guidance, improvement in manufacturing, development of strategic emerging industries, main-function zoning, development of urbanization, energy conservation and management, and planning of implementation and evaluation mechanisms. This shows that energy-saving products are relevant to the development trend of China's livelihood and economy and boast a great business opportunity, which is in line withe Company's production strategy for energy-saving small home appliances. In addition to households in urban areas, residents in second-tier and third-tier cities and rural areas in China have shown demand for diversified and high-end home appliances in recent years with the accelerating growth of economic development and average income. Although the penetration rate of home appliances in every household remains low in the second-tier and third-tier markets, the home appliance industry is expected to grow in the second-tier and third-tier markets at a speed significantly higher than that in the first-tier market. Therefore, the main growth momentum in the future will be concentrated on the second-tier and third-tier cities and rural areas in China; in addition, sales channels are currently dispersed, and room for market integration is big. As the cost of entry is low, early players can gain market share as early as possible. Given the China's incentive to drive domestic sales, second-tier and third-tier cities have great potential for sales growth, and the prospects are brightening. One of the sales goals of the Company is to reinforce the domestic sales of AIRMATE products in China. With the gradual development of second-tier and third-tier cities and rural areas, the Company has continuously expanded the sales in the existing first-tier cities. Demand for small home appliances will increase significantly. The Company is optimistic about the growth of China's small home appliance market in the future.

(4) Competitive niches

A. Balanced development of export and domestic sales

Over the past three years, the Company’s exports and domestic sales have been maintained at a rate of approximately 50%. In the face of an ever-changing economic environment, the Company is able to adapt better; in addition, resources for exports and domestic sales are shared to reduce the research and development expenses and costs of production.

B. Long-term cooperation with customers for export business

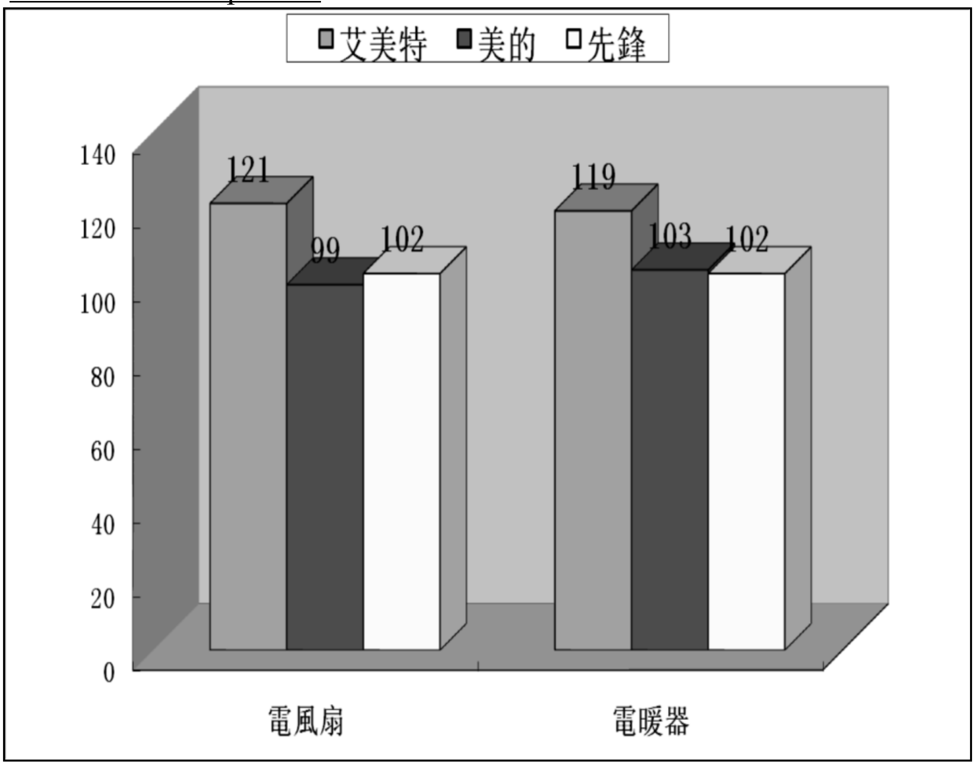
The Company's customers for export business are brands or distributors with enormous potentiality in developed countries. In addition to providing products with excellent quality, stable delivery, and high additional value, the Company develops new products for export and domestic sales through tailor-made industrial designs and provides flexible scheduling and distribution services for different types of containers to minimize the overall operating costs of customers and improve their competitiveness. Although the Company's export quotations are higher than other manufacturers', the comprehensive costs of customers are lower, coupled with the stable and timely supply of products. Therefore, the customers for export business have maintained long-term cooperation with the Company.

C. Robust growth of AIRMATE products in China

a. The Company's main products sold in China include quality electric fans and electric heaters. At present, new categories of products, including air improvement products (humidifiers, air purifiers, and dehumidifiers), kitchen appliances (high-speed food processors, induction cookers, electric pressure cookers, and electric cookers), and ventilation products (ventilating fans and integrated ceiling systems) have been developed. In the future, the Company will develop household appliances.

b. The Company positions itself in mid-end and high-end markets in China, and has developed a variety of well-designed and energy-saving products. According to the statistics of China Market Monitor Co., Ltd., market share of the Company's electric fans and electric heaters has come out on top for consecutive years, with the retail price higher than the market average by more than 20%; market share of the Company's electric fans and electric heaters at the department stores in first-tier cities in China has long been the first, with the sales of high-end models and the price index higher than other brands'. This shows that the Company's products are small home appliances of fine quality.

Price Index Comparison



(Source: China Market Monitor Co., Ltd. CMM407 Survey of 4,328 Retail Stores in Cities.)

c. Since the establishment of Airmate in 1997, the Company has constantly worked with nearly 240 first-tier distributors, among which 50% have cooperated with the Company for more than 5 years), and 400 odd repair and maintenance service providers and sold products in more than 12,000 stores. The Company has also maintained a good relationship with offline retailers, such as Suning, Gome, and RT-Mart, and online retailers, such as Taobao and Tmall, JD, and Suning. In recent years, the Company has tapped into TV shopping, gift group buying, OEM, and engineering.

d. Through long-term media publicity, promotion activities and word-of-mouth communication, the Company has established the brand images of “fashion, eco-friendliness, energy conservation, innovation, high quality, and integrity” in the minds of consumers, the media, and the industry.

In summary, the fine brand image, sales channels, and distributors have facilitated the Company's business in China. In the next decade, the improving spending power in China will increase the penetration of AIRMATE products in counties and rural communities. The extensive business experience in China will also bring the Company more opportunities to work with foreign brands.

D. Balanced and flexible production

The Company's main products are electric fans and electric heaters sold in China, Japan, South Korea, Europe, and the U.S. Other products for all seasons include induction cookers, electric cookers, electric pressure cookers, high-speed juicers, and air purifiers. The Company adopts the balanced production of electric fans and electric heaters to cut down overtime and management overheads, maintain the consistent quality of products, and reduce time spent in training for new employees and possible reworking.

In addition, the Company has versatile production equipment and labor that are not limited to the production of specific products and can adapt to different specifications and products at any time. The Company is able to manufacture electric fans, electric heaters or other products based on the market needs, weather, and customers' needs to maximize the production efficiency.

E. Excellent capacity for research and development

The Company's Research and Development Department is capable of developing 200 kinds of products every year with a new product launched every two years on average. New products have been widely recognized, showing that the Company dominates the high-end small home appliance market in terms of technology or quality. As to hardware, the Company has invested in the establishment of a testing laboratory and passed the certification of advanced technology enterprises and their technology centers in Shenzhen.

The Company's customers for export business and domestic sales provide the latest information on the markets and technologies, while the Industrial Design Department and the Research and Development Department develop new products that drive market demand. The Company and customers share the expenses and results of research and development. The Company is keen to develop new products with higher risk. The Company can either develop and sell products in China first to strengthen confidence of customers for export business or develop products with customers for export business to reduce the costs of development. Advanced technology, craft, and design overseas can also be sold to China through the development of customers for export business to keep AIRMATE products well-designed and technology-leading.

F. Combination of OBM, ODM, and OEM

The Company has worked with international major brands (Sanyo, Hitachi, Sharp, Toshiba, TOTO, Samsung, and SEB) as an OEM/ODM for many years and honed the quality of AIRMATE products at the same time. The Company has also sold AIRMATE products in the domestic market. In response to the exports and domestic sales, the Company has expanded the production line and scale of business and cut down the costs of production at the same time, allowing the Company to offer quality products at affordable prices and secure its position in the small home appliance market in China.

a. OBM

The Company has developed AIRMATE products for nearly 20 years. In the top 500 Chinese brands published on the website of 2009 World Brand Summit, the Company has an estimated brand value of RMB1.31 billion; in addition, the domestic sales volume of AIRMATE products grows year by year, showing that AIRMATE has been widely recognized.

b. ODM/OEM

The Company's niches are products with high unit prices and high quality. Operating revenue in Japan and South Korea account for nearly 60% of the Company's total export revenue. As an ODM/OEM, the Company has been improving the quality of products and operations, and only trades with customers having their own brands and sales channels; in addition, the Company provides highly efficient in-depth services for customers, resulting in the repair rate of less than 0.5%. The Company also strives to fully control the timeliness of product launches for customers to stay preemptive, with the entire process, from industrial design, R&D, and molding to trial production, mass production, and delivery, taking only 4~6 months to complete.

G. Energy conservation and carbon reduction

The Company has launched a series of low-carbon electric fans and ultra energy-saving fans with brushless DC motors. The Company's energy conservation performance far exceeds the national level 1 energy efficiency standards. The Company is China's first electric heater manufacturer to develop various high-tech heaters, including European fast heaters, electric film heaters, and multi-functional fast heaters. Compared with traditional electric heaters, these high-tech heaters prevail with fast heating, long constant temperature , energy conservation, and safety.

H. Upstream and downstream integration

The Company adopts the SRM system to deal with suppliers, 210 of which provide JIT to significantly reduce the Company's inventory; the CRM system is adopted for domestic sales. The Company adopts the SRM and CRM systems to maintain the close cooperation with suppliers and customers so that inventories and payments can be managed more efficiently.

(5) Positive and negative factors for future development and response measures

A. Positive factors

a. The spending power improves as the economy in China grows rapidly

The income of urban households in China has gradually increased since 1995. The average annual disposable income of urban households has increased from RMB11,795 in 2006 to RMB30,733 in 2019, indicating that the government of China has been doing everything in its power to stimulate the growth of domestic demand. With an increase in the spending power, the staple markets, such as the small home appliance market, will definitely expand. Therefore, there is a lot of room for growth in the small home appliance market.

b. The industry meets the trend of environmental protection and government policies

With an increasing awareness of environmental protection and hike in energy prices, energy conservation and carbon reduction is currently a global issue of concern. To improve the utilization of resources and protect the environment, the government of China has successively promulgated environmental laws and regulations. The government made an green declaration in the 2010 China Small Home Appliances Fair to propose manufacturing, distributing, and purchasing low-carbon products. Over the past years, the Company took the initiative to add green materials to the design, production, logistics, and sale of small home appliances to reduce carbon emissions; in addition, the Company has developed products with longer service life to extend the replacement of out-of-date and damaged products and reduce electronic wastage. The Company has also reduced manufacturing processes and set up energy-saving equipment and recycling equipment. With years of experience in green manufacturing, the Company is poised for the green requirements in the small home appliance market.

c. Home appliances of fine quality is a trend

Small home appliances have become intelligent and quality-oriented, showing that manufacturers have transformed themselves into high-end small home appliance manufacturers while seeking high profitability. High-end products mainly feature smart and human-oriented functions and artistic design. With high additional value, high-end products mainly attract the young generation and white-collar households. At present, the gross margin of traditional home appliances is about 10%~25%, the gross margin of small home appliances is about 30%~60%, and the gross margin of high-end small home appliances is even higher. Although the expenses of research and development are relatively high, they can be apportioned by the production volume, so the gross margin is high.

As mentioned above, the small home appliance market is gradually moving towards the home appliances of fine quality, which is same as the Company's position. Boasting the well-established capacity for research and development, the Company has developed quality small home appliances highly recognized by customers, regardless of higher prices. The future trend of high-end small home appliances can rule out low-end small manufacturers and create the barriers to entry; it can also benefit the sales of the Company's quality home appliances. Although China's major home appliance manufacturers have begun to tap into the small home appliance market, they are relatively weak in this field. It will take some time for them to seize the high-end small home appliance market. Therefore, the future trend of small home appliances remains conducive to the Company.

B. Negative factors and response measures

a. Wages change

At present, the processing and assembly of small home appliances still depend on human resources. After the implementation of the Labor Contract Law of the People's Republic of China, labor costs in China rise year by year, resulting in an increase in the Company's production costs.

<u>Response measures:</u>

The Company has invested in Jiangxi Jiujiang Plant, which was put into mass production in October 2014. In addition to the low labor cost, the Company has strived to improve the manufacturing process and automated manufacturing rate, so as to increase the productivity and reduce dependence on labor. The Company has also enhanced the utilization of employees by improving their capacity for research and development and production design and providing continuing education and training in order to reduce the need of labor in the manufacturing process and increase the added value of products.

b. Prices of raw materials rise

In recent years, raw materials required for the production of home appliances, such as steel, aluminum, and copper, have increased year by year, and it is estimated that the same trend will continue in the future with relative large fluctuations in prices. As international oil prices have increased in recent years, the cost of plastics required by the Company has also increased year by year. If suppliers choose to default when the prices of raw materials rise, the liquidated damages generated are also lower than the rise; therefore, the chance that suppliers choose to default and stop delivering increases.

Response measures:

To prevent suppliers from defaulting in response to the increasing prices of raw materials and to reduce the cost of inventory in case of emergencies, the Company has actively sought cooperation with larger international raw material suppliers because of their stable supply and credibility. In addition, the Company makes price forecasts in response to customers' needs and supply of raw materials. When the raw material market price is about to rise, the Company will reserve the supply in advance to reduce the impact of price fluctuations; the Company also sources from different suppliers and prepares materials in advance to ensure the orders and shipments regardless of the availability of raw materials. The Company has continuously required suppliers to improve the quality of raw materials and develop alternative materials, so as to reduce the risk of hikes in raw material prices and increase the additional value of products.

c. Exchange rates fluctuate significantly

As China's economy has grown stably in recent years, RMB is subject to depreciation. With abundant foreign exchange savings, the government of China can control the RMB exchange rates, but it still cannot compete with the market mechanism. It is estimated that RMB will continue to depreciate slowly, but it will have a limited contribution to the exchange gains on exports of Chinese manufacturers.

Response measures:

The Company has been committed to the development of the domestic market in China for many years and has achieved remarkable results. As domestic demand in China continues to increase, the Company will continue to expand the sales channels in China in the future to reduce the risk of exchange rate fluctuations. In addition to trading in the same currency to reduce exchange losses, the Company has also urged the financial and accounting personnel to strengthen their understanding of hedging and pay attention to the news and reports on real-time exchange rates online and from investment banks. When signing sales contracts with customers, the Company should also pay attention to possible exchange gains or losses at any time to adjust the transaction prices.

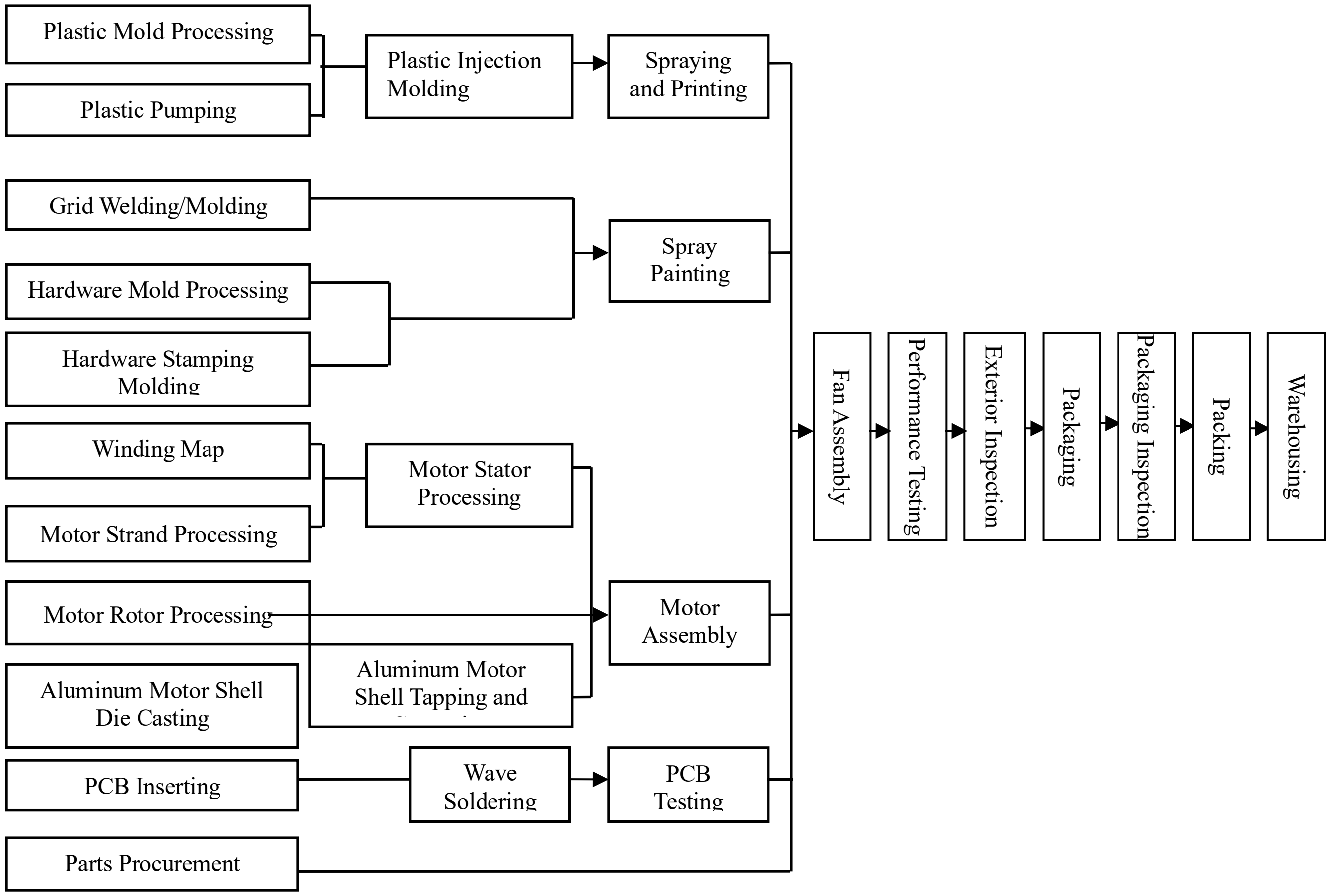
(II) Usage and Manufacturing Processes of Main Products

(1) Usage of main products

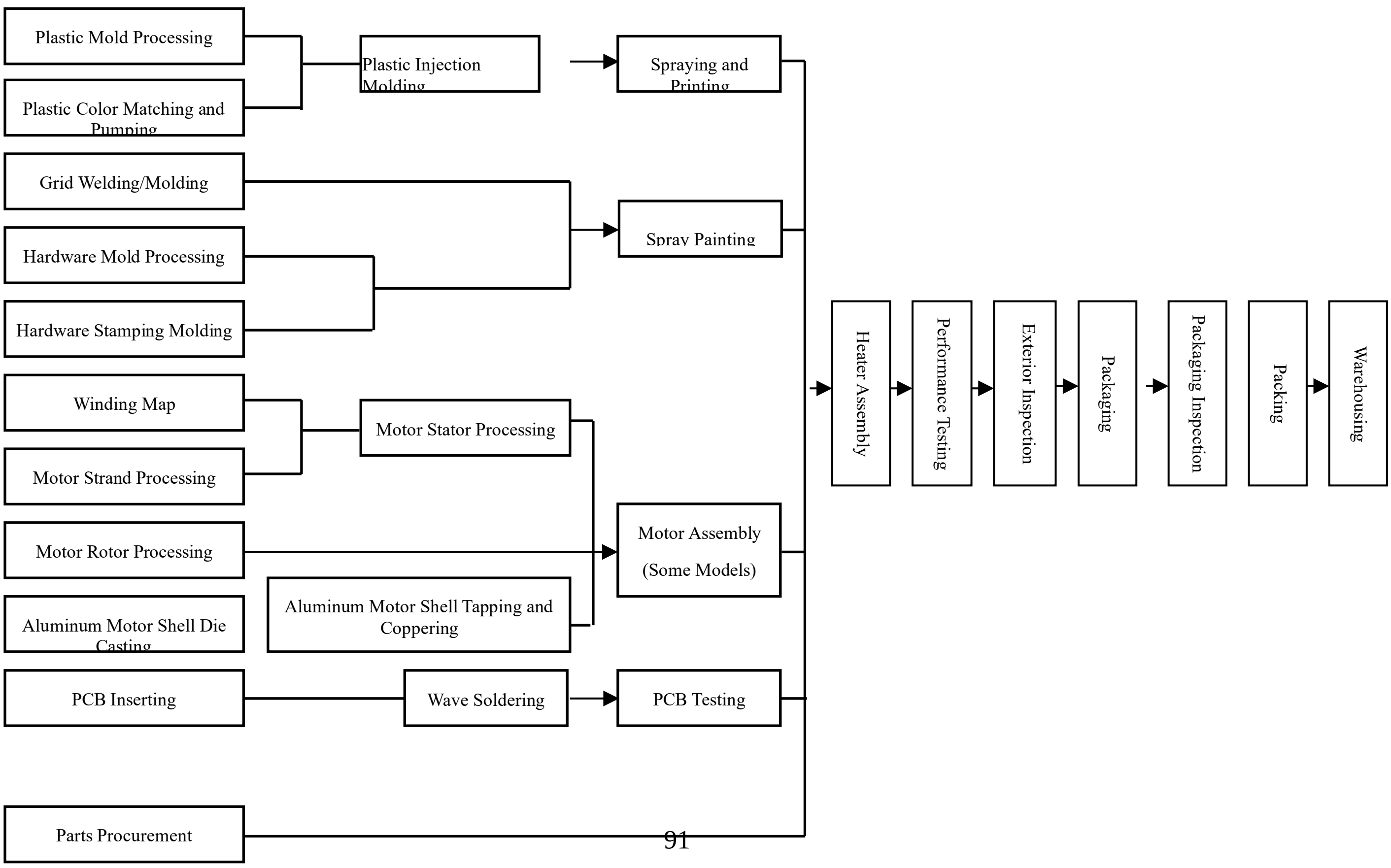
Main Product	Usage
Electric Fans	Cooling, ventilation, humidification, reduction in electricity used in air conditioners, and energy conservation and carbon reduction.
Electric Heater	Fast warming and physiotherapy.

(2) Manufacturing processes of main products

A. Electric fans



B. Electric heaters



(III) Supply Situation of Major Raw Materials

Major Raw Material	Major Suppliers	Supply Situation
Plastics	LG, CNOOC and Shell Petrochemicals Company Limited, LCY Chemical Corporation, Chi Mei Corporation, and SINOPEC Fuel Oil Sales Corporation Limited East China Branch	Good
Copper wires	Xinlong Enamelled Wire Co., Ltd., Dongguan Yulong Electric Material Co., Ltd., and Feng Ching Metal Corporation	Good
Silicon steel plates	Dynamic Steel Industrial Co., Ltd., Leicong Industrial Co., Ltd, Shenzhen Hongyuan Metal Industry Co., Ltd., and Shenzhen Chun Yuan Steel Industry Co., Ltd.	Good
Power cable	Shenzhen Yuxin Wire & Cable Co., Ltd., Ming Tak Electrical Wiring Co., Ltd., and Shenzhen Baoyuanda Electronics Co., Ltd.	Good

(IV) Any Suppliers and Customers Accounting for More than 10% of Total Procurement (Sales) Amount in the Most Recent Two Years, Amount and Percentage of Procurement (Sales), and Reason for Change (Where the Company Is Prohibited by Contract from Revealing the Name of Customers, or a Transaction Counterpart Is an Individual Other than a Related Party, a Code May Be Used Instead).

1. The Company has thousands of raw materials. To maintain the stability and quality of supply, the Company sources from more than two suppliers. In the most recent two years, there has been no supplier accounting for more than 10% of the Company's total procurement amount.
2. The Company has been expanding the domestic market in China, and customers are dispersed. In the most recent two years, there has been no customer accounting for more than 10% of the Company's total sales amount.

(V) Production Volume and Value for the Most Recent Two Years

Unit: Thousand units; thousand NT$

Year / Production Volume and Value / Main Product	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Electric Fans	2,904	819	5,129,151	2,024	603	4,956,251
Electric Heaters	847	240	1,611,055	568	179	1,453,946
Electrical products	144	75	217,932	125	66	282,677
Other small home appliances	125	38	350,406	79	28	361,079
Total	4,020	1,172	7,308,544	2,796	876	7,053,953

Change analysis:

The production capacity and production volume decreased in 2019 mainly because the Company strove to strengthen the zero stock management in 2019. In addition, the domestic and foreign markets were affected by the climate, resulting in a slight decrease in orders. The reason was reasonable.

(VI) Sales Volume and Value for the Most Recent Two Years

Unit: Thousand units/pieces; thousand NT$

Year Sales Volume and Value Main Product	2018				2019			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electric Fans	4,738	3,558,602	4,216	3,220,255	4,665	3,302,279	4,020	3,258,429
Electric Heaters	2,192	2,046,882	1,194	875,978	2,095	1,783,742	991	774,439
Other small home appliances	82	66,228	341	384,784	46	41,891	272	388,692
Electrical products	447	164,926	354	128,438	553	214,764	317	107,812
Others (Note)	-	11,130	-	157,717	-	36,002	-	234,730
Total	7,459	5,847,769	6,106	4,767,171	7,359	5,378,679	5,599	4,764,102

Note: Including materials, spare parts, molds, etc.

III. Employee Information in the Last Two Years Up to the Printing of the Report

Unit: Person

Year		2018	2019	As of March 31, 2020
Number of employees	Regular	3,714	3,241	3,208
	Temporary	2,433	1,305	2,211
	Total	6,147	4,546	5,419
Average age		32.64	33.32	34.29
Average year of service		3.67	5.04	4.40
Educational distribution ratio (%)	Ph.D.	—	—	—
	Master's degree	0.11	0.13	0.11
	Bachelor's degree	10.66	13.62	11.31
	Senior high school	12.07	13.20	11.24
	Below senior high school	77.16	73.05	77.34

IV. Information on Environmental Protection Expenditure

Total losses (including damage awards) and fines for environmental pollution for the most current year up to the date of publication of the Annual Report, response measures (including corrective measures) and possible disbursements in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt response measures, or if it is not possible to provide such an estimate, state the reason why it is not possible): None.

V. Labor Relations

(I) Any Employee Benefit Plans, Continuing Education, Training, Retirement Systems, and the Status of Implementation, the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

1. The Company has established management methods and regulations for employee benefits, such as salary, promotion, rewards and punishments, leaves, and social insurance, in compliance with related laws and regulations.
2. The Company provides dormitories under hierarchical management, healthy meals supervised and reviewed by labor unions, and allowances for weddings, funerals, festivals, and celebrations, and organizes regular company trips to promote interaction between employees. The Company has also established the rewards

regulations for senior employees to take care of local employees.

3. The Company attaches great importance to employee training, including pre-service training, on-the-job training, and external professional training, to help employees improve their professional knowledge and skills.
4. The Company has labor unions as a communication bridge between employees and the management. The Company decides on important employee-related matters with employees through the labor unions and encourages employees to express their opinions and feedback.

(II) Any Loss Sustained as a Result of Labor Disputes in the Most Recent Year up to the Date of Publication of the Annual Report, an Estimate of Losses Incurred to Date or in the Future, and Response Measures (If the Loss Cannot Be Reasonably Estimated, State the Effect): None.

VI. Important Contracts

Contracting Party, Major Content, Restrictive Clause, and Commencement Date and Expiration Date of Supply/Distribution Contracts, Technical Cooperation Contracts, Engineering/Construction Contracts, Long-term Loan Contracts, and Other Contracts that Would Affect Shareholders' Equity, where the Contracts Were either Effective as of the Date of Publication of the Annual Report or Expired in the Most Recent Year.

Important Contract

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clause
Distribution contract	Shanghai Winhome E-commerce Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Shanghai Winhome E-commerce Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Beijing Xinzhongding Network Technology Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Beijing Xinzhongding Network Technology Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Wenzhou Huaan Economic and Trade Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Wenzhou Huaan Economic and Trade Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Zhejiang Airmate Electrical Sales Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Zhejiang Airmate Electrical Sales Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Loan contract	CTBC Bank, Hong Kong Branch	2019.12.20～ 2020.01.20	A loan of US$3 million by Waon Development Limited (Hong Kong)	None
Loan contract	E.SUN Commercial Bank, Hong Kong Branch	2019.12.23～ 2020.01.22	A loan of US$2.5 million by Waon Development Limited (Hong Kong)	None
Loan contract	Chailease Finance Co., Ltd.	2018.11.13~2020.11.13	A loan of US$3 million by Waon Development Limited (Hong Kong) to be repaid in installments every 3 months for 24 months.	None

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clause
Distribution contract	Shanghai Winhome E-commerce Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Shanghai Winhome E-commerce Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Beijing Xinzhongding Network Technology Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Beijing Xinzhongding Network Technology Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Wenzhou Huaan Economic and Trade Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Wenzhou Huaan Economic and Trade Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Zhejiang Airmate Electrical Sales Limited	2019.12.01~ 2020.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Zhejiang Airmate Electrical Sales Limited	2019.08.01~ 2020.4.30	Sale of AIRMATE electric heaters	None
Loan contract	CTBC Bank, Hong Kong Branch	2019.12.20～ 2020.01.20	A loan of US$3 million by Waon Development Limited (Hong Kong)	None
Loan contract	E.SUN Commercial Bank, Hong Kong Branch	2019.12.23～ 2020.01.22	A loan of US$2.5 million by Waon Development Limited (Hong Kong)	None
Loan contract	Bank of China, Longhua Sub-branch	2019.09.27~ 2020.09.27	A loan of RMB100 million, a bank account of RMB250 million, a non-financial guarantee of RMB3.5 million, counterparty credit risk of RMB1.5 million, and trade finance of RMB5 million by Airmate Electrical (Shenzhen) Limited, with buildings and outbuildings provided by Airmate Electrical (Shenzhen) Limited as collateral and a joint and several guarantee provided by Airmate Electrical (Jiujiang) Limited.	None
Loan contract	Hua Nan Commercial Bank, Shenzhen Branch	2019.08.13~ 2020.02.13	A loan of RMB10 million by Airmate Electrical (Shenzhen) Limited	None
Loan contract	E.SUN Bank (China) Company, Ltd., Shenzhen Branch	2019.10.14~ 2020.04.14	A loan of RMB15 million by Airmate Electrical (Shenzhen) Limited	None
Loan contract	Hua Nan Commercial Bank, Shenzhen Branch	2019.12.17~ 2020.04.17	A loan of RMB6 million by Airmate Electrical (Shenzhen) Limited	None
Loan contract	Jiujiang Rural Commercial Bank, Development Zone Sub-branch	2019.09.18～ 2020.09.17	A loan of RMB15 million by Airmate Electrical (Jiujiang) Limited	None
Loan contract	E.SUN Bank (China) Company, Ltd., Shenzhen Branch	2019.12.10～ 2020.06.10	A loan of RMB10 million by Airmate Electrical (Jiujiang) Limited	None

Chapter 6. Financial Information

I. Condensed Balance Sheet, Statement of Comprehensive Income and Independent Auditors' Opinions of the Most Recent Five Years

(I) Condensed Financial Statements

(1) Condensed balance sheet

Unit: NT$1,000

Year / Item		Financial Information in the Most Recent Five Years					Current year as of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current Assets		4,902,626	4,796,553	4,432,077	4,979,684	5,067,249	
Property, Plant and Equipment		2,987,143	2,591,489	2,426,397	2,206,928	1,886,835	
Intangible Assets		45,828	34,712	31,775	20,033	11,697	
Other Assets		282,601	272,860	942,887	1,159,507	1,935,235	
Total Assets		8,218,198	7,695,614	7,833,136	8,366,152	8,901,016	
Current Assets	Before distribution	5,160,001	4,797,191	4,027,148	5,068,804	4,858,844	
	After distribution	5,160,001	4,919,593	4,039,307	5,068,804	Not yet distributed	
Non-Current Assets		266,044	192,028	1,208,846	824,315	1,033,079	
Total Liabilities	Before distribution	5,426,045	4,989,219	5,235,994	5,893,119	5,891,923	
	After distribution	5,426,045	5,111,621	5,248,153	5,893,119	Not yet distributed	
Equity attributable to owners of parent company		2,792,153	2,688,781	2,582,747	2,462,371	2,993,805	
Capital		1,228,846	1,228,436	1,228,436	1,228,436	1,368,506	
Capital Surplus		1,021,581	966,919	979,283	979,283	1,223,135	
Retained Earnings	Before distribution	345,304	624,909	500,369	501,835	765,987	
	After distribution	345,304	502,507	488,210	501,835	Not yet distributed	
Other Equity		196,422	(120,258)	(104,764)	(214,132)	(363,823)	
Treasury Shares		–	(11,225)	(20,577)	(33,051)	–	
Non-Controlling Equity		–	17,614	14,395	10,662	15,288	
Total equity	Before distribution	2,792,153	2,706,395	2,597,142	2,473,033	3,009,093	
	After distribution	2,792,153	2,583,993	2,584,983	2,473,033	Not yet distributed	

Note 1: The financial statements for the three months ended March 31, 2020 have been reviewed by CPAs.

(2) Condensed statement of comprehensive income

Unit: NT$ thousands (except for earnings per share)

Year / Item		Financial Information in the Most Recent Five Years					Current year as of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Operating Revenue		10,967,669	11,032,005	10,024,202	10,614,940	10,142,781	
Gross Profit		2,075,981	2,291,399	1,736,363	1,809,931	1,972,712	
Operating income (loss)		(62,864)	341,281	(46,001)	68,437	289,876	
Non-Operating Income and Expenses		(59,457)	16,191	53,336	3,830	32,948	
Net Profit Before Tax		(122,321)	357,472	7,335	72,267	322,824	
Net income from continuing operations		(94,042)	276,946	1,354	(18,083)	257,159	
Loss from discontinued operations		—	—	—	—	—	
Net income (loss) of the period		(94,042)	276,946	1,354	(18,083)	257,159	
Other Comprehensive Net Income After Tax		(41,323)	(319,020)	8,783	(81,393)	(138,072)	
Total Comprehensive Income		(135,365)	(42,074)	10,137	(99,476)	119,087	
Net profit attributable to owners of the parent		(94,042)	282,300	4,262	(14,599)	251,919	
Net income attributable to non-controlling interests		—	(5,354)	(2,908)	(3,484)	5,240	
Total comprehensive income attributable to owners of the parent		(135,365)	(36,720)	13,356	(95,743)	114,461	
Total comprehensive income attributable to non-controlling interests		—	(5,354)	(3,219)	(3,733)	4,626	
Earnings per share	Before distribution	(0.77)	2.31	0.03	(0.12)	2.05	
	After distribution	(0.77)	2.31	0.03	(0.12)	Not yet distributed	

Note 1: The financial statements for the three months ended March 31, 2020 have been reviewed by CPAs.

(II) Significant items, such as accounting changes, business combination or shutdown of operating segments, which affect the consistency comparison of the aforementioned financial statements and their impact on the financial statements of the current year:

1. IAS 1 "Presentation of Financial Statements"

   The Standard amends the presentation of other comprehensive income. Items within other comprehensive income are classified by their nature into “may not be reclassified subsequently to profit or loss” and “may be reclassified subsequently to profit or loss” . The amendment also requires that taxes associated with items expressed in pre-tax amount and classified into the aforementioned two categories under other comprehensive income shall be separately presented. The consolidated entity has changed the presentation of the statements of comprehensive income pursuant to the Standard with comparative periods restated accordingly.

2. IFRS 13 "Fair Value Measurement"

   The Standard changes the definition of fair value, establishes a framework for fair value measurement, and stipulates disclosures associated with fair value measurement. The consolidated entity has provided additional disclosures on fair value measurement in compliance with the amended Standard and prospectively applied the fair value measurement requirements of the new Standard pursuant to the transitional provisions. However, data of comparative period are not required for the newly-added disclosures. Although the new measurement requirements have been prospectively applied since 2015, they have no significant impact on the fair value measurement of the consolidated entity’s assets and liabilities.

3. IAS 19 "Employee Benefits"

   The main focus of the amendment is to determine net interest by multiplying the net defined benefit liability (asset) by the discount rate, use it to replace interest cost and expected return on plan assets prior to the amendments, and eliminate the accounting policy option of adopting the “corridor approach” for actuarial gains and losses or recognizing those in profit or loss when incurred. The amendment also stipulates that the remeasurement of defined benefit plan (including actuarial gains and losses) shall be recognized in other comprehensive income and the past service cost shall be recognized in profit or loss when incurred, instead of being recognized as expenses via straight-line method over the average period prior to satisfying the vesting conditions. Moreover, the Company shall recognize termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits or when the entity recognizes the relevant restructuring costs, instead of recognizing termination benefits as liabilities and expenses when there are explicit commitments related to the termination events. Also, additional disclosures on defined benefit plans are required.

   The consolidated entity has changed the accounting policies associated with the measurement and presentation of net defined benefit liability, pension costs and actuarial gains and losses in accordance with the aforementioned amendment and will recognize the unrecognized remeasurement of defined benefit plans in full in compliance with the elimination of "corridor approach" and retrospectively adjust the retained earnings.

(III) Names and audit opinions of CPAs

1. Names and audit opinions of CPAs for the most recent five years

Year	Name of Accounting Firm	Name of CPA	Audit Opinion
2014	Anna Lu, Steven Shih	KPMG Taiwan	Unqualified opinion
2015	Anna Lu, Ethan Chuang	KPMG Taiwan	Modified unqualified opinion
2016	Ethan Chuang, Astor Kou	KPMG Taiwan	Unqualified opinion
2017	Ethan Chuang, Astor Kou	KPMG Taiwan	Standard unqualified opinion
2018	Isabel Lee, Anna Lu	KPMG Taiwan	Unqualified opinion
2019	Derek Hsu. Anna Lu,	KPMG Taiwan	Unqualified opinion

2. If the CPAs have been changed in the most recent five years, the Company shall list the reasons for replacing the former CPAs with the successor ones: Due to internal rotation of the CPA firm.

II. Financial Analysis of the Most Recent Five Years

1. Financial analysis

Item	Year	Financial Information in the Most Recent Five Years (Note 1)					Current year as of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt ratio	66.02	64.83	66.84	70.44	66.19	
	Long-term fund to property, plant and equipment ratio	102.38	111.16	156.26	148.93	213.42	
Liquidity analysis (%)	Current ratio	95.01	99.99	112.79	98.28	104.29	
	Quick ratio	46.89	49.13	50.26	55.45	61.01	
	Times interest earned	-0.38	6.83	1.10	1.66	4.67	
Operating performance	Average collection turnover (times)	5.89	7.28	6.90	6.73	5.78	
	Days sales outstanding	62	50	53	54	63	
	Inventory turnover (times)	3.24	3.59	3.39	3.82	3.88	
	Average payment turnover (times)	4.36	4.17	4.17	4.22	3.38	
	Average inventory turnover days	113	102	108	95	94	
	Property, Plant and Equipment Turnover (Times)	3.67	4.26	4.13	4.81	5.38	
	Total Asset Turnover (Times)	1.33	1.43	1.28	1.27	1.14	
Profitability	Return on assets (%)	-0.23	4.20	0.86	0.97	3.78	
	Return on equity (%)	-3.27	10.30	0.16	-0.58	9.23	
	Net income before income tax to paid-in capital ratio (%)	-9.95	29.10	0.60	5.88	23.59	
	Net margin (%)	-0.86	2.56	0.04	-0.14	2.48	
	Earnings per share (NT$) (Note 1)	-0.77	2.31	0.03	-0.12	2.05	
Cash flow	Cash flow ratio (%)	16.20	43.41	8.75	13.26	29.97	
	Cash flow adequacy ratio (%)	37.25	85.26	78.95	100.97	236.35	
	Cash flow reinvestment ratio (%)	27.33	71.84	6.04	20.01	36.03	
Leverage	Operating leverage	-18.20	4.37	-22.09	16.85	4.56	
	Financial leverage	0.41	1.22	0.39	-1.64	1.14	

Reasons for changes in financial ratios in the most recent two years (Analysis is not required if the change is within 20%). The increase in long-term fund to property, plant and equipment ratio was mianly due to capital increase from the issuance of third secured convertible corporate bonds in 2019. The increase in times interest earned was mainly due to the increase in income before income tax in 2019. The increase in return on assets was mainly due to the increase in income before income tax in 2019. The increase in return on equity was mainly due to the decrease in net income in 2019. The increase in net income before income tax to paid-in capital ratio was mainly due to the increase in income before income tax in 2019. The increase in net margin was mainly due to the increase in net income in 2019. The increase in earnings per share was mainly due to the increase in net income in 2019. The increase in cash flow ratio was mainly due to the increase in net cash generated by operating activities in 2019. The increase in cash flow adequacy ratio was mainly due to the increase in net cash generated by operating activities in 2019. The increase in cash flow reinvestment ratio was mainly due to the increase in net cash generated by operating activities in 2019. The decrease in operating leverage was mainly due to the increase in net income in 2019. The increase in financial leverage was mainly due to the increase in net income in 2019.

Note 1. Financial data from 2015 to 2019 are based on numbers in the consolidated financial statements audited and certified by CPAs.

Note 2. The financial statements for the three months ended March 31, 2020 have been reviewed by CPAs.

Note 3. The following lists the formulas used for performing the financial analysis:

1. Financial structure
   (1) Debt ratio = Total liabilities / total assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities)/Net Property, Plant and Equipment.
2. Liquidity analysis
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.
   (3) Times interest earned = Earnings before interests and taxes / Interest expenses over this period.
3. Operating performance
   (1) Average collection turnover (including accounts receivable and notes receivable resulting from business operations) = Net sales / Average receivable of the period (including accounts receivable and notes receivable resulting from business operations).
   (2) Days sales outstanding = 365 / Average collection turnover.
   (3) Inventory turnover = Cost of sales / Average inventories.
   (4) Average payment turnover (including accounts payable and notes payable resulting from business operations) = Cost of sales / Average payable of the period (including accounts payable and notes payable resulting from business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover.
   (6) Property, plant and equipment turnover = Net sale / Net property, factory and equipment.
   (7) Total assets turnover = Net sales / Total assets.
4. Profitability
   (1) Return on assets = (Net income (loss) + Interest expenses * (1 - Tax rate)) / Average total assets.
   (2) Return on equity = Net income (loss) / Average total equity.
   (3) Net margin = Net income (loss) / Net sales.
   (4) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding.
5. Cash flow
   (1) Cash flow ratio = Net cash generated by operating activities / Current liabilities.
   (2) Cash flow adequacy ratio = Net cash generated by operating activities in the most recent five years / (Capital expenditure + Inventory increase + Cash dividends) in the most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash generated by operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other assets + Working capital).
6. Leverage
   (1) Operation leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

Note 4. Special attention shall be paid to the following matters when using the formula of earnings per share above:

1. It shall be based on the weighted average number of common stocks rather than the number of outstanding

shares at the end of the year.

2. Where there is capital increase by cash or treasury share transaction, the circulation period shall be considered when calculating the weighted average number of shares.
3. Where there is capital increase by earnings or by capital surplus, the annual and semi-annual earnings per share of previous years shall be retrospectively adjusted in accordance with the proportion of capital increase without considering the issuance period of such capital increase.
4. If the preferred stocks are inconvertible cumulative preferred stocks, dividends of the year (whether paid or not) shall be deducted from net income or included in the net loss. If the preferred stocks are not cumulative, preferred stock dividends shall be deducted from the net income (if any), and no adjustment is required in the case of net loss.

Note 5. Special attention shall be paid to the following matters for cash flow analysis:

1. Net cash generated by operating activities is the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventories is included only when the ending balance is greater than the beginning balance. If the year-end inventory balance decreases, it is counted as zero.
4. Cash dividends include the cash dividends of common and preferred stocks.
5. Gross property, plant and equipment shall refer to the balance of property, plant and equipment before deducting accumulated depreciation.

Note 6. The issuer shall classify operating costs and operating expenses as fixed or variable by their nature. If estimation or subjective judgment is involved, attention shall be paid to its reasonableness and consistency.

III. Supervisors or Audit Committee's review reports of the most recent annual financial statements

審計委員會同意報告書

本審計委員會同意並經董事會決議本集團民國 108 年度合併財務報表，嗣經董事會委任安侯建業聯合會計師事務所查核完竣，並出具標準式無保留意見查核報告。

本審計委員會負有監督本集團財務報導流程之責任。

簽證會計師簽證本集團 108 年度合併財務報表，與本審計委員會溝通下列事項：

1、簽證會計師所規劃之查核範圍及時間，尚無重大查核發現。

2、簽證會計師向本審計委員會提供該等會計師所隸屬事務所受獨立性規範之人員已遵循會計師職業道德規範中有關獨立性之聲明，尚未發現其他有可能被認為會影響會計師獨立性之關係及其他事項。

3、簽證會計師與本審計委員會就關鍵查核事項溝通中，決定未有須於查核報告中溝通之關鍵查核事項。

本審計委員會同意並經董事會決議之本集團 108 年度合併財務報表，均符合相關法令規定，爰依公司法 219 條之規定報告如上。

敬請　鑒核

此致

艾美特（開曼）國際有限公司 109 年股東常會

審計委員會召集人：范 欽 華

109 年　3　月　12　日

IV. Financial Statements of the Most Recent Year, Including Independent Auditors' Audit Reports, Balance Sheets and Statements of Comprehensive Income, Changes in Equity and Cash Flows with Two-Year Data Available for Comparison, and Notes or Tables: Please refer to #page 99-173# of this Annual Report.

V. Audited and Certified Parent Company Only Financial Statements of the Most Recent Year, Excluding Statements of Significant Accounts: Not applicable.

VI. Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year up to the Date of Publication of This Annual Report, and Their Impact on the Company's Financial Position: None.

Chapter 7. Review of Financial Conditions, Operating Results, and Risk Management

I. Analysis of Financial Status

Unit: NT$1,000

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	5,067,249	4,979,684	87,565	2%
Property, Plant and Equipment	1,886,835	2,206,928	-320,093	-15%
Intangible Assets	11,697	20,033	-8,336	-42%
Other Assets	1,935,235	1,159,507	775,728	67%
Total Assets	8,901,016	8,366,152	534,864	6%
Current Assets	4,858,844	5,068,804	-209,960	-4%
Non-Current Assets	1,033,079	824,315	208,764	25%
Total Liabilities	5,891,923	5,893,119	-1,196	0%
Capital	1,368,506	1,228,436	140,070	11%
Capital Surplus	1,223,135	979,283	243,852	25%
Retained Earnings	765,987	501,835	264,152	53%
Other Equity	(363,823)	(214,132)	-149,691	70%
Treasury Shares	—	(33,051)	33,051	-100%
Non-Controlling Equity	15,288	10,662	4,626	43%
Total Shareholders' Equity	3,009,093	2,473,033	536,060	22%

Explain any difference in increase/decrease percentage that exceeds 20% and amount that reaches NT$89 million (1% of total assets) in assets, liabilities and shareholders' equity in the past 2 years:

1. Other assets: Mainly due to the completion of the payment of Jiujiang land use rights.
2. Non-current assets: Mainly due to the issuance of the third secured convertible corporate bonds in 2019.
3. Capital surplus: Mainly due to the capital increase, issuance of the third secured convertible corporate bonds, convertible corporate bonds converted to common stock and treasury stock transferred to employees in 2019.
4. Retained earnings:Mainly due to the increase in net income in 2019.
5. Other equity: Mainly caused by the increase in exchange difference from financial reports of foreign operations in 2019.
6. Total shareholders' equity: Mainly due to the capital increase, issuance of the third secured convertible corporate bonds, convertible corporate bonds converted to common stock and treasury stock transferred to employees in 2019.

II. Financial Performance

Material changes over the most recent 2 fiscal years in operating revenue, operating income, and income before tax; forecast the company's expected sales volume and provide the basis for the forecast; and describe the possible impact of such changes upon the company's financial and business affairs, and how the company plans to respond

(I) Reasons for any material changes over the most recent 2 fiscal years in operating revenue, operating income, and income before tax

1. Comparison Table for Operating Results

Unit: NT$1,000

Item \ Year	2019	2018	Difference	
			Amount	%
Net Operating Revenue	10,142,781	10,614,940	-472,159	-4.45%
Operating Cost	8,166,237	8,805,119	-638,882	-7.26%
Gross Profit	1,972,712	1,809,931	162,781	8.99%
Operating Expenses	1,682,836	1,741,494	-58,658	-3.37%
Operating Profit	289,876	68,437	221,439	323.57%
Non-Operating Income and Expenses	32,948	3,830	29,118	760.26%
Net Profit Before Tax	322,824	72,267	250,557	346.71%
Income Tax Expense	65,665	90,350	-24,685	-27.32%
Net Income	257,159	(18,083)	275,242	1522.10%
Other Comprehensive Net Income After Tax	(138,072)	(81,393)	-56,679	-69.64%
Total Comprehensive Income	119,087	(99,476)	218,563	219.71%
Net profit attributable to owners of the parent	251,919	(14,599)	266,518	1825.59%
Total comprehensive income attributable to owners of the parent	114,461	(95,743)	210,204	219.55%
Explain any difference in increase/decrease percentage that exceeds 20% and amount that reaches NT$89 million (1% of total assets): 1. Operating profit, net profit before tax and net income: Mainly due to the increase in gross profit and proper cost control. 2. Total comprehensive income: Please refer to the description in item 1. 3. Net profit attributable to owners of the parent and total comprehensive income attributable to owners of the parent: Please refer to the description in item 1.				

2. Forecast of the expected sales volume and the basis for the forecast

   Due to the COVID-19 in early-2020, the Company expects sales in the coming one year will decrease compared with last year. As of now, the domestic market in China, consumption in China, where important subsidiaries have their operations and productions, is gradually recovering. The ODM/OEM export markets have also been slightly slowed down due to the epidemic.

3. Possible impact of such changes upon the company's financial and business affairs, and how the company plans to respond

   In 2020, there will be many internal and external economic challenges in global and mainland China. Due to the qualitative and quantitative changes in the domestic Fast Moving Consumer Goods market and the fierce competition in the small household appliances industry, the Company will continuously expand the Group's operation scale, enhance all operating management, control costs and expenses reasonably, actively develop the blue ocean market, deepen the whole process of customer service, and closely cooperate with crucial customers. These all aim to build a sustainable enterprise with competitiveness and core values.

III. Cash Flow

(I) Liquidity Analysis for the Most Recent Two Years

1. Cash Flow Analysis for the Current Year

Unit: NT$1,000

Item \ Year	2019	2018	Difference	
			Increases (decreases)	Variance %
Net cash flow from operating activities:	1,456,592	672,080	784,512	117%
Net cash flow from investment:	(1,253,175)	(773,832)	(271,297)	28%
Net cash flow from financing activities	(101,245)	280,426	(589,717)	-121%

Analysis of financial ratio change:
1. Cash flow from operating activities: Mainly due to the increase in profit before tax, deferred payment terms of accounts payable and decrease in inventory in 2019.
2. Cash flow from investing activities: Mainly due to the increase in land use rights paid by Jiujiang Company.
3. Cash flow from financing activities: Mainly due to the increase in repayment of short-term loans in 2019.

1. Improvement Plan for Insufficient Liquidity: The Company does not suffer from insufficient liquidity.
2. Liquidity Analysis for the Coming Year:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)		Cash Surplus (Deficit) (1) + (2) - (3)	Remedy for Cash Inadequacy	
		Investment activities	Financing activities		Investment activities	Financing activity
412,939	815,025	(160,145)	(473,528)	594,291	None	None

1. Cash Flow Analysis for the Coming Year:
   (1) Operating activities: Mainly refer to the net cash inflow from the Company's operations.
   (2) Investment activities: Mainly refer to net cash outflow for the purchase of operating equipment.
   (3) Financing activities: Mainly due to the net cash outflow for buying back corporate bonds and bank repayments.
2. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

IV. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year

The amount of fixed assets purchased between 2015 and 2019 amounted to NT$636,863 thousand, NT$349,247 thousand, NT$421,150 thousand, NT$401,667 thousand and NT$247,465 thousand respectively, due to the Company's continuous expansion and replacement of equipment with new capacity in order to response to market demand. The comparison of the fixed assets and total asset turnover from 2015 to 2019 is shown below, showing that the Company's capital expenditure increase has not resulted in any negative impact on financial operations.

Turnover	2015	2016	2017	2018	2019
Property, Plant and Equipment Turnover (Times)	3.67	4.26	4.13	4.81	5.38
Total Asset Turnover (Times)	1.33	1.43	1.28	1.27	1.14

V. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

1. Investment Policy in the Last Year

   Besides complying with the investment cycle regulations from the internal control systems, the Company's investment management follows the Guidelines for Business and Financial Operations for the Group, Specific Companies and Related Parties, Operational Procedures for the Supervision of Subsidiaries" and the Operational Procedures for the Management of Subsidiaries' Operations while taking into account the local laws and regulations of each invested company and the actual operating conditions and assisting each invested company in establishing an appropriate internal control system. In terms of organizational structure, the directors of the invested companies shall be elected in accordance with local laws and regulations. and appointed by the parent company. In addition, regarding the management of each invested company (with more than 50% of the shareholding), the Presidents shall be appointed by the parent company, and the invested companies shall be authorized to appoint or recruit other managers. For the financial manager however, it does not have to be reported to the parent company for approval or appointment. In addition, the Company regularly obtains financial statements, operational reports and financial statements audited by CPAs from the invested companies for the analysis of the operations and profitability. The Company's internal auditing unit shall also conduct regular audits of the subsidiaries, as well as formulating relevant auditing plans and submitting audit reports to track the flaws and improvement of the internal control systems.

2. Main Causes for the Profits or Losses from Investment in the Most Recent Year

Investment	Profits or Losses from Investment in the Most Recent Year	Description

Airmate International Holding Limited	316,069	Recognition of the investment profits of Airmate China International Limited (BVI) and Waon Development Limited (Hong Kong).
Airmate China International Limited (BVI)	316,127	Recognition of the investment profits of Airmate Electrical (Shenzhen) Limited and Waon Development Limited (Hong Kong)
Waon Development Limited (Hong Kong)	319,286	Recognition of the investment profits and revenue from Airmate Electrical (Shenzhen) Limited and Airmate Electrical (Jiujiang) Limited.
Airmate Electrical (Shenzhen) Limited	136,489	Profits were generated by reaching the economies of scale.
Zhejiang Airmate Electrical Sales Limited	5	The reduction in operating costs generated profits.
Airmate Electrical (Jiujiang) Limited	44,967	Profits were generated by reaching the economies of scale.
Shenzhen Airmate Technology Co Limited	1,306	The high costs of initial operations and having not yet reached the economies of scale.

3. Investment Plans for the Coming Year: None.

VI. Analysis of Risk Management for the Most Recent Year up to the Printing Date of the Annual Report

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest Rate

The Company's interest expenses for 2019 and 2018 were NT$87,882,000 and NT$110,051,000 respectively, representing 0.86% and 1.04% of the net operating revenue for the years. The small percentage means the impact caused by interest rate change is insignificant for the Company. Although the interest rate at the currency market has been slowly climbing in recent years, it is still on the low end, so there has been no material change in the Company's loan interest rate. If the interest rate trend sees material fluctuations in the future and the Company has continuous needs for loans, apart from adopting other capital market financing tools to raise funds, the Company will also observe the interest rate trend and choose to borrow at a fixed rate or a floating rate to avoid the risk of interest rate fluctuations.

2. Foreign Exchange Rates

53% of the Company’s sales is concentrated in Mainland China in recent years and quoted in RMB, approximately 47% is in Europe, Japan and South Korea and quoted in USD and JPY. The procurement is mainly quoted in RMB. Therefore, in addition to the natural hedging of the RMB due to the sales and purchase of goods, the exchange rate fluctuations of different currencies also have an offsetting effect. In addition to natural hedging, the Company also engages in forward foreign exchange transactions for hedging purposes.

The Company’s exchange gains (losses) for 2019 and 2018 were $18,390 thousand and $7,978 thousand respectively, representing 0.18% and 0.08% of the net operating revenue for the years. In general, there has been no significant risks caused by exchange rate fluctuations. However, with future growth of operations, the holding position of foreign currencies by the Company will continue to increase. Moreover, both the domestic financing and future distribution of dividends to domestic investors will also need to be converted in USD. Therefore, exchange rate risks of USD to NTD will arise. The Company will strengthen control over foreign exchange position, and the possible measures are as follows:

A. Continue to strengthen the concept of exchange hedging among the financial staff, make judgement regarding the exchange rate trend through online real-time system over exchange rates and close contact 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 so on to achieve natural hedging.

C. Decide whether to adopt derivatives for hedging to avoid exchange rate risks according to the Company's operational status.

3. Inflation/Deflation

With the 2008 financial crisis and the recent European debt crisis, the global economic activities have been slowing down. However, the pressure of inflation has been eased with the governments maintaining order of the financial market order and price stability. The Company will continue to maintain close interactions with its suppliers and customers in order to make timely adjustments of the procurement and sales strategies, as well as staying abreast of market price fluctuations and upstream material prices to mitigate the impact of inflation on the Company's profit and loss. There has been no significant change in the financial market and prices in the most recent year up to the publication date of this annual report, nor has there been any significant impact on the Company's profit and loss.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company has always focused on growing the business without engaging in high-risk and high-leveraged investments and transactions. The priority of the financial policy is staying prudent. Therefore, relevant risks are limited. The Company's policies and procedures for handling loans to other parties, endorsements and guarantees and derivative transactions are conducted in accordance with the Company's Operational Procedures for Acquisition or Disposal of Assets, Operational Procedures for Loaning Funds and Making Endorsements and Guarantees for Others and Operational Procedures for the Supervision of Subsidiaries.

As of the date of printing, all endorsements, guarantees and loans have stayed between the Company and its subsidiaries or among subsidiaries. The above-mentioned endorsements and guarantees and capital loans are handled in accordance with the relevant operational procedures. In general, they have no significant impact on the consolidated profit and loss. Moreover, the Company has always focused on growing the business without engaging in high-risk and high-leveraged investments and transactions. The priority of the financial policy is staying prudent. Therefore, relevant risks are limited.

(III) Future Research & Development Projects and Corresponding Budget

The future R&D plans are focused on continuous innovation of the technologies related to small household appliances. The Company actively works towards developing energy-saving and smart home appliances, as well as becoming the world's top enterprise for green solutions that provides customers with diverse product design, applications and technologies. With rapid response to the market trend, we will strive to improve the production process capability, strengthen product functionality and reduce costs, as well as jointly developing products that meet the market demand and achieve mature production technologies.

The R&D expenses for 2019 and 2018 were NT$160,820,000 and NT$160,820,000 respectively, taking up 1.58% and 1.52% of the Group's annual revenue. In the future, R&D resources will be dedicated depending on the projects. The total T&D expense is expected to be NT$148,000,000. In addition to developing new products and core technologies, the Company will continue to make improvement and advancement as well as developing new products in accordance with the customer and market demands to become a supplier with sustainable operations.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company is registered in the Cayman Islands with the main operations in China and Hong Kong. The Cayman Islands' principal economic activity is financial service, and China is one of the world’s major economies. The Company's business activities are conducted in accordance with the important domestic and foreign policies, laws and regulations. The Company shall always pay attention to the development trends and changes in domestic and foreign policies, laws and regulations. in case of changes, the Company's lawyers and accounts will be consulted or engaged in the evaluation and planning of measures to make appropriate responses in a timely manner. In the most recent year up to the publication date of this annual report, the Company has not experienced any significant impact on its financial operations due to changes in major local policies and laws in the Cayman Islands, China or Hong Kong.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

With the continuous improvement in the technology, appearance and build of small household appliances as well as the carbon reduction attempt all over the world, the Company has stayed updated with market trends and evaluated the impact on the Company's operations. The Company has had a close cooperation with many export customers who are leaders in small electronics products all over the world, and the Company is also a well-known brand in China. In the most recent year up to the publication date of this annual report, the Company has not experienced any significant adverse impact on its financial operations due to changes in technology or the industry.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has always been committed to the business philosophy of honesty, integrity, fairness and diligence since its establishment, the Company has continued to actively strengthen its internal management and quality management capabilities to build the company's brand image in order to further increase the customer trust. Therefore, there has been no impact of changes in corporate image.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

There has been no plan for merger and acquisition in the most recent year and up to the publication date of the prospectus.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

There has been no factory expansion plans in the most recent year and up to the publication date of the prospectus.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

1. Purchases

   The Company has thousands of raw materials. The main procurement items include plastic materials, copper wires, power cords, silicon sheets, printed circuit boards (PCB), paint, weight plates and carton packaging materials. For the procurement of major raw materials, the principle is purchasing from multiple suppliers to disperse the risks and ensure sufficient supply for production. Price inquiries and negotiations are conducted according to procurement and payment procedures. For the most recent year up to the publication date of the annual report, there has been no single supplier accounting for more than 10% of the total purchase amount; therefore. Therefore, there is no risk of excessive concentration of purchases as a whole.

2. Sales

   The Company's sales strategy focuses on both the domestic and export markets. Own brand products are for the domestic markets while the ODM/OEM products are for export. Currently, the domestic sales network has over 10,000 channels in 31 provinces, autonomous regions and municipalities as well as 240 distributors. The export customers are located in 89 countries around the world with nearly 200 customers, most of which are internationally renowned manufacturers. In addition, no single customer accounts for more than 15% of the total sales in the most recent year and up to the printing date of the annual report. There is no risk of over-concentration in terms of sales, but the Company will continue to pay attention to and assess the credit risks of customers in order to make timely responses.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% In the most recent year up to the publication date of this annual report, the Company has not experienced any m

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights

In the most recent year up to the date of publication of this annual report, the Company has not changed its management rights. However, in order to enhance corporate governance, the Company has introduced the systems of independent directors and the Audit Committee to protect the shareholders' interests. On the other hand, with the exception of independent directors, the Company's current directors and employees are mostly long-term partners that agree with the Company's development and directions. Therefore, the Company has maintained good operating performance in recent years. In the future, the Company will adhere to its business philosophy and good management ethics to create growth in the Company's operations and profits, in order to win the approval of all shareholders of the management team. In short, the Company's operations are stable and well-approved, so there is no risk of changes in management rights.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any its Director, Supervisor, President, person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the Annual Report: None.

(XIII) Other material risks and responding measures:

Information Security Risk

The Company has established an internal control system for information management operations and personal data protection management operations to control network and information security, but it still cannot guarantee that the network and computer systems can completely avoid attacks from third parties. For the Company's internal information security, the Company has set up a full-time information section to check the safety of information system operations, control the usage, set daily backups of important data, and promote relevant information security concepts and correct operation methods.

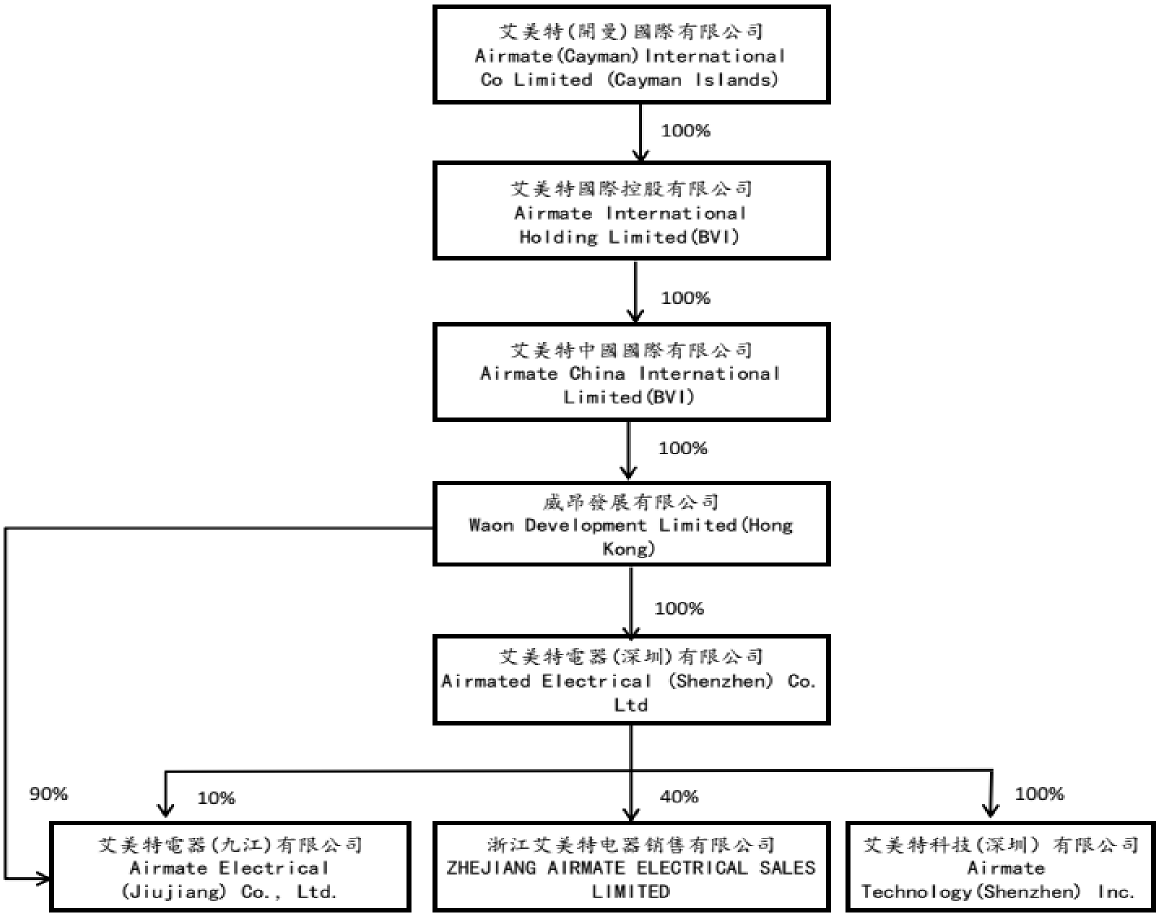
VII. Other Important Matters: None.

Chapter 8. Special Disclosures

I. Affiliated Companies:

(I) Consolidated Business Report of Affiliated Enterprises for the Most Recent Year

1. Organization chart of associates



Note: Technology Inc. has acquired the remaining 49% equity on January 6, 2020 and changed the name.

2. Basic information of affiliates

As of December 31st, 2018; Unit: NT$ (foreign currency) 1,000

Name	Date of Incorporation	Address	Paid-In Capital		Main Operations
			Currency	Amount	
Airmate (Cayman) International Co Limited	2004.3	Cayman	NTD	136,851	Holding company
Airmate (Cayman) International Co Limited, Taiwan Branch	2017.10	Taiwan	—	—	Trading company
Airmate International Holding Limited	1998.12	B.V.I	USD	63,974	Holding company
Airmate China International Limited (BVI)	1997.10	B.V.I	USD	69,761	Holding company
Waon Development Limited (Hong Kong)	1990.10	H. K.	HKD	820,298	Trading company
Waon Development Limited (Hong Kong), Taiwan Branch	1998.8	Taiwan	—	—	Trading company
Airmate Electrical (Shenzhen) Limited	1991.5	China	USD	32,000	Household appliances production and sales
Airmate Electrical (Jiujiang) Limited	2014.1	China	USD	72,800	Household appliances production and sales
Shenzhen Airmate Technology Co Limited	2015.12	China	RMB	10,000	Research and development and sales of kitchen appliances

3. For companies defined as holding company and its subordinate, relevant Information on shareholders shall be listed: None.

4. Operational Highlight of Affiliated Companies

Unit: NT$1,000

Name	Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Net Worth (Note 1)	Operating Revenue (Note 2)	Operating Profit (Note 2)	Current Profit and Loss (Note 2)	Earnings Per Share (NT$)
Airmate (Cayman) International Co Limited	1,368,506	8,901,016	5,891,923	3,009,093	10,142,781	289,876	251,919	2.05
Airmate (Cayman) International Co Limited, Taiwan Branch	—	69	3	66	—	—	—	—
Airmate International Holding Limited	1,917,941	3,853,540	324	3,853,216	—	—	—	—
Airmate China International Limited (BVI)	2,091,435	3,853,770	295	3,853,475	—	—	—	—
Waon Development Limited (Hong Kong)	3,157,327	6,319,910	3,078,910	3,241,000	4,620,056	204,354	320,078	—
Waon Development Limited (Hong Kong), Taiwan Branch	—	7,207	6,257	950	15,774	(896)	(792)	—
Airmate Electrical (Shenzhen) Limited	959,360	5,393,423	3,164,545	2,228,878	4,839,755	(114,856)	136,489	—
Airmate Electrical (Jiujiang) Limited	2,182,544	5,446,510	3,251,765	2,194,745	5,513,400	50,952	44,967	—
Shenzhen Airmate Technology Co Limited	42,966	65,704	38,571	27,133	203,722	(620)	6,546	—

Note 1. If the affiliate company is a foreign company, the liabilities in foreign currency shall be converted into NTD at the exchange rate at the reporting date. (CNY:HKD=1.1163; HKD:NTD=3.8490)

Note 2. If the affiliate company is a foreign company, its profit and loss is translated into NTD at the average exchange rate for 2018. (CNY:HKD=1.1343; NTD:HKD=3.9448)

5. Overall business scope of affiliated businesses

The business operations of the Company and its affiliates focus on the manufacturing and sales of household appliances. A small number of affiliated companies are engaged in investment. Overall, the division of labor between the companies is based on mutual support of technology, production capacity, marketing and services to create maximum synergy.

6. Directors, Supervisors and Presidents of Affiliated Companies

Unit: Thousand Shares; %

Name	Title	Name or Representative	Shareholding/Investment	
			Number of Shares	Shareholding Ratio
Airmate (Cayman) International Co Limited	Chairman Director Director Director Director Director Director Independent Director Independent Director Independent Director Independent Director	Shih, Jui Pin Tsai, Cheng-Fu Cheng, Li-Ping Shih Li, Chueh-Chu Shih, Jui-Lin Chen, Yen-Fu Chen, Shun-Loong Fan, Chin-Hwa Chiu, Shean-Bii Chi, Lai-Ping Chen, Ming-Chang	1,490 3,931 3,095 2,049 576 16 2,252 5 — — —	1.09 2.87 2.26 1.50 0.42 0.01 1.65 — — — —
Airmate International Holding Limited	Director	Shih, Jui Pin (Representative of Airmate (Cayman) International Co Limited)	US$63,974,000	100
Airmate China International Limited (BVI)	Director	Shih, Jui Pin (Representative of Airmate International Holding Limited)	US$69,761,000	100
Waon Development Limited (Hong Kong)	Chairman Director Director Director	Shih, Jui Pin (Representative of Airmate China International Limited) Cheng, Li-Ping (Representative of Airmate China International Limited) Tsai, Cheng-Fu (Representative of Airmate China International Limited) Shih Li, Chueh-Chu (Representative of Airmate China International Limited)	HK$820,298,000 HK$820,298,000 HK$820,298,000 HK$820,298,000	100 100 100 100
Waon Development Limited (Hong Kong), Taiwan Branch	—	—	—	—
Airmate Electrical (Shenzhen) Limited	Chairman Director Director Director Director	Shih, Jui Pin (Representative of Waon Development Limited (Hong Kong)) Tsai, Cheng-Fu (Representative of Waon Development Limited (Hong Kong)) Yen-Ming Tseng (Representative of Waon Development Limited (Hong Kong)) Shih, Jui-Lin (Representative of Waon Development Limited (Hong Kong)) Tseng, Chao-Ting (Representative of Waon Development Limited (Hong Kong))	US$32,000,000 US$32,000,000 US$32,000,000 US$32,000,000 US$32,000,000	100 100 100 100 100
Airmate Electrical (Jiujiang) Limited	Chairman of the Board Director Director Director	Tsai, Cheng-Fu (Representative of Waon Development Limited (Hong Kong)) Shih, Jui Pin (Representative of Waon Development Limited (Hong Kong)) Cheng, Li-Ping (Representatives of Waon	US$61,300,000 US$61,300,000 US$61,300,000 US$61,300,000 US$61,300,000	100 100 100 100 100

	Director	Development Limited (Hong Kong)) Chao Ting Tseng (Representative of Waon Development Limited (Hong Kong)) Huang, Ching-Tien (Representative of Waon Development Limited (Hong Kong))		
henzhen Airmate Technology Co., Limited	Executive Directors Supervisor	Tsai, Cheng-Fu (Representative of Airmate Electrical (Shenzhen) Limited) Ho, Mei Hsiu (Representative of Airmate Electrical (Shenzhen) Limited)	RMB 10,000 thousand RMB 10,000 thousand	100 100

(II) Consolidated Financial Statements of Affiliated Companies: Please refer to #page 99 to 173#.

(III) Consolidated Statements of Affiliated Companies:

Declaration of Declaration

The affiliated companies that shall be incorporated into the consolidated financial statement of affiliated companies in 2018 (from January 1st to December 31, 2018) in accordance with "Consolidated Business Report of Affiliated Companies, Consolidated Financial Statement of Affiliated Companies, and Relationship Report Preparation Guidelines" are the same with affiliated companies that shall be incorporated into the consolidated financial statements of parent and affiliated companies in accordance with Article 10 of International Financial Reporting Standards recognized by the Financial Supervisory Commission. Moreover, information that shall be disclosed in consolidated financial statement of affiliated companies is disclosed in the aforementioned consolidated financial statements of parent and affiliated companies. Thus, a separate consolidated financial statement of affiliated companies will not be prepared.

Hereby Declared by

Company: Airmate (Cayman) International Co Limited

Chairman: Shih, Jui Pin

Date: March 4, 2019

(IV) Affiliation Report: Not applicable.

II. Private Placement of Securities of the Most Recent Year up to the Publication Date of this Annual Report: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year up to the Date of Publication of this Annual Report: None.

IV. Other Necessary Supplements: None.

V. Events of Considerable Impact on Shareholders' Equity or on Prices of Securities as Specified in Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: None.

VI. Major Differences from the Domestic Protective Provisions for Shareholders' Equities:

In accordance with the amendments to the Company's Articles of Association adopted by the Company's Board of Directors on March 12, 2020, without violating the laws of Cayman, the Company has established the specific content to protect the exercise of shareholders' rights and interests in the Company's Articles of Association in accordance with the checklist for protection of shareholders' equities (hereinafter referred to as "Protection of Shareholders' Equities") prescribed by the Taiwan Stock Exchange.

The matters concerning the protection of shareholders' equities regarding the Supervisor's relevant powers and obligations are not applicable to the supervisor because the Company already has independent directors. In addition, because the following matters are inconsistent with the laws of Cayman, they cannot be eastablished according to important matters for the protection of shareholders 'equities:

Important Matters Related to Protection of Shareholders' Equity	Companies Laws of the Cayman Islands and description thereof	The Provisions Contained in the Articles of Association and Differences
For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of the Company is less than the percentage of the total shareholdings required in the preceding paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company. 1. To form, change or terminate contracts related to leasing of the entire operation, commissioning others to manage, or forming of a long term joint management with others; Transfer the whole or principal part of the business or property; To accept the whole business or property given by others, which causing a significant influence over the operations of the Company 2. Amendments to the Articles of Association 3. Where amendments to the Articles of Association will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened 4. New shares issuance shall be used to allocate the whole or part of share dividends or bonuses 5. Resolutions for corporate dissolution, merger, or demerger	Under Article 60 of the Cayman Companies Law, a resolution is a "Special Resolution" when it hs been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to proposethe resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that any such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. According to Article 10 and Article 24 of the Cayman Companies Law, amendments to the Company's Articles of Association and Memorandum of Association must be passed by a "Special Resolution"; According to Article 90 of the Cayman Companies Law, dissolution of a company must be passed by a "Special Resolution. According to the Cayman Companies Law, the matters that should be subject to special resolutions must be adopted by the shareholders in accordance with the Articles of Association as "Special Resolutions". Resolutions made under the voting threshold for "Special Resolutions" under the Companies Law shall be invalid under the Cayman Company Law.	In principle, the Cayman Companies Law voting rights requirements for "special resolutions" are not lower than the requirements stipulated in Company Law of the Republic of China and Shareholders' Equities Protection Important Matters. Therefore, the Company's Articles of Association should have no adverse effect on shareholders' equities.
To transfer shares to employees at less than the average actual share repurchase price, a company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders	According to Article 37 of Cayman Companies Law amended on April 27, 2011, Cayman companies can authorize the Board of Directors of its Company's Articles of Association to make a decision	The Cayman Islands has not made detailed regulations on the Company's purchase of treasury stock and its transfer to employees. The detailed provisions regarding the transfer of repurchased treasury shares to

meeting attended by shareholders representing a majority of total issued shares, and must have listed the following matters in the notice of reasons for that shareholders meeting; it may not raise the matter by means of an extraordinary motion: 1. The exercise price, the valuation percentage, the bases of calculations, and the reasonableness thereof. 2. The number of shares to be transferred, the purpose, and the reasonableness thereof. 3. Qualification requirements for warrant subscribers, and the number of shares they are allowed to subscribe for. Factors affecting shareholders' equity:The expensable amount, and dilution of the company's earnings per share; Explain what financial burden will be imposed on the company by transferring shares to employees at less than the average actual share repurchase price. For all successive instances where share transfers to employees as provided for in the preceding paragraph have been approved by shareholders' meetings and the shares have been transferred, the cumulative number of shares thus transferred may not exceed 5% of the total issued shares of the company, and the cumulative number of shares thus subscribed by any single employee may not exceed 0.5% of the total issued shares of the Company. With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares. For the resolutions at the shareholders' meeting, the number of shares of shareholders with no voting power shall not be included into the total number of issued shares.	to buy back or redeem the issued shares of its company. It shall be regarded as treasury shares before the sale or redemption of the issued shares.	the Company's employees shall be stipulated in the Company's Articles of Association and shall have no adverse effect on shareholders' equities.

Appendix

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 the Company executes redeem request, the convertible corporate

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
		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				
		Fair value			

	Carrying amount	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		Capital loan to some Subjects Limit amount (Notes 3 and 4)	Capital loans Total limit (Note 3, 4)
													Name	Value		
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 Name of certifier company	Subject of endorsement or guarantee (Note 2)		Single enterprise Endorsement or guarantee limit (Note 3)	Highest endorsement or guarantee amount for current period Endorsement or guarantee balance	Endorsement at the end of the period Endorsement or guarantee balance (Note 4)	Actual disbursement Disbursed amount	Guarantee with property Endorsement or guarantee amount	Cumulative endorsement or guarantee amount Ratio in net value of latest financial statement	Endorsement or guarantee Highest limit (Note 3)	To parent company Endorsement or guarantee to affiliated companies	to affiliated company Endorsement or guarantee to parent company	To Mainland China Regional endorsement or guarantee
		Company name	Relation										
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	Overdue receivables from related party Accounts: 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	Transaction: Amount	Transaction: Transaction condition	Transaction: 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	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)	Investment profit or less (Note 2)	
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**