Stock code : 6275

YEN SUN TECHNOLOGY CORP.
2019 Annual Report

Printed Date: May 5, 2020

Market Observation Post System: http://mops.twse.com.tw

Company Website: http//www.ystech.com.tw

<u>Notice to readers</u>

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

A. Name, title, phone number and email of spokesperson and acting spokesperson

Spokesperson：LIU,HSIEN-WEN
Title：General Manager
Tel.：Tel:886-7-3713588
Email：robert@ystech.com.tw

B. Acting spokesperson: LIANG, HSIANG-YI

Title：Administration Department Director
Tel.：Tel:886-7-3713588
Email：joyce_liang@ystech.com.tw

C. Location and phone number of Headquarter, branch offices and factories

Headquarter :
No.329, Fengren Rd., Renwu Dist., Kaohsiung City81449 , Taiwan (R.O.C.)
Tel.：Tel:886-7-3713588

Guantian factory:
No.421, Guantian, Guantian Dist., Tainan City 72047, Taiwan (R.O.C.)
Tel.：Tel:886-6-6903988

Taipei Office:
2F., No. 98, Hougang St.,Shilin Dist., Taipei City 11170, Taiwan (R.O.C.)
Tel.：Tel:886-2-28833896

Taichung Office:
No. 321, Yongchun South Road, Nantun District., Taichung City 40852, Taiwan (R.O.C.)
Tel.：Tel:886-4-23818755

D. Name, location, website and phone of share-transferring institution

Name：Grand Fortunes Securities Co., Ltd Transfer Agency Department
Address:：6F.,No. 6, Section 1, Zhongxiao West Road., Zhongzheng District., Taipei City 100405 , Taiwan (R.O.C.)
Tel.：（02）2371-1658
Website：http://www.gfortune.com.tw/

E. Name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, location, website and telephone number of said person's accounting firm.

Name of the accountant: YANG PO-JENG and Chen,Kuo-Tsung
Name of the accounting firm: KPMG Certified Public Accountants
Address：12F.-6, No. 211, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 801006, Taiwan (R.O.C.)
Tel.：（07）213-0888
Website：http://www.kpmg.com.tw/

F. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None.

G. Company website：www.ystech.com.tw

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1. Letter to Shareholders

(1) 2019 Business Report

YEN SUN TECHNOLOGY CORP. was founded in 1976, aimed at building up the manufacturing and R&D capabilities and strength, main products includes high-performance cooling fans, thermal modules, precision industrial fans, beverage dispensers, paper towel machines, ice wine machines, air purifiers, dehumidifiers and ceramic electric heaters. In recent years, we've taken a leading position in the heat dissipation industry and successfully integrated the core technologies of precision AC and DC motors, psychoacoustics, thermals and fluid mechanics. It has long been committed to the development of core technologies, expanding the differentiation of products and strategies, and successfully cut In foreign markets such as automotive and telecommunications, customers cover important global regions such as Europe, the United States, Japan, Asia, and South Korea, and actively develop emerging markets such as China, India, and Indonesia.

The full range of products has been promoted worldwide, are all compliant with the European Union's environmental protection regulations (RoHS). In additionally, it also implements the quality differentiation strategy, take the global strict TS16949 quality management system and ISO 45001 occupational safety and health management system, and propose intention, determination, and confidence and the enthusiastic four policy, with flexible and rapid product development and stable product quality, provides customers with more diversified services and accumulates greater energy for the company's substantial growth.

A. <u>2019 Operation</u>：

Unit: NT$ in Thousands

Item	2019	2018	Increase(decrease) amount	Increase(decrease) percent
Operating Revenue	$2,986,079	$2,569,289	$416,790	16.22%
Net Profit	70,809	95,749	(24,940)	(26.04)%
Profit from continuing operations	50,466	83,174	(32,708)	(39.32)%
Loss from discontinued operations before tax	-	(114,725)	114,725	100.00%
Net Profit(Loss)	50,466	(31,551)	82,017	Turn a loss into a profit

The good revenue performance in 2019 was mainly contributed by the order growth in European automotive market in Electrical Cooling Business Unit. However, due to the impact of the factory relocation in Guantian, Tainan, the initial operation efficiency of the new factory was not as good as we performed constantly, leads the profit declined. The efficiency of the new plant has gradually recovered in the second half of 2019. In the future, we will focus on managing resources, continually aimed to new product development and customer development, and enhance our core competitiveness in pursuit of greater growth and profitability.

B. Budget：

The company's net revenue for 2019 was 2.98608 Billion, and the budget was 3.08269 Billion, with an achievement rate of 96.87%.

C. Profitability analysis：

Item	2019	2018
ROA (%)	2.66	-1.06
ROE (%)	5.57	-3.63
Pretax Income/Capital (%)	10.99	-0.52
Net Profit Margin (%)	1.69	-1.23
EPS (NT$)	0.73	-0.47

R&D conditions

A. Electronics Cooling Division

Changes in the global economy and industry have made the information electronics market mature. However, with the rapid advancement of information computing and network technology, the technology and service platforms provided by industries such as cloud technology, Netcom, automobiles and power supplies continue to innovate and develop. The demand for high-performance, high-weather-resistance cooling fans and modules that can quickly meet customer design and meet manufacturing flexible needs is continuously increasing.

(a) Cloud and Netcom industry

With the trend of massive data analysis, Internet of Things, and mobile computing, the demand for high-efficiency, long-living and reliable cooling fans continues to increase. Applications such as high-end servers/industrial computers, data centers, communications exchanges and outdoor devices, the spec of fan performance, stable reliability and life cycle continue to improve.

Therefore, product design and mold development are required to be constantly updated to meet the needs of the industry.

(b) Automotive industry

Due to the safety and high complexity of operating environment, the quality requirements are particularly high when comparing with the general industry. Especially driven by the development of driving assistance systems, Internet of Vehicles, new energy vehicles and unmanned driving, will lead the automotive industry into the next generation of technology applications and become more and more user-friendly. As the proportion of electronic components in vehicles is relatively increased; the needs for heat dissipation have been becoming more and more frequent. The demand for intelligent fans will lead the trend.

(c) Electricity and power industry

Electricity and power supply are the basic technologies for the sustainable development of the industry. As the continuous development of the green energy, the technology of power conversion and intelligent management has been developing rapidly. Applications include: photovoltaic/wind power inverters, converters, and high-efficiency power modules, inverter and charging station applied to intelligent manufacturing, automotive, and cloud & telecommunications industries.

The demand for high-performance, high-reliability, energy-saving and noise-reducing cooling fans and modules has been continuously increasing.

B. Home Appliances Division

The products that the Home Appliance Business develops included:

Intelligent DC stand fan, air purifier, dehumidifier, intelligent RO water dispenser & water purifier and customized commercial electrical equipment. Currently, the market sales of air purifiers have double increased and the water purifying products have also becoming one of household necessities. Maintaining good air quality is continuous; as long as the air purifier is working, the air quality can be maintain. The reverse osmosis water purification technique is the most effective water treatment technique in the world. It can remove toxins and produce pure water which is suitable for drinking.
In terms of quality system, we have obtained the national inspection standard ISO9001, ISO14001 BSMI and NSF certification. We produce products with rigorous attitude and focus on after-sale service.

Implementation and the result of guideline for management

A. Overview of implementation

(a) Electronics Cooling Division

The business department puts the target market in the fields of automotive electronics, cloud network communication, power supply, forward-looking industry and green energy industry. With the reform of the automotive platform, the Internet of Things and the rise of the huge data market in future.

Not only did the demand of cooling fan in target market continued to grow; but also the demand of highly customized support services and products with better weather resistance and reliability, also increase simultaneously.

Therefore, the competition between cooling fan factories become more and more fierce; the integration of products and front-end applications and the ability of global services will be the primary goal in the future.

(b) Home Appliances Division

Looking into the future, the definition of smart home will continue to evolve and enlarge the scope of home appliance. The development of products will remain unchanged, which is based on the families and family members. The product design must back to the core value of “Family” product. A product have to make every family felt it meet its individuality.

YenSun home appliance committed to the development of R&D technology. Not only won the support and affirmation of customers and consumers, but also implemented the concept of “Innovation, Quality, Efficiency” of its own brand.

YenSun have found for half a century; in order to bring the life experience of “Safety, Quality, Hygiene” to the consumers, YenSun committed to be the best quality home appliance brand in Taiwan.

B. Results of operation plan in 2019

Great results in all aspects:

(a) The cooling divison has successfully expanded to the automotive product market in Europe and China.

(b) Continue to introduce the intelligent automated production line and testing equipment.

(c) The new factory in Dongguan successfully carried out the production and highly increased the capacity.

(d) The Module business continued to expand the high-end market of automotive electronics and industrial servers.

(e) Develop and launch the medium/large size commercial air purifiers with high CADR rate.

(f) The Tainan Guantian plant started production in 2019, the new plant using intelligent production line, which significant contributes to the efficiency and yield rate.

The global economic shocks caused by the Covid-19 has brings the high uncertainty to the market and changes in the industry. However, To look forward into the new year, YenSun has been prepared to prevent the risks through the planning and efforts. With the improvement of customer satisfaction, good operation structure, experienced management team and flexible strategic planning, we expected to strive a good result in year 2020.

On behalf of all colleagues, we sincerely appreciate all shareholders’ encouragement and present the greatest blessing.

Chairman： *CHEN, CHIEN-JUNG*

2. Company Profile

(1) Date of Establishment: March 10, 1987

Company History

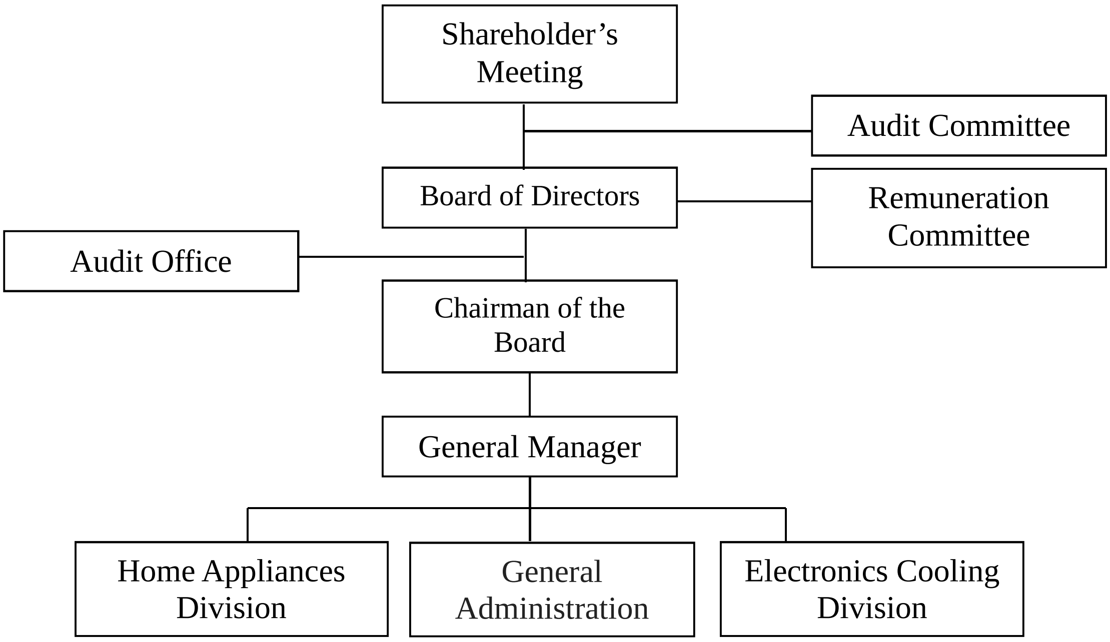
- 1987/03: Established “Yen Sun Technology Corp.” to undertake the manufacturing and selling of small household electrical with a capital of NT$28 million.
- 1987/04:Won the CNS mark of the fan category from the Central Bureau of Standard of the Ministry Economic Affairs
- 1991/04:Consign the CPC org to carry out the computerized operation planning
- 1993/01:The steam type water dispenser won the first Taiwan Excellent Award from the Ministry of Economic Affairs.
- 1993/03:Won the excellent supplier award from TECO Corporation to recognize the superiority of product quality.
- 1993/05:Passed Japan T-Mark safety certification
- 1996/06:Passed Japan S-Mark safety certification
- 1997/02:Passed ISO 9002 International Quality Assurance certification
- 1997/04:Established the Cooling Fan department to undertake the manufacturing and selling of heat cooling components
- 1997/04:The capital was increased by NT$23 million in cash, and the capital was expanded to NT$51 million.
- 1997/06:Reinvest to establish the “Shanghai Yen Sun Electric Industrial Co. Ltd “ in Shanghai, China
- 1998/08:The capital was increased by NT$30 million in cash, and the capital was expanded to NT$81 million.
- 1998/10:The capital was increased by NT$70 million in cash, and the capital was expanded to NT$151 million.
- 1998/12:The capital was increased by NT$47 million in cash, and the capital was expanded to NT$198 million.
- 1998/12:The products passed UL safety certification
- 1999/07:Replenish hold public issue
- 1999/07:The capital was increased by NT$122 million in cash, and the capital was expanded to NT$320 million.
- 1999/12:The Cooling Fan Division passed the TUV ISO 9001 International quality assurance certification
- 2002/02:Announced new products such as external magnetic drive fans and non-blade wet towel dispenser etc
- 2002/12:Listed company at emerging stock market

- 2003/03:Approved by the Ministry of Economic Affair “Assisting Traditional Industrial Technology Development Program”
- 2003/04:Reinvest to establish the “Y.S.TECH USA “
- 2004/12:The Company’s common shares were listed on the Taipei Exchange (TPEX)
- 2007/01: The Cooling Fan Division passed the TS16949 International quality assurance certification
- 2007/03:Approved by the Ministry of Economic Affair “Small Enterprise Innovation R&D Program”
- 2008/03:Approved by the Ministry of Economic Affair “Assisting Traditional Industrial Technology Development Program”
- 2008/10:Won the Industrial Technology Development Award of the Ministry of Economic Affairs
- 2009/08:The first issuance of NT$120 million in unsecured convertible corporate bonds
- 2010/01:Obtained the trademark right of SUNPENTOWN
- 2010/10:The 2nd issuance of NT$198 million in secured convertible corporate bonds
- 2010/10:The 3rd issuance of NT$152 million in unsecured convertible corporate bonds
- 2011/12:“FMD Flat Magnetic Motion Series Fans” won the right to use the 20th “Taiwan Excellence Award “ logo and become the high quality image of Taiwan’s industry.
- 2012/04:Passed TUV Rheinland OHSAS 18001 certification
- 2013/07:The 4th issuance of NT$220 million in secured convertible corporate bonds
- 2013/08:Divided and transferred the Changhua plant of Home Appliance Division into a 100% owned subsidiary Yen Jiu Technology Corp.
- 2013/12:The Cooling Fan Division became the Tier 1 supplier of European automakers.
- 2014/01:The air purifier won the 22th “Taiwan Excellence Award” and was exhibited in their pavilion set up in Taipei City Art Museum in April of the same year.
- 2014/12:The DC air purifier won the honor of “Golden Dot Design Award” in “Product Design Category” in 2014. The Golden Dot Award entered the asian market for the first time this year.
- 2015/10:New product “Full Nutrition Machine” to the market.
- 2016/03:The 5th issuance of NT$200 million in secured convertible corporate bonds
- 2016/09:The car air purifier won the “Golden Dot Design Award”
- 2016/11:The Cooling Fan Division became the Tier 1 supplier of mainland China automakers.
- 2018/09:Complete the construction of Tainan Guantian Plant
- 2019/01:Tainan Guantian plant officially begin mass production
- 2019/11:The new plant in Dongguan completed the IATF16949 certification
- 2020/02:Passed ISO 45001 occupational safety and health management system certification.

3. Corporate Governance

(1) Organization

Organizational Chart



A. Business operations of major departments

Department	Business operations
General Manager's Office	1. Setting the company's business philosophy, business strategy, business goals. 2. Implementation of operation objectives. 3. Evaluate, analysis and improve the business performance. 4. Verify, supervise, evaluate and execute of reinvestment projects. 5. Execute resolutions of Board of Directors
Audit Office	1. Inspect and evaluate whether the internal control system is robust, and provide analysis, evaluation and other suggestions. 2. Promote effective management control with reasonable cost and improve the efficiency of operations.
Divisions	1. The preparation of business strategies, business plans, operation objectives, and policies management of business performance. 2. Product R&D, manufacturing, sales and product exception handling etc.
General Administration	1. Integrate the business of Finance Department, Information Room and Management Department 2. Responsible for company governance related matters.

(2) Directors and Management Team:

A. Information regarding directors

April 31, 2020 Units: shares;

Title	National	Name	Gender	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Note
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Chairman	R.O.C	CHEN,CHIEN-JUNG	M	2018.06.14	3	1987.03.10	6,106,739	9.08%	6,106,739	8.75%	2,254,244	3.23%	0	0	Chairperson of Yen Sun Technology CORP.	-Chairperson of Yen Jiu Technology CORP. - General Manager Of Yen Sun Technology CORP.	Director	CHEN,GUAN-HONG	Lineal descendant	(note3)
Director	R.O.C	CHEN,GUAN-HONG	M	2018.06.14	3	2015.06.26	2,500,477	3.72%	2,500,477	3.58%	320,000	0.46%	0	0	- Executive MBA program, NSYSU - engineer of Foxconn Technology Co.,Ltd.	Special Assistant to CEO	Chairman	CHEN,CHIEN-JUNG	Lineal descendant	
Director	R.O.C	ZHANG JIAN,LIANG-YAN	M	2018.06.14	3	2003.06.24	0	0	0	0	0	0	0	0	- Doctor of science in electrical engineer,NTU - Chairperson of Litemax Electronics Inc.	- Chairperson of Litemax Electronics Inc. - Director (Legal Representative) of AAEON Technology Inc. - Director of AAEON Technology（Suzhou）Inc. - Director of Litemax Technology, Inc. - Director of Eutech Microelectronics Inc. - Independent Director of Arcadyan Technology Corporation - Independent Director of axis Corporation	None	None	None	(note1)

Title	National	Name	Gender	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Note
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Director	R.O.C	XIE,TENG-LONG	M	2018.06.14	3	2015.06.26	0	0	0	0	52,037	0.07%	0	0	- Bachelor of the Department of Insurance and Finance. - General Manager Of Bank of Taiwan	Independent Director of Hi-Lai Foods Co., Ltd	None	None	None	(note2)
Independent Director	R.O.C	ZHANG JIAN,LIANG-YAN	M	2018.06.14	3	2006.05.24	109,281	0.16%	109,281	0.16%	0	0	0	0	- Bachelor of Accounting,NCHU -Manager of TECO Home Appliances Division - -Chairperson of ZIMTECH CO., LTD	None	None	None	None	(note4)
Independent Director	R.O.C	FANG,ZHI-MIN	M	2018.06.14	3	2018.06.14	0	0	0	0	0	0	0	0	Associate Professor of the Department of Business Administration, NSYSU	Associate Professor of the Department of Business Administration, NSYSU	None	None	None	
Independent Director	R.O.C	CHEN,GUAN-LIANG	M	2018.06.14	3	2018.06.14	0	0	0	0	0	0	0	0	-CPA of PKF Taiwan	-CPA of PKF Taiwan – Supervisor ofHC PHOTONICS CORPORATION (Legal Representative) - Chairperson of KAO CHIAO company management corp. (Legal Representative) - Director of LIANG-YU Establishment, Ltd.	None	None	None	

Note 1: Mr. LI, YING-ZHEN served as independent director of the company on 2003.06.24-2018.6.13, and he was re-elected as a director on June 14, 2018.

Note 2: Mr. XIE, TENG-LONG served as the supervisor from June 26, 2015 to June 13, 2018, and was re-elected as a director on June 14, 2018.

Note 3: The chairman of the company and the general manager or equivalent persons are the same person, relatives, such as spouse or first degree of kinship, should explain the reasons, rationality, necessity, and corresponding measures (such as increasing the number of independent directors, and should have more than half of the directors not served as employees or managers, etc.) ; Been approved by the board of directors at 2020.5.13 and announced by company: Mr. LIU, HSIEN-WEN the general manager of Electronics Cooling Division will be internally promote as Company general manager on 2020.6.1; the former general manager of CHEN, CHIEN-JUNG, will be leave from the position on the same day.

Note 4: The independent directors of the company, ZHANG JIAN, LIANG-YAN, resigned due to personal factors, effective date: 2020.6.15.

(a) Major Shareholders of Major Corporate Shareholders：None。

(b) Information on Directors in Professionalism and impartiality

Criteria / Name	More than 5 years of experience and the following professional qualifications			Status of independence (Note)										Number of public companies where the person holds the title as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	
CHEN,CHIEN-JUNG			✓							✓		✓	✓	0
CHEN,GUAN-HONG			✓					✓	✓	✓		✓	✓	0
LI,YING-ZHEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
XIE,TENG-LONG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
ZHANG JIAN,LIANG-YAN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
CHEN,GUAN-LIANG		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
FANG,ZHI-MIN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(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. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)

(3) Not a 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 amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number ofoutstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the Taipei Exchange (TPEx)".

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

B. Information regarding management team

April 18,2020；Units: shares;%

Title	Nationality or Registry	Name	Gender	Date Effective	Status of Shareholding (Note 1)		Current Shares Held by Children of Minor Age (Note 1)		Shareholding Under the Name of A Third Party (Note 1)		Experience (Education)	Other Position	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship			Note
					Shares	Ratio for shareholding (%)	Shares	Ratio for shareholding (%)	Shares	Ratio for shareholding (%)			Title	Name	Relation	
General Manager	R.O.C	CHEN,CHIEN-JUNG	M	2009.03.01	6,106,739	8.75%	2,454,244	3.23%	0	0	Chairperson of Yen Sun Technology CORP.	-Chairperson of Yen Jiu Technology CORP.	none	none	none	(note)
Electronics Cooling Divison Director	R.O.C	LIU,HSIEN-WEN	M	2010.01.14	121,149	0.17%	34,052	0.05%	0	0	- Doctor of Psychology, FJU. - Electronics Cooling Divison R&D Director - Electronics Cooling Divison Sales Director	None	None	None	None	
Home Appliances Division Director	R.O.C	CIA,JIN-JIN	M	2013.01.01	119,969	0.17%	1,353	0	0	0	-Master,Industrial Engineering and Management,KUAS -Section Manager of Noya CORP. -R&D Manager of Y.S. Tech Home Appliances -Product Planning Specialist Manager	None	None	None	None	
Electronics Cooling Divison Deputy Director	R.O.C	SUN,XIN-CHENG	M	2010.01.14	487	0	987	0	0	0	- Bachelor of Dept. of Electronic Engineering ,Tung Fang Design University -Manager of Liang Herng Elec. Mach. Co Ltd -R&D Managerof Y.S. Tech Electronics Cooling Divison	None	None	None	None	
Home Appliances Division R&D Director	R.O.C	WANG,JIA-REN	M	2011.04.01	30,000	0.04%	0	0	0	0	-Doctor ,KUAS -R&D Account Manager of ALL RING TECH CO., LTD. -R&D Manager of Sean&Stephen CO.,Ltd.	None	None	None	None	
Thermal Module Business Director	R.O.C	ZHANG,ZHENG-DA	M	2011.03.28	0	0	0	0	0	0	Department of mechanical engineering,St. John's University -Marketing Director of Abyte Electronics Limited -Marketing Director of AMA PRECISION INC.	None	None	None	None	
Administration Department Director	R.O.C	LIANG, HSIANG-YI	W	2008.12.26	62,000	0.09%	0	0	0	0	-Master,department of Administration,YunTech. -Finance Manager of Sino-American Electronics Co., Ltd.	-Supervisor of Yen Jiu Technology CORP.	None	None	None	

Note : The chairman of the company and the general manager or equivalent persons are the same person, relatives, such as spouse or first degree of kinship, should explain the reasons, rationality, necessity, and corresponding measures (such as increasing the number of independent directors, and should have more than half of the directors not served as employees or managers, etc.) ; Been approved by the board of directors at 2020.5.13 and announced by company: Mr. LIU, HSIEN-WEN the general manager of Electronics Cooling Division will be internally promote as Company general manager on 2020.6.1; the former general manager of CHEN, CHIEN-JUNG, will be leave from the position on the same day.

(3) Remuneration paid during the most recent fiscal year (2019) to directors(Independent Director), the general manager, and assistant general managers

A. Remuneration paid to directors

Unit: NT$ thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration received from nvested companies other than subsidiaries or the parent company
		Remuneration(A)		Pension(B)		Bonus to Directors(C)		Allowances (D)				Salaries, bonus and special subsidies(E)		Pension(F)		Repay for employee(G)						
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Chairman	CHEN,CHIEN-JUNG	-	-	-	-	105	105	144	144	0.49%	0.49%	2,694	2,694	-	-	-	-	-	-	5.83%	5.83%	None
Director	CHEN,GUAN-HONG	-	-	-	-	105	105	144	144	0.49%	0.49%	1,468	1,468	-	-	-	-	-	-	3.40%	3.40%	None
Director	LI,YING-ZHEN	-	-	-	-	105	105	138	138	0.48%	0.48%	-	-	-	-	-	-	-	-	0.48%	0.48%	None
Director	XIE,TENG-LONG	-	-	-	-	105	105	174	174	0.55%	0.55%	-	-	-	-	-	-	-	-	0.55%	0.55%	None
Independent Director	ZHANG JIAN,LIANG-YAN	-	-	-	-	106	106	226	226	0.65%	0.65%	-	-	-	-	-	-	-	-	0.65%	0.65%	None
Independent Director	CHEN,GUAN-LIANG	-	-	-	-	105	105	144	144	0.49%	0.49%	-	-	-	-	-	-	-	-	0.49%	0.49%	None
Independent Director	FANG,ZHI-MIN	-	-	-	-	105	105	138	138	0.48%	0.48%	-	-	-	-	-	-	-	-	0.48%	0.48%	None

1.The policy, system, standard, and structure of remuneration for independent directors should be stated, and the amount of remuneration should be justified with an illustration of the person's duty, risk, and devoted time: The evaluation of the company's independent directors is proposed by remuneration committee and resolved by the Board of Directors with consideration of the director's performance and devotion to the company.

2.Other than the content revealed in the table above, any remuneration received by the chairperson of the company for offering service (e.g. serving as an external consultant) to any company mentioned in the financial statement: None.

Range of Remuneration	Name of Directors			
	Total of A, B, C and D		Total of A, B, C, D, E, F and G	
	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement
Less than NT$1,000,000	CHEN,CHIEN-JUNG、Chen, Guan-Hong、Li, Ying-Zhen、XIE,TENG-LONG、ZHANG JIAN,LIANG-YAN、CHEN,GUAN-LIANG、FANG,ZHI-MIN	CHEN,CHIEN-JUNG、Chen, Guan-Hong、Li, Ying-Zhen、XIE,TENG-LONG、ZHANG JIAN,LIANG-YAN、CHEN,GUAN-LIANG、FANG,ZHI-MIN	Li, Ying-Zhen、XIE,TENG-LONG、ZHANG JIAN,LIANG-YAN、CHEN,GUAN-LIANG、FANG,ZHI-MIN	Li, Ying-Zhen、XIE,TENG-LONG、ZHANG JIAN,LIANG-YAN、CHEN,GUAN-LIANG、FANG,ZHI-MIN
NT$1,000,000 thousand (inclusive) ~ NT$2,000,000 (exclusive)			CHEN,GUAN-HONG	CHEN,GUAN-HONG
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)			CHEN,CHIEN-JUNG	CHEN,CHIEN-JUNG
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)				
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)				
NT$100,000,000 or more				
Total	7	7	7	7

B. Remuneration paid to general manager and vice general manager

Unit: NT$ thousands

Title	Name	Salaries(A)		Pension (B)		Cash incentives and special discretionary allowance etc.(C) (Note)		The amount of employee repay(D)(Note 2)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration received from invested companies other thansubsidiaries or the parent company
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financialstatement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
General Manager	CHEN,GUAN-LIANG	1,642	1,642	-	-	1,052	1052	-	-	-	-	5.34%	5.34%	None

Note: The name of general manager and vice general manager shall be listed separately, and the payments shall be disclosed collectively.

Range of Remuneration

Range of Remuneration	Name of General Manager and Deputy General Manager	
	The Company	The Company
Less than NT$1,000,000		
NT$1,000,000 thousand (inclusive) ~ NT$2,000,000 (exclusive)		
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)	CHEN,CHIEN-JUNG	CHEN,CHIEN-JUNG
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)		
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)		
NT$100,000,000 or more		
Total	1	1

C. Remuneration of the top five managers

Unit: NT$ thousands

Title	Name	Salaries(A)		Pension (B)		Cash incentives and special discretionary allowance etc.(C) (Note 1)		The amount of employee repay(D)(Note 2)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration received from invested companies other than subsidiaries or the parent company
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into thefinancial statement		The Company	All companies included into the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
General Manger	CHEN,CHIEN-JUNG	1,642	1,642			1,052	1,052					5.34%	5.34%	
Electronics Cooling Division Director	CIA,JIN-JIN	2,118	2,118			1,500	1,500	100		100		7.37%	7.37%	
Home Appiances Division Director	CIA,JIN-JIN	1,570	1,570			300	300					3.71%	3.71%	
Electronics Cooling Division Depury Director	SUN,XIN-CHENG	1,477	1,477			1,000	1,000	100		100		5.11%	5.11%	
Administration Department Director	LIANG, HSIANG-YI	1,538	1,538			1,500	1,500	100		100		6.22%	6.22%	

D. Name of managers distributing remunerations to employees and the distribution of remunerations

April 18, 2020; Unit: NT$ thousands

	Title	Name	Stock dividend	Cash dividend (Note 1)	Total	Proportion to Earnings After Tax (%)
Executive Officers	General Manger	CHEN,CHIEN-JUNG	-	300	300	0.59%
	Electronics Cooling Division Director	LIU,HSIEN-WEN				
	Home Appiances Division Director	CIA,JIN-JIN				
	Electronics Cooling Division Depury Director	SUN,XIN-CHENG				
	Home Appliances Division R&D Director	WANG,JIA-REN				
	Thermal Module Business Director	ZHANG,ZHENG-DA				
	Administration Department Director	LIANG, HSIANG-YI				

Note：Which indicates the remuneration for employee (shares and cash), distributed to managers which approved by the board of directors.

E. The following section illustrates the ratios of remuneration paid to directors, supervisors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements in the last two years, to net income. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and the risk in future are also illustrated in this section.

(a) Analysis on the ratios of remuneration paid to directors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements to net income in the financial statements in the last two years

Item		**2019**	**2018**
The remuneration paid to Directors(Independent Directors)	Amount(NT$thousands)	1,844	956
	In proportion to Earnings After Tax (%)	3.65%	-3.03%
The remuneration paid to presidents and vice presidents	Amount(NT$thousands)	2,694	1,820
	In proportion to Earnings After Tax (%)	5.34%	-5.77%
Total	Amount(NT$thousands)	4,538	2,986
	In proportion to Earnings After Tax (%)	8.99%	-9.46%

(b) The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

i. The remuneration of directors of the company includes business execution fees and managers' remuneration. Business execution fees are paid in according with industry standards and the actual situation of attendance at the board of directors. The remuneration of directors shall be distributed in accordance with the article 29-1of Incorporation, based on the profit status of the year and not exceed more than 5%. And there is no ther remuneration.

ii. The general manager's and vice general manager's remunerations are divided into salary, awards, and employee compensation; which are based on the company's relevant regulations and the salary level of the position in the same industry market, the scope of the position's responsibility within the company and its contribution to the company's operating goals. In addition, to refer to the company’s overall operating performance, industry’s future business risks and development trends, and also the individual’s performance achievement rate and contribution to the company’s. Employee compensation is based on the percentage of the current year’s profitability, 1-10% is distributed by the resolution of the board of directors, and the relevant performance evaluation and the rationality of remuneration are reviewed by the remuneration committee and the board of directors.

iii. The amount of remuneration is positively related to the performance of the operation and based on the assessment of future environmental changes and operational risks.

(4) Implementation of Corporate Governance

A. Board of Directors

A total of 6 meetings of the Board of Directors were held in 2019. The attendance of directors was as follows:

Title	Name	Actual attendance	By proxy	Actual attendance rate (%)	Remarks
Chairman	CHEN,CHIEN-JUNG	6	0	100%	Continue in office
Director	CHEN,GUAN-HONG	6	0	100%	Continue in office
Director	LI,YING-ZHEN	6	0	100%	Continue in office
Director	XIE,TENG-LONG	6	0	100%	2018.06.14 Re-elected and transferred from supervisor to director.
Independent Director	Zhan Jian,Liang-Yan	6	0	100%	Continue in office
Independent Director	CHEN,GUAN-LIANG	5	0	83%	2018.06.14 New-elected
Independent Director	FANG,ZHI-MIN	6	0	100%	2018.06.14 New-elected

Other mentionable items:

(1) If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all independent director’s opinions and the company’s responses should be specified:

A. Matters specified in Article 14-3 of the Securities and Exchange Act.

Board Meeting	Content of motion	Matters specified in Article 14-3 of the Securities and Exchange Act	The independent director’s retained opinion or position against the motion
The 2nd meeting in 2019.(March 26,2019)	1. The evaluation of the independence and competency of CPAs appointed is submitted for approval. 2. The amendment to the company's "Articles of Incorporation" is submitted for approval. 3. The amendment to the company's "Procedure for Acquisition and Disposal of Assets" is submitted for approval. 4.The amendment to the company's “Principles for Managing Loans to Others" is submitted for approval 5. The amendment to the company's “Principles for Endorsement	V	None

	and Guarantee" is submitted for approval 6. The company's endorsement guarantee for the subsidiary is submitted for approval.		
The 3rd meeting in 2019.(May 10,2019)	1. The company's 2018 earnings distribution is submitted for approval. 2. The company's endorsement guarantee for the subsidiary is submitted for approval.	V	None
The 4th meeting in 2019.(August 13,2019)	1. The company intends to provide financial loans for the sub subsidiary which is submitted for approval.	V	None
The 5th meeting in 2019.(November 12,2019)	1. The company's endorsement guarantee for the subsidiary is submitted for approval.	V	None
The 2nd meeting in 2020.(March 24,2020)	1. The evaluation of the independence and competency of CPAs appointed in 2019 is submitted for approval.	V	None
The 4th meeting in 2019.(May 13,2020)	1. The amendment to the company's "Corporate Governanc Best Practice Principles" is submitted for approval 2. The amendment to the company's"Guidelines for Evaluation of the Board's Performance" is submitted for approval	V	None

Handling of the opinions of independent directors: None

B. Except for the above-mentioned matters, other directors' meeting resolutions opposed or reserved by independent directors with records or written statements: None.

(2) The measure for directors' withdrawal from conflict of interest:None。

(3) The board of directors' evaluation: The company has begun to establish" Guidelines for Evaluation of the Board's Performance" ,which is expected to be officially implemented in 2020.

(4) Implementation and Assessment of measures to enhance functionality of the Board (e.g. the foundation of Audit Committee, enhancement of information transparency, etc.)

A. The company has established audit committee to replace the system of supervisors in conducts to follow regulations in Securities and Exchange Act, Company Law, and other relevant laws.

B. The company has established "Management of Operation of Board Meeting" to improve professional competence of the Board, and enhance the positive effectiveness of the Board's participation in decision making.

C. The company's directors fulfill the requirement of authorities regarding minimum on-the-job training hours.

D. The company has designated personnel to reveal corporate information, update data on the official website, and deal with other relevant matters.

B. Audit Committee

A total of 4 meetings of Audit Committee were held in 2019. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	Attendance rate (%)	Remarks
Independent Director	ZHANG JIAN,LIANG-YAN	4	100%	-
Independent Director	CHEN,GUAN-LIANG	4	100%	-
Independent Director	FANG,ZHI-MIN	4	100%	-

Other mentionable items:

(1) If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all Audit Committee members' opinions and the company's responses should be specified:

A. Matters that were referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Contents	Resolution	Treatment of the Board to the opinion of the Audit Committee:
The 3rd meeting of the 1st session March 26,2019	1. The company's 2018 business report, individual and consolidated financial reports are submitted for approval. 2. The amendment to the company's "Procedure for Acquisition and Disposal of Assets" is submitted for approval. 3.The amendment to the company's "Principles for Managing Loans to Others " is submitted for approval 4.The amendment to the company's "Principles for Endorsement and Guarantee." is submitted for approval 5. The evaluation of the independence and competency of CPAs appointed in 2019 is submitted for approval. 6. The Statement on the Internal Control System of the company based on the results of the company's self-assessment and audit is submitted for approval .Adoption of the 2018 "Statement of Internal Control System". 7. The company's endorsement guarantee for the subsidiary is submitted for approval.	No objective opinion.	The proposals were adoptedby all attendees with unanimous consent.
The 4th meeting of the 1st session May 10,2019	The company's endorsement guarantee for the subsidiary is submitted for approval.	No objective opinion.	The proposals were adoptedby all attendees with unanimous consent.
The 5th meeting of the 1st session August 13,2019	1. The company's second quarter consolidated financial reports for 2019 is submitted for approval. 2. The company intends to provide financial loans for the sub subsidiary which is submitted for approval.	No objective opinion.	The proposals were adoptedby all attendees with unanimous consent.
The 6th meeting of the 1st session November 12,2019	The company's endorsement guarantee for the subsidiary is submitted for approval.	No objective opinion.	The proposals were adoptedby all attendees with unanimous consent.
The 7th meeting of the 1st session March 24,2020	1. The company's 2019 business report, individual and consolidated financial reports are submitted for approval 2. The amendment to the company's "Principles for Shareholder Services" is submitted for approval 3. The evaluation of the independence and competency of CPAs appointed in 2019 is submitted for approval. 4. The Statement on the Internal Control System of the company based on the results of the company's self-assessment and audit is submitted for approval. Adoption of the 2019	No objective opinion.	The proposals were adoptedby all attendees with unanimous consent.
The 9th meeting of the 1st session May 13,2020	1. The amendment to the company's "Corporate Governance Best Practice Principles" is submitted for approval 2. The amendment to the company's"Guidelines for Evaluation of the Board's Performance" is submitted for approval	No objective opinion.	The proposals were adoptedby all attendees with unanimous consent.

B. Other than the above-mentioned matters, the matters which have not been adopted by the audit committee but resolved with consent of over two-thirds of all members of the board of directors:None

(2) Considering the measure for withdrawal from conflict of interest, the names of directors, contents of proposals, reasons to avoid conflict interest, and participation for voting should be specified: None.

(3) The communication between independent directors and director of internal audit as well as the CPAs (aspects such as the company's finance, significant maters, methods, and outcomes regarding business communication should be included).

Communication between independent director and internal audit supervisor:

A. Before the end of each fiscal year, the audit plan for the following year will be submitted to the board of directors for resolution after the audit committee approves.

B. Report to the Audit Committee on the implementation of audit business quarterly.

C. Submit the internal audit report to the audit committee (independent director) for review from the end of the audit to the end of the following month.

D. The audit office and the internal unit shall self-check the inspection opinions or lack of verification, and the internal control system statement shall strengthen the management and improvement matters, continue to follow up and review, and deliver the tracking and improvement management situation to the audit committee in writing.

E. The company's annual internal control system effectiveness evaluation and internal control system statement are submitted to the audit committee for review.

F. 2019 and as of the date of publication of the annual report, the summary of previous is as follows:

Date	Type of meeting	Matters to be communicated	Outcome of communication
2019.03.26	Audit Committee	Report of internal system control statement.	No objective opinion.
2019.05.10	Audit Committee	Report on implementation of audit in Q1 2019.	No objective opinion.
2019.08.13	Audit Committee	Report on implementation of audit in Q2 2019.	No objective opinion.
2019.11.12	Audit Committee	1. Report on implementation of audit from April to September in 2019. 2. Report on plans for audit in 2020	No objective opinion.
2020.03.24	Audit Committee	Statement of Internal Control.	No objective opinion.
2020.05.05	Audit Committee	Report on implementation of audit in Q1 2020.	No objective opinion.
2020.05.13	Audit Committee	Report on implementation of audit in April 2020	No objective opinion.

4. Important tasks of the audit committee of the year：

(1) The audit committee aims to assist the Board of directors in implementing procedures for accounting, auditing, and financial statement; it also deals with the quality and integrity in matters of financial control.

(2) The major matters to be reviewed on the audit committee meeting are as below:

A. To review the financial statement: the Board has prepared the company’s business report, financial statement,and proposal for allocation of remuneration in 2019. KPMG Taiwan was entrusted to review the financial statement of the company and compile an audit report. The above-mentioned business report, financial statement, and the proposal for allocation of remuneration have been reviewed by the audit committee, and nothing inappropriate was detected.

B. The audit and accounting policy and procedure.

C. The internal control system and relevant policies and procedures; to evaluate the effectiveness of the company’s policy and procedure of internal control system (including the control measures of financing, operation, risk management, information security, observation of laws, etc.), and to review the regular report compiled by the company’s audit sector, CPAs, and managerial personnel, including reports on the risk management and observation of laws.

D. Transaction of major assets.

E. Transaction of financial derivatives.

F. Observation of laws.

G. The evaluations on the CPAs’ experience, independence, and performance;

H. The appointment, demission, or remuneration of CPAs.

I. Fulfillment of the duties of audit committee.

C. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(1) Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company observes "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to establish practice principles of governance and publicized it on official website http://www.ystech.com.tw	None
(2) Shareholding structure & shareholders' rights A. Does the company establish an internal operating procedureto deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The company has established "Rules of Procedure for Shareholders Meetings" and accordingly convenes shareholders' meetings each year as a channel for shareholders' committee and shareholders to communicate with each other regularly. To build an immediate and healthy communication mechanism with the investors, the company has designated a spokesperson and deputy person. It also reveals the contact information on the company's official website and the Market Observation Post System. Shareholders can send their opinions by phone or email, and the company would deal with the case according to relevant principles.	None
B. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The company has designated to stock transfer agents to deal with affairs related to shareholders. It has mastered the major shareholder through name list of the stock agents and learned about the person in ultimate charge of the stocks. The company also observes the laws and reports any change in shareholding conditions of the directors, managers, and shareholders possessing 10% of the stocks.	None
C. Does the company establish and execute the risk management and firewall system	✓		The company has stipulated the "operation procedures for related parties, specific companies and group companies",	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
within its conglomerate structure?			and related personnel are responsible for the matters needing attention of related companies.	
D. Does the company establish internal rules against insiders trading with undisclosed information?	✓		The company has stipulated the "Code of Ethical Conduct for Directors, Supervisors and Persons with Level 1 Supervisors and Above", and has disclosed at public information observatories in accordance with the regulations. It is forbidden for insiders of the company to use unpublished information in the market to buy or to sell marketable securities, or use known non-disclosed information is leaked to others to engage in insider trading; And will be disseminate internal every year.	None
(3) Composition and Responsibilities of the Board of Directors A. Does the Board develop and implement a diversified policy for the composition of its members?	✓		(a) The company has a "Corporate Governance Best Practice Principles " to regulate the diversity of board members. The nomination and selection of members are in accordance with the company's articles of association. The nomination system for candidates is adopted to evaluate the qualifications of each candidate's academic experience and comply with "Procedures for Election of Directors" and " Corporate Governance Best Practice Principles" to ensure the diversity and independence of board members. (b) The company has established 7 directors (including 3 independent directors) The expertise of the directors ranges from industrial, academic, financial, accounting, managing professions, which manifests the principle of forming a Board with diversity.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance 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></td><td></td><td></td><td>
<table>
<tr><th>Name</th><th>Gender</th><th>Management</th><th>Leadership decisions</th><th>Industry knowledge</th><th>Financial Accounting</th><th>Law</th><th>Environmental protection</th></tr>
<tr><td>Chen, Jian-Rong</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td></tr>
<tr><td>CHEN,GUAN-HONG</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>LI,YING-ZHEN</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td></tr>
<tr><td>XIE,TENG-LONG</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>ZhangJian,Liang-Yan</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>CHEN,GUAN-LIANG</td><td>Male</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>FANG,ZHI-MIN</td><td>Male</td><td>✓</td><td></td><td></td><td></td><td>✓</td><td></td></tr>
</table>
(c) The policy for diversity in Board of Director members is revealed in the Company’s official website and Market Observation Post System.
(d) Three of the Company’s directors are aged 70 and above; two of the directors are aged between 60 and 69; both of the directors are aged beneath 50. There are three independent directors, and they take up 42.85% of the Board members. Two of the independent directors have taken the position for less than 3 years. None of the independent directors have taken over three consecutive terms for the position.</td><td></td></tr>
<tr><td>B. Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>The company has established a remuneration committee and an audit committee in accordance with relevant regulations, and operates in accordance with organizational procedures. Other functional committees are currently under discussion.</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
C. Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The company has a "Guidelines for Evaluation of the Board’s Performance", which stipulates that the board of directors should perform an internal board performance evaluation at least once a year and an external evaluation every three years The board of directors will use the performance evaluation results as a reference basis for the selection or nomination of directors and individual directors' remuneration in the future to implement corporate governance and enhance the participation and communication channels of directors' operations. 。	None
D. Does the company regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		In accordance with Article 29 of the Regulation of Corporate Governance Best Principles for TWSE/TPEx Listed Companies, the independence of visa accountants is regularly assessed every year. And will be submit to the Audit Committee on March24, 2020 and the Board of Directors for review and approval. The evaluation criteria for the independence and suitability of accountants please refer to the Note1 of following table.	None
(4) Does the listed company appoint a unit or personnel to be responsible for affairs related to governance (including but not limited to providing information for business of Directors, handling affairs for Board of Directors Meeting and Shareholders’ Meeting in accordance with lawful regulations, registering and altering the Company’s information, making minutes for	✓		The company has designated the General Administration Dep to be in charge of the affairs related to governance. Including organizing the director’s meetings and the shareholders’ meetings, compiling minutes for the BOD meetings and shareholders’ meetings, assisting directors for taking the position and on-the-job training, offering necessary information for the directors to perform their duty, assisting the directors to follow relevant laws. The situation of implementing relevant tasks is as below:	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
Board of Directors Meetings and Shareholders’ Meetings, etc.)?			(a) To be the contact window between the Company and the directors. (b) To assist the director for performing their duty. To offer information about the Company which may be required on the meeting; such as to keep smooth communication between the directors and the leaders of different departments. (c) To offer information of on-the-job training courses and make relevant arrangement. (d) To arrange affairs to enhance communication between the audit committee members and the CPAs as well as the audit supervisors. (e) To draft the agenda for the meetings of the Board, inform each director about the meeting, convene the meeting and offer relevant information, send reminders about conflict interest avoidance issues, and complete the memorandum of the Board’s meeting within 20 days after the convention was over. (f) To deal with relevant affairs of the shareholder’s meeting.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(5) Does the company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	✓		(a) The company values its stakeholders (including the shareholders, clients, employees, suppliers, etc.). It has proper communication with the stakeholders, and the "designated section for stakeholders" is established on the official website to publicize all the communication channels for the stakeholders. (b) he company convenes various meetings for encouraging employees to communicate with the managerial level. Also, the Human Resource section of the company's website has a designated mailbox for employees and a channel for whistle blowers so that the employees can express their opinions and offer suggestions as well as stay connected with the employer. (c) The company holds investor conference to provide shareholders a communication channel and respond to issues of concern. (d) The company regularly reports to the board of directors on communicated with various stakeholders.	None
(6) Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has entrusted the stock agent department of Grand Fortune Securities Co., Ltd to deal with affairs related to the shareholders' meetings and the shares.	None
(7) Information disclosure A. Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The company has a designated section for investors on its official website. Shareholders and investors can access information related to the company's financial business and corporate governance. (http://www.ystech.com.tw)	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
B. Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(a) Company provide website with Chinese, English and Japanese versions for users. (b) The company has appointed commissioner to be responsible for the information collection and disclosure and established aspokesperson system. Implemented the spokesperson system in accordance with the regulations and placed the investor conference briefing report on the company's website.	None
C. Does the company complete and publicize the annual financial statement within 2 months after the fiscal year ends, then publicize and register the financial statements of the first, second, and third quarters as well as the operation report of each month?	✓		The company reported the financial statement of each quarter as well as the operation situations of each month have been submitted to regulatory authorities.	None
(8) Is there any other information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)	✓		(a) Employee Rights and Employee Care: The company always attached great importance to the working environment and rights of employees. Not only establishing employee welfare committee to fully promote and implement various employee welfare matters, it also organizes education and training actively to enable employees to grow together with the company. And according to law, allocating pensions allows employees to work with peaceful mind while on duty and ensure their life after retirement. (b) Investor relation: The company has designated spokesperson to reveal its operation conditions to investors. It also follows relevant laws and publicizes	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			significant information of financing, business, changes in shareholding conditions of the staff on "Market Observation Post System." There is also a designated section on the Company's official website to reveal information about the Company's finance and corporate governance to investors. (c) Relationship with supplier : The company understands the development of the industry that cooperate and work hard with all suppliers is necessary Therefore, the company adheres to the principle of mutual benefit in order to create industrial development, enhance self-competitiveness and the maximum profit of shareholders. ◦ (d) Stakeholders' right: the company offers multiple channels for the stakeholders to communicate with or offer advice to the company, which can protect the legal rights of both parties. (e) On-the-job training of the directors: the directors are all equipped with professional competence, and they attend seminars about security regulations according to relevant laws and obtained a certificate of completion. (f) Implementation of the risk management policies and risk estimation criterion: the company follows the analysis of authorized sections and resolutions of the Board while dealing with major issues such as significant operational policies, investment projects, endorsement and loans. (g) Implementation of client policies: The company follows	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			terms in the contract with its clients and relevant regulations to assure clients' rights and offer quality service; Set up relevant policy to handling customer complaints, in order to protect consumers. (h) Liability insurance for the directors: the company has purchased liability insurance for directors and managers. The company's "liability insurance for directors" has been revealed on the Market Observation Post System according to relevant laws. (i) Current directors and general managers of the company are the important decision-making and management talents of the company. The company has drawn up an appropriate succession plan. After long-term work rotation training, approved by the board of directors at 2020.5.13 and announced by company: Mr. LIU, HSIEN-WEN the general manager of Electronics Cooling Division will be internally promote as Company general manager on 2020.6.1; the former general manager of CHEN, CHIEN-JUNG, will be leave from the position on the same day.	
(9) Please offer illustrations improvement on the aspects pointed out by the evaluation of governance by Taiwan Stock Exchange TWSE and explanation for matters and measures as prioritized items to improve.： The Company has conducted self-assessment of corporate governance evaluations in accordance with the regulation of competent authority, and has gradually improved according to the results of evaluation of 2019.				

Note 1: Auditing evaluation form for Certified Public Accountant

Item	I. Review of Criteria for independence	Yes	No
01	The CPA or the spouse / minors of the CPA is not an investor and is not a stakeholder of the company.	✓	
02	The CPA of the spouse / minors of the CPA does not loan from the company. (Not applicable when the entrusting party is in normal affiliation with the company.	✓	
03	The CPA agency does not offer the report for service of assuring effective operation in the financing system it designs or assists in implementation.	✓	
04	The CPA or the audit team members do not serve as the Company's directors, managers, or take other positions that have major impact on the audit cases.	✓	
05	The service offered to the Company, which are not related to auditing matters, does not directly influence the important items of the audit cases.	✓	
06	The CPA or the audit team members are not involved in promotion or transaction of the Company's shares or other forms of securities.	✓	
07	The CPA or the audit team members only deals with affairs according to relevant legal regulations and not involved in the defensive matters for legal cases or other controversies between the Company and the third parties.	✓	
08	The CPA or audit team members are not the spouse, direct blood relatives, direct relative in-laws, or of kinship within the second degree with the Company's directors, managers, or persons of other positions that have significant impact on the audit cases.	✓	
09	The associate CPA who resign from the position within one year do not serve as the Company's directors, managers, or take other positions that have significant influence on the audit case.	✓	
10	The CPA or audit team members do not take gifts or receive favors with great values from the Company's directors, managers, or major shareholders.	✓	
11	The CPA is not a regular employee of the current consignee, receive remuneration regularly, or take the position of a director or a supervisor.	✓	
12	Before the company's IPO: The CPA has not offered auditing service to the Company for 7 consecutive years. After the Company's IPO: The CPA has not offered auditing service to the Company for 10 consecutive years.	✓	
Item	II. Review for Independent Operation		
01	Does the CPA avoid undertaking a case that is directly or significantly related to his/her own interests, which would influence the fairness and independence?	✓	
02	Does the CPA remain formally and substantially independent when reviewing, censoring, or conducting professional inspections on the financial report, and when compiling opinion letters?	✓	
03	Do the audit team members, other associate CPAs, or corporate shareholders of the CPA agency, the CPA agency, its affiliates, and its alliance remain independent from the company?	✓	
04	Does the CPA offer professional service with meticulousness and integrity?	✓	
05	Does the CPA remain objective and disinterested when offering professional service; avoid being biased or having the professional decisions influenced by conflict of interests?	✓	
06	Does the CPA refrain from being biased or lack of independence, which may influence their integrity or objectiveness?	✓	
Item	III. Review for competency of Certified Public Accountant		
01	The accountant has no disciplinary record for the accountant disciplinary committee in the past two years. This accounting firm has not involved litigation in the last two years.	✓	
02	Does the accounting firm have sufficient scale, resources and regional coverage in handling company audit services?	✓	
03	Does the accounting firm have clear quality control procedures? Does the coverage include the level and main point of the verification procedure, the way to deal with audit issues and judgments, independent quality control inspection and risk management?	✓	
04	Has the accounting firm notified the audit committee of any significant issues and developments in terms of risk management, corporate governance, financial accounting, and related risk control?	✓	

D. Establishment, functions, and operations of Remuneration Committee of the Company

(a) Information regarding Remuneration Committee members

Position	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Membe	Note;
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant,or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law,Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	ZHANG JIAN,LIANG-YAN			V	V	V	V	V	V	V	V	V	V	V	0	-
Independent director	FANG,ZHI-MIN	V		V	V	V	V	V	V	V	V	V	V	V	0	-
Independent director	CHEN,GUAN-LIANG		V	V	V	V	V	V	V	V	V	V	V	V	0	-

Note: Respective Please tick the corresponding boxes that apply to a member during the two years prior to beingelected or during the term(s) of office.

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

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the persona is an independent director of the parent company or any subsidiary, which is set up in accordance with the Company Law or local laws.

(3) Not a 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 amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not the spouse, of second-grade kinship, or third-grade direct relatives of the managers in point (1), or the personnel in point (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings. (Not applicable to persons who concurrently serve as independent directors of the Company and independent directors set up according to the law or local laws in its parent company, its subsidiaries, other companies that are subordinated to the same parent company.)

(6) Not a director, supervisor, or employee of another company for which the directors or voting shares is under the control of the same person. (Not applicable for the person who is concurrently the independent director set up according to the law or the local laws in the parent company, its subsidiaries, other companies that are subordinated to the same parent company.)

(7) Not a director (member of a council), supervisor (auditor) or employee of another company or institution which hires the same person or the spouse of the Company's chairperson, general manager, or equivalent position to take the same job. (Not applicable for a person who is concurrently the independent director set up according to the law or the local laws in the parent company, its subsidiaries, other companies that are subordinated to the same parent company.)

(8) Not a director (member of a council), supervisor (auditor), manager, or a shareholder possessing over 5% of the stocks in the specific companies or institutions which has specific financial or business interaction with the Company (not applicable for specific companies or institutes which possesses over 20% and under 50% of the Company's issued shares, and a person who is concurrently the independent director set up according to the law or the local laws in the parent company, its subsidiaries, other companies that are subordinated to the same parent company.)

(9) Not the person and the spouse of the business owner, partner, director (member of a council), supervisor (auditor), or manager in the professional individual, limited company, corporation, or institution which offers business, legal, financial, and accounting service to the Company or its affiliates within 2 years and received the remuneration of an amount under 500 thousand dollars. Not applicable for members of remuneration committee, audit committee for tender offers, or special committee for merger cases that are convened according to the Securities and Exchange Act or relevant laws of mergers and acquisition.

(10) Not a person of any conditions defined in Article 30 of the Company Law.

(b) Information about operation of Remuneration Committee

(i) There are 3 members in the Remuneration Committee of the Company.

(ii) Term of the session of remuneration committee members: from August 9,2018 to June 13,2021，A total of 2 (A) Remuneration Committee meetings were held in 2019. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance Rate (%)(B/A)	Remarks
Convener	ZHANG JIAN,LIANG-YAN	2	0	100%	-
Member	CHEN,GUAN-LIANG	1	0	50%	-
Member	FANG,ZHI-MIN	2	0	100%	-

Other mentionable items:

(1) The situation where the board of directors declines to adopt or modifies a recommendation of the remuneration committee: None.

(2) Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:None.

(3) As of the date of publication of the annual report, the contents of proposal are as follows:

Remuneration Committee	Content of motion and follow up treatment	Resolution	The company's responses to the opinion of remuneration committee
The1st meeting,January 16,2019	The distribution of the 2018 annual bonuses for employees is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 2nd meeting,November 12,2019	The amendment to the company's "Remuneration Committee Charter " is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 1st meeting,January 16,2020	The distribution of the 2019 annual bonuses for employees is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 2nd meeting,March 24,2020	1. The company's report on remuneration distribution of employees and Directors for 2019 is submitted for approval. 2. The amendment to the company's "Remuneration Committee Charter " is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 2nd meeting,May 13,2020	Individual amount of directors and employee remuneration distribution case of 2019	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.

E. Fulfillment of corporate social responsibility：

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Implementation Status</td><td rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td>(1) Does the company followthe significance principle, conduce risk evaluation related to environmental, social, and corporate governance issues, and figure out relevant risk management policies or strategies?</td><td>✓</td><td></td><td>The structure of the company’s risk management units includes the board of directors, general managers, internal audit and other supervisory departments. The company evaluates the risks annually, make risk management plans, and keep the operational risks under control to prevent potential losses.
The company follows the CSR Materiality Principle, conduct risk evaluation of relevant issues, and figure out relevant policies or strategies as below:
<table>
<tr><td>Major issues</td><td>Risk Evaluation Item</td><td>Risk management or strategies</td></tr>
<tr><td>Environmental issues</td><td>EnvironmentalProtection</td><td>The company makes energy saving and carbon emission reduction plans every year and regularly review the implementation condition of each sub-project in the plan.</td></tr>
<tr><td>Social issues</td><td>Secured and healthy workplace</td><td>(i) The company takes security measures in each aspect and strictly requires all employees to follow the rules to prevent any possible workplace damages.
(ii) Inspections for securities is regularly conducted in all of the of the office, and the company periodically conducts drills emergency evacuation during a</td></tr>
</table></td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility 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></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>fire, an earthquake, or leak of toxic chemicals.
(iii) Regularly health check for employees.</td></tr>
<tr><td>Corporate governance</td><td>Observing laws</td><td>The company has comprehensible internal control system to ensure that each task of the company is conducted according to relevant laws.</td></tr>
</table></td><td></td></tr>
<tr><td>(2) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</td><td>✓</td><td></td><td>The company designated General Administration Dep to concurrently serve as a unit to take charge of the Corporate Social Responsibility affairs. It would promote CSR policies, system, relevant managerial guidelines. In the meantime, it proposes and carry out relevant implementation plans as well as present report to the Board of Directors.</td><td>None</td></tr>
<tr><td>(3) Environmental Issues
A. Does the company establish proper environmental management systems based on the characteristics of their industries?</td><td>✓</td><td></td><td>The company follows the environmental protection regulations of the authorities to establish environmental management system. In addition, it is certified by the ISO 14001 environment management system.The Contract shall become effective as of March 31, 2020 and remain valid until March 30, 2023. The environmental protection regulations as follow:
Save waste and cherish resources
Prevent pollution and care for the environment
Compliance with regulations and continuous improvement
Full participation, sustainable operation</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility 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>B. Does the company devote itself in improving the efficiency of each resource and use the renewable ingredients to minimize the impact on the environment?</td><td>✓</td><td></td><td>The company publicize that turn off the non-necessery power to reduce the power consumption, promote the paperless operation process, with adding authority card system on photocopying machine to control paper consumption and seasonal air conditioning restrictions and other measures to reduce the impact to the environment. In addition, the company's product production process is mostly assembly, less likely to produce pollution and waste.</td><td>None</td></tr>
<tr><td>C. Does the company evaluate the present and future potential risks and chances at that climate change brought on the company and take measures accordingly?</td><td>✓</td><td></td><td>The company shows care about climate changes and pays attention to changes in the domestic and foreign laws. Meanwhile, it refers to the structure of Task Force on Climate-related Financial Disclosures (TCFD), which was publicized by Financial Stability Board (FSB), to make plans in response to the risk of climate change as below:
<table>
<tr><th>Climate Change Risks</th><th>Potential Impact on Finance</th><th>Responsive planning</th></tr>
<tr><td>Limit in total amount of greenhouse gas emissions, taxation of carbon emissions, energy taxes</td><td>Increase in the operating cost, limited the capacity expansion</td><td>Investigate the current status of greenhouse gas emissions. Formulate annual energy conservation management goals.</td></tr>
<tr><td>Unstable water and electricity supply</td><td>Increase in the operating cost, occur impact in production</td><td>Reduce cost on water and electricity expense</td></tr>
<tr><td>More electricity would be consumed due to temperature rising</td><td>Increase in the operating cost and carbon emissions</td><td>Promoting low carbon manufacture, reduce usage of electricity and cost</td></tr>
<tr><td>The disrupted supply chain impact the production</td><td>Decrease in the operating revenue</td><td>Established the mechanism for alternative suppliers</td></tr>
</table></td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	

procedure		
Natural disasters could result in damage of the factory area	Increase in the operating cost	The company establishes response mechanisms for torrential rains, earthquakes, and other disasters; it also organizes drills for emergency response regularly

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility 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>D. Does the company record the mass of greenhouse gas emission, water consumption amount, and total weight of its waste over the past two years and formulate policies to reduce carbon emission, reduce greenhouse mission, conserve water, and manage other waste items?</td><td>✓</td><td></td><td>
(a) The greenhouse emission (CO2) amounted to approximately 3,115 tons and 2,850 tons in 2018 and 2019 respectively, which is illustrated as below:
<table>
<tr><td colspan="2">Year</td><td colspan="2">2018</td><td colspan="2">2019</td></tr>
<tr><td>Category</td><td>Source</td><td>Carbon dioxide equivalent (tons of CO2e/ year)</td><td>Percentage (%)</td><td>Carbon dioxide equivalent (tons of CO2e/ year)</td><td>Percentage (%)</td></tr>
<tr><td>Direct Emissions</td><td>Official car,Fire facilities</td><td>55</td><td>1.8%</td><td>50</td><td>1.8%</td></tr>
<tr><td>Indirect emissions</td><td>Electricity</td><td>3060</td><td>98.2%</td><td>2800</td><td>98.2%</td></tr>
<tr><td colspan="2">Total carbon dioxide equivalent</td><td>3115 tons</td><td>100%</td><td>2850 tons</td><td>100%</td></tr>
</table>
(b) The company’s water consumption over the past 2 years :
<table>
<tr><td>Year</td><td>2018</td><td>2019</td></tr>
<tr><td>Consumption of tap water</td><td>20336 tons</td><td>20164 tons</td></tr>
</table>
(c) The total weight of the company’s waste over the past two years:
<table>
<tr><td></td><td>2018</td><td>2019</td></tr>
<tr><td>Hazardous Industrial Waste</td><td>17.16 tons</td><td>31.04 tons</td></tr>
<tr><td>Industrial Waste</td><td>673.6 tons</td><td>622.8 tons</td></tr>
</table>
</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			(d) The company has established goals for reduction of carbon emissions as below： (i) Monthly average water consumption≦1.28 degrees/person (ii) Monthly average power consumption ≦0.28 degrees/PCS (e) Specific achievements: (i) Regularly track the amount of paper used in the factory, and promote the paperless process and set permissions to photocopying machine to to control the amount of paper used, so as to achieve a 20% reduction in paper consumption every year. (ii) The minimum limit for summer air-conditioning is 27 degrees. (iii) Promote employees to turn off lights and save water to achieve energy saving and carbon reduction. (iv) The company's total annual greenhouse gas emissions in 2019 are reduced by 8.51% compared with 2018	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(4) Social Issues A. Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		In order to protect the legitimate rights and interests of employees and the non-discriminatory treatment of employment policies, the company has complied with labor-related regulations and respected and supported internationally recognized human rights norms and principles, including the "United Nations Universal Declaration of Human Rights" and the "Declaration of Basic Principles and Rights at Work" of the International Labor Organization. To prevent any violation and violation of human rights, the company's labor policy is formulated as follows: • Do not use forced, debt bondage, bond or involuntary Internationally recognized basic labor human rights • Do not use child labor • Working and rest time comply with labor laws • Salaries and benefits paid to employees comply with all applicable laws • Treat and respect each employee fairly and do not treat employees inhumanely, such as brutality, insult, abuse, etc. • Provide equal job opportunities to job applicants and every employee, without discriminating employees on the basis of race, color, age, gender, sexual orientation, race, disability, pregnancy, belief, political affiliation, club membership or marital status, etc. • Respect the rights of employees to freedom of association granted by law, and protect employees from being able to communicate openly with management regarding working conditions without fear of retaliation, threats or harassment. • Regularly hold seminars and establish a complaint mechanism. If human rights violations occur, immediate remedial and improvement measures will be taken.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
B. Does the company establish and implement reasonable employee compensation policies (including the remuneration, leave policies, and other welfares) and offer incentives according to operational performance or outcome?	✓		The company stipulates various employee welfare measures according to law(including diffrent bonuses, birthday gifts, special leave, parental leave, etc.), and the company has also established an employee welfare committee to handle employee travel, group health activities, and regularly health checks. For detailed of welfare policy description, please refer to Page??. The annual earbing distribution is determined by the management based on the operating results include individual employees' work responsibilities, contributions and performance evaluation result; and bonus in due course to encourage employees .	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
C. Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(a) In terms of occupational safety and health system, the company has passed the verification of the following standards: ─ OHSAS 18001 ─ ISO 45001 (b) The company provides employees with a comfortable, safe and healthy working environment; including the implementation of access control measures, safety measurement of the operating environment, regular labor safety education and training, full indoor smoking ban, establishment of employee lounges, and free laundry for workers etc. (c) For employee health, the company regularly organizes employee health checkups. In order to promote the labor health service system and protect workers' safety and health, in accordance with the "Labor Health Protection Rules", hiring professional specialist doctor and nursing staff to serve in the factory area to conduct employee health consultations , Health care, analysis of special hazard operations, evaluation and consultation of health inspection projects and other health management and health promotion work. (d) The company's security measures in the office are detailed as follows: • Every three months for the detection of E. coli in drinking water. • Regular inspection of fire facility and equipment every month (fire extinguishers, emergency lights, fire detectors, fire alarm voice broadcast systems, etc.). • Regularly entrust qualified inspection agencies to conduct operating environment measurement every six months (chemicals, noise, carbon dioxide, illumination, etc.). • Regularly handle emergency evacuation drills every six months. • Carry out disinfection of vector mosquitoes throughout the plant	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			regularly every six months. • Regularly inspect and report on the safety of building fire facilities and equipment every year. • Control high-risk areas such as electrical equipment rooms to prevent non-related personnel from entering.	
D. Does thecompany provide its employees with career development and training sessions?	✓		The company conducts various OJT and OFF-JT education and training in accordance with the needs of various departments and functions. By participates in the enterprise human resources improvement plan held by the Workforce Development Agency, to continuously improve the professionalism of employees.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
E. Does the company follow relevant laws and international guidelines to establish any consumer protection mechanisms and appealing procedures regarding research Development purchasing, producing, operating and service?	✓		The company has passed ISO 9001, ISO 14001 and TS16949 quality certification, and in line with the "customer first" quality policy, committed to producing products that meet customer needs, and at the same time formulate procedures to handle customer complaints. The company has dedicated person and e-mail mailbox to handle with issues related to the company's consumer complaints, fairly and immediately. In addition, the company's marketing and labeling of products and services comply with relevant laws and international standards.	None
F. Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation status?	✓		The company follows the ISO9001 management system and must conduct supplier evaluations before and after dealing with suppliers. It annually selects excellent manufacturers and lists those need to be improved as the basis for the next transaction evaluation; By communicate issues on environmental protection, safety and health issues with encourage them to improve environmental protection, safety and health performance to implement the implementation of corporate social responsibility.	None
(5) Does the company compile CSR report to reveal the non-financial information following the guidelines for internally-accepted report format? Is the above-mentioned report assured or certified by a third-party inspector?	✓		The company has not edit corporate social responsibility reports and other reports that disclose the company's non-financial information; however, company has disclosed relevant and reliable corporate social responsibilities in its annual reports, public information observatories, and publicity products.	None

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Implementation Status</td><td rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td colspan="5">(6) Corporate Governance Implementation Status. Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”, and the reasons:

The company has established the “Corporate social responsibility principals.” The Company takes CSR issues into consideration when designing the corporate system or planning for the operational strategies. It has devoted positive devotions in implement proper measures in terms of corporate governance, sustainable development, social welfare, and revelation of the Company’s corporate social responsibility. The company also incorporate positive and humane perspectives into the corporate culture. Therefore, there is no significant deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies."</td></tr>
<tr><td colspan="5">(7) Other important information to facilitate better understanding of the company’s corporate social responsibility practice:
(a) The company fully accordance with laws and regulations on environmental protection; detailed information on environmental protection expenditure on page 89
(b) The waste generated in the manufacturing procedure is transported and treated by qualified institutes according to the environmental protection regulations
(c) The Company is certified by the ISO14001 environment management system, and it adopts comprehensive operational mechanism regarding the industrial impact on the environment as well as sorting, managing, and reusing the industrial waste.
(d) The Company has adopted the electronic document exchange system to save time on transmitting messages, reduce paperwork, and eliminate postage expenses. The white side of the abandoned document is reused to reduce the consumption of paper.
(e) The Company has control over temperature to make effective energy to reduce carbon emission.
(f) The company has established the Committee of Employee’s Welfare to organize various events, such as employee travel and other employee welfare activities. The company signed contracts with chartered stores and organizes club activities such as badminton club to enhance the life-work balance of the employees.
(g) Human right: The company respects human rights of all colleagues. It offers fairs and suitable job opportunities for all job applicants and employees regardless of their ethnicity, religious beliefs, political parties, gender, marital status, physical challenges, and other factors that is regulated to be non-discriminatory factors in relevant laws. The principle is applicable to recruitment, appointment, training, promotion, remuneration, and welfare of the employees.
(h) In order to improve the environment of the school campus near the industrial zone and improve the quality of children’s learning, 102 air purifiers were donated to the elementary school in Kaohsiung area.
(i) The declaration to Market Observation Post System will be assigned to whom should be responsible for collection and disclosure of company information; to ensure information that may affect the decisions of shareholders and stakeholders can be promptly disclosed.</td></tr>
</table>

F. **Ethical Corporate Management Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons**

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
(1) Establishment of ethical corporate management policies and programs A. Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The company has established "Ethical Corporate Management Best Practice Principles" and revealed on the company's website. It has also established the protocols for internal operation and internal control system. The inspections on various tasks are conducted periodically and such conditions have been reported to the Board of Directors' meeting. The above-mentioned practice is taken as the reference for ethical operation, which manifests the commitment of the Board as well as the managerial staff to realize ethical business operation.	None
B. Does the company establish appropriate system to analyze risks of unethical conducts, periodically analyze and evaluate business activities with high potential for unethical conducts and establish prevent measures accordingly, or listed activities stated in Article 2, Paragraph 7 of the Ethical CorporateManagement Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The company has stipulated prevent measures in various internal control regulations against the unethical and risky business activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.	None
C. Does the Company establish and implement the operational procedures, conduct guidelines, penalty for violation of rules, and complaint mechanism to prevent unethical behaviors and regularly review and amend the	✓		The company has distributed the card of corporate policies to the employees, and the following ethical policies have been specified: • All business dealings should be performed transparently and honestly.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	`Summary	
existing practice?			• Any conflict-of-interest activities should be strictly forbidden. • Obtaining or giving improper gift or advantage should be avoided. • Any bribery, corruption, extortion and embezzlement should be strictly prohibited. • The publicly-disclosed information should be honest and intact. • Any personal privacy and business information from customers or suppliers should be well protected. • Maintain the confidentiality of company sensitive information and data. • Respect the intellectual property rights. • Zero tolerance to retaliation. • Enhance our ethical quality. • Comply with applicable local laws, regulations, international standards and customer requirements. Any case of violating the legal regulations or the guidelines and protocols should be reported through the established channel, and penalty would be imposed on the violators accordingly.	
(2) Fulfill operations integrity policy A. Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		The company conducts credit investigations before dealing with important customers and first-time purchasers to avoid transactions with those who have a record of dishonesty. And step by step to promote the contract with the counterparty of the transaction and specify the terms of good faith.	None
B. Does the company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and periodically (at least once a year) report to	✓		The General Administration Department is concurrently in charge of promotion of corporate ethical operation affairs. Report of implementing corporate ethical operation is made to the Board of Directors, which	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
the Board about its integral policy for management, the policy to prevent unethical conducts, and how the implementation is being supervised?			mainly covers the following content: 1. On December 12, 2019, invited the Ministry of Justice Investigation Bureau to conduct education training of integrity policy. 2. Establishment of whistle-blowing system: The Company has established opinion boxes, a designated phone line, and a special email box (publicized on the Company's official website) for receiving complaints have been established; the reporter and the content of the complaint would not be revealed. 3. Effective operation of the preventive measures to ensure ethical operation. A section of the Company's official website is designated for stakeholders including the employees, shareholders, and other stakeholders as a communication channel regarding illegal and unethical conducts. 4. No case of violating ethical operation principles have been detected in 2019, and no internal / external report letter or legal cases have been received.	
C. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The company has established "Management of Operation of Board Meeting" which specify the principles for directors to avoid conflict of interest. The directors can state opinions and make responses to questions about motions on the BOD meeting, but they should refrain from any discussion about affairs related to interest of the person or the corporate shareholder represented by the director. Neither could a director	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
			vote on behalf of other directors for any of such issues.	
D. Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		The Company has established and implemented the accounting and internal control system. The internal audit staff would review the risk evaluation result annually, strengthen the preventive measure accordingly, review whether the audit system is appropriately followed regularly, and report such conditions to the audit committee and the Board periodically. The Company also reviewed and amended the system as well as relevant practice to ensure proper corporate governance and internal risk control. Such conditions would be referred to when evaluating the effectiveness of internal control system and compiling statement for implementation of internal control system.	None
E. Does the company regularly hold internal and external educational trainings on operational integrity?	✓		The Company regularly held educational trainings. In 2019, a total of 250 persons/times, 660 hours of educational training, organized inside and outside the Company (including the training sessions regarding conducts to follow the ethical management regulations, Briefing of Ministry of Justice Investigation Bureau ,and other courses related to accounting and internal control system), have been taken by the employees of the Company.	None
(3) Operation of the integrity channel A. Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an	✓		The Company has established the report channel and reveals in its ethical corporate management best practice principles as well as the employee code of conduct that any case that is reported to violate the above-mentioned principles will be	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
appropriate person for follow-up?			investigated. The accused individual is allowed to appeal, while the convicted individual will receive penalty according to the above-mentioned principles.	
B. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has established a system to receive report about violations, to record the investigation process, and retain such records. The reporters' identity and the content will be kept secret. Necessary follow-up procedures will be taken according the seriousness of the case. Major cases will be reported to the authorities or be reported to the judiciary system.	None
C. Does the company provide proper whistleblower protection?	✓		The company has stated the measures to protect reporters of inappropriate conducts from mistreatment.	None
(4) Strengthening information disclosure A. Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has established the ethical corporate management best practice principles, and such principles have been publicized in the section designation for "Investors/ Corporate governance" on the Company's official website so as to promote the ethical ideas about proper management.	None
(5) If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company observes the established the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and relevant regulations to establish the "Ethical Corporate Management Best Principles."				
(6) Other important information which helps to understand the implementation of the Company's ethical management: (E.g. the Review and amendment of the Company's Ethical Management Best Practice Principles): (a) The Company observes Company Law, Securities and Exchange Act, Business Entity Accounting Act, relevant regulations for TWSE/TPEx Listed				

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	`Summary	
Companies, and other business-related laws to implement ethical management practices. The company keeps up with the development of ethical management norms in the domestic and overseas environment and encourages the directors, managers, and employees to offers suggestion for better m easures to promote the policies of ethical management to enhance effectiveness of such policies. (b) The “Regulations Governing Procedure for Broad of Directors Meetings” specifies that directors should avoid conflicts of interest. A director can state their opinions about issues of which he is a stakeholder or has impact on the company’s profits, but cannot participate in the discussion or vote about such issues. They could not vote on behalf of other directors, either. Also, independent directors’ opinions should be considered; such opinions should be retained and recorded in the memorandum of the BOD meeting. (c) The Company has established the “Code of Ethical Conduct” with provisions state that directors, managers, and employees should not reveal the confidential internal information to others, inquire about the unpublicized information of the company which is not related to the individual’s job from the person who is acquainted with the information, or reveal to others the Company’s unpublicized confidential internal information which is acquisition outside the business-related occasions.				

G. **Access to the company’s Governance Guidelines and relevant regulations:**

(a) The company’s Corporate Governance Guidelines and relevant regulations: the company observes Corporate Governance Best Principles for TWSE/TPEx Listed Companies and have established “Management of Operation of Board Meeting,” “Rules of Procedure for Shareholders Meetings,” “Procedures for Election of Directors,” “Audit Committee Charter,” “Remuneration Committee Charter,” “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Code of Ethical Conduct,” “Procedures for Acquisition and Disposal of Assets,” “Principles for Endorsement and Guarantee,” “Principles for Managing Loans to Others,” and other regulations.

(b) Please refer to the section designated for “Investors and stakeholders / Corporate Governance” of the Company’s website (http://www.ystech.com.tw/)

H. Other important information about the corporate governence of the Company:

(a) The compnay makes timely disclosure of significant information to investors, and conventions for corporate shareholders are held regularly fpr explanation about the condition of the Company’s operation.

(b) Information about the operation of remuneration committee, audit committee, and the Board of Directors has been revealled on the company’s official website (http://www.ystech.com.tw/)

I. Implementation of internal control system

(a) Statement of Internal Control

YEN SUN TECHNOLOGY CORP.
Statement of Internal Control System

Date: March 24, 2020

YEN SUN TECHNOLOGY CORP. had inspected the 2019 internal control system autonomously with the results illustrated as follows:

(1) YEN SUN TECHNOLOGY CORP. is fully aware that the board of directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.

(2) The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of YEN SUN Optoelectronics Corporation is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

(3) YEN SUN TECHNOLOGY CORP. has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” (referred to as“the Regulations” hereinafter). The criteria defined in “the Regulations” include five elements depending on the management control process: (a) environment control, (b) risk assessment, (c) control process, (d) information and communication, and (e) supervision. Each of the five elements is then divided into a sub-category. Please refer to “the Regulations” for details.

(4) YEN SUN TECHNOLOGY CORP.has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.

(5) YEN SUN TECHNOLOGY CORP. based on the inspection result referred to above has concluded that the internal control system (including the supervision and management toward its subsidiaries) on December 31, 2019 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.

(6) The statement of Internal Control System is the main content of the Company’s annual report and published prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

(7) The statement of Internal Control System was resolved in the board meeting with the objection of 0 board directors out of the 7 attending board directors on March. 24, 2020. The content of the statement has been accepted without any objection.

YEN SUN TECHNOLOGY CORP.
Chairman: *CHEN, CHIEN-JUNG*
General Manager: *CHEN, CHIEN-JUNG*

(b) On condition that the Company designates a CPA to audit the internal control system, the CPA's audit report should be revealed: None.

J. Punishment on the company and its employees for violations of laws or regulations of the Internal Control System, major breaches, and compensation measures in the previous year before the printed date of the Annual Report: None.

K. Important resolutions on meetings of Shareholders and the Board in the most recent fiscal year until the printing date of the annual report:

(a) Shareholders' meeting

Date	Important resolutions	Status
Shareholders' meeting on June 25, 2020	Proposed Resolutions (i) 2018 business report and individual and consolidated financial reports	(i) The amended provisions have been publicized on the Company's website and implemented in relevant conducts.
	(ii) 2018 Earnings Distribution. matters for Discussion	(ii) Resolution passed, no shareholder dividend
	(iii) Amendment on part of the provisions in the Articles of Incorporation.	(iii) The amendment has been approved, registered and publicized on the Company's website.
	(iv) Amendment on pare of the provisions in "Procedure for Acquisition or Disposal of Assets."	(iv) The amended provisions have been publicized on the Company's website and implemented in relevant conducts.
	(v) Amendment on part of the provisions in "Principles for Managing Loans to Others"	(v) The amended provisions have been publicized on the Company's website and implemented in relevant conducts.
	(vi) Amendment on part of the provisions in "Principles for Endorsement and Guarantee."	(vi) The amended provisions have been publicized on the Company's website and implemented in relevant conducts. ◦

(b) Board of Directors' meeting

Date	Major resolutions
January 16, 2019	(i) The distribution of the 2018 annual bonuses for employees is submitted for approval (ii) The company's 2019 operation plans and budgets is submitted for approval. (iii) The application for financing credit line is submitted for approval.

Date	Major resolutions
March 26, 2019	(i) The company's 2018 business report, individual and consolidated financial reports are submitted for approval. (ii) The amendment to the company's "Articles of Incorporation" is submitted for approval. (iii) The amendment to the company's "Procedure for Acquisition and Disposal of Assets" is submitted for approval. (iv) The amendment to the company's “Principles for Managing Loans to Others " is submitted for approval (v) The amendment to the company's “Principles for Endorsement and Guarantee.” is submitted for approval (vi) The main content of the company's 2019 General Shareholders' Meeting are submitted for approval. (vii) 2019, the fifth domestic secured convertible bond convert to new shares (viii) The evaluation of the independence and competency of CPAs appointed in 2019 is submitted for approval. (ix) The Statement on the Internal Control System of the company based on the results of the company's self-assessment and audit is submitted for approval.Adoption of the 2018 “Statement of Internal Control System”. (x) The application for financing credit line is submitted for approval. (xi) The company's endorsement guarantee for the subsidiary YEN SUN TECHNOLOGY (BVI) CORP. is submitted for approval. (xii) The amendment to the company's "Procedure for Handling Requests from Directors" is submitted for approval.
May 10, 2019	(i) The company's 2018 earnings distribution is submitted for approval. (ii) The application for financing credit line is submitted for approval. (iii) The company's endorsement guarantee for the subsidiary is submitted for approval.
August 13, 2019	(i) The company intends to provide financial loans for the sub subsidiary which is submitted for approval. (ii) The application for financing credit line is submitted for approval.
November 12, 2019	(i) The application for financing credit line is submitted for approval. (ii) The company's endorsement guarantee for the subsidiary is submitted for approval. (iii) The company's 2020 audit plan is submitted for approval.
December 24, 2019	(i) The company's 2020 operation plans and budgets is submitted for approval. (ii) The application for financing credit line is submitted for approval. (iii) The amendment to the company's “Remuneration Committee Charter “ is submitted for approval
January 16, 2020	The distribution of the 2019 annual bonuses for employees is submitted for approval
March 24, 2020	(i) The company's report on remuneration distribution of employees and Directors for 2019 is submitted for approval. (ii) The company's 2019 business report, individual and consolidated financial reports are submitted for approval. (iii) Election of Independent director of the Company is submitted for approval. (iv) The amendment to the company's “Remuneration Committee Charter “ is submitted for approval (v) The amendment to the company's “Principles for Shareholder Services“ is submitted for approval (vi) The main content of the company's 2020 General Shareholders' Meeting are submitted for approval. (vii) The evaluation of the independence and competency of CPAs appointed in 2019 is submitted for approval. (viii) The Statement on the Internal Control System of the company based on the results of the company's self-assessment and audit is submitted for approval.Adoption of the 2019 (ix) The application for financing credit line is submitted for approval. (x) To discuss repurchase of company stock.

Date	Major resolutions
May 5, 2020	(i) The company's 2019 earnings distribution is submitted for approval. (ii) To review the list of the candidates of independent director. (iii) To discuss the dismissal of the prohibition of non-competition obligation of the new directors and its representatives. (iv) The amendment to the company's "Regulations Governing Share Repurchase by Exchange-Liste and OTC-Listed Companies" is submitted for approval (v) The company's adjustment to the agenda of the 2020 Shareholders' Meeting is filed submitted for approval.
May 13, 2020	(i) The personnel change case of the general manager of the company. (ii) The amendment to the company's "Corporate Governance Best Practice Principles" is submitted for approval. (iii) The amendment to the company's"Guidelines for Evaluation of the Board's Performance" is submitted for approval.

L. If the directors' or supervisors have opjective opinion on important resolutions of the Board's meetng which have been documented or made into written statements in the last year and in the curent year up to the printing date of annual report, the important content should be reproted: None.

M. If any resignation or dismission of the Company's chairperson, general manager, accounting directors, fianancing officers, internanl audit directors, corporate governence director, or reseasrch and development directors has occurred in the last year and in the current up to the printing date of annual report, summary of such cases should be made: None.

(5) Information on CPA professional fees:

A. professional fees

Title of the CPA agency	Name of CPA		Audit Period	Remark
KPMG Taiwan	PO-JEN YANG	KUO-TSUNG CHEN	2019	—

Units: NT$ thousands

	Item / Range of amount	Audit fees	Non-audit Fees	Total
1	Under 2,000,000 NT dollars		153	153
2	2,000,000～3,999,999 NT dollars	2,590		2,590
3	4,000,000～5,999,999 NT dollars			
4	6,000,000～7,999,999 NT dollars			
5	8,000,000～9,999,999 NT dollars			
6	Over 10,000,000 NT dollars			

Units: NT$ thousands

Title of CPA Agency	Name of CPA	Audit fee	Non-Audit fee					Audit period	Remark
			System design	Corporate Registration	Human resource	Others	Subtotal		
KPMG Taiwan	PO-JEN YANG KUO-TSUNG CHEN	2,590	-	35	-	118 (note1)	153	2019.01.01 ~ 2019.12.31	-

Note1: Services expense under other items of non-audit public expense are employee salary information checklist and financial statement typing fee, official vehicle fee.

(a) If the non-audit fee paid to the CPA, the CPA agency, and its affiliated companies takes up over 1/4 of the audit fee, the mount of audit fees and non-audit fees as well as the non-audit service should be disclosed: None

(b) If the Company changes the CPA agency and the audit fee is lower than the previous year, the amount of audit before and after changing the CPA agency and reasons for changing the CPA agency should be disclosed: None.

(6) Information on replacement of certified public accountant: None

(7) The Company's chairman, general manager, 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 certified public accountant or at an affiliate enterprise of such accounting firm: None.

(8) The transfer of equity interests and pledge of or change in equity interests during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

A. Changes in equity of Directors, Supervisors, Managers and Major Shareholders with more than 10% shareholdings.

Unit：Shares

Title	Name	2019		2020 (up to April 18)	
		Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks.	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks.
Chairman	CHEN,CHIEN-JUNG	0	0	0	0
Director	CHEN,GUAN-HONG	0	0	0	0
Director	LI,YING-ZHEN	0	0	0	0
Director	XIE,TENG-LONG	0	0	0	0
Independent Director	ZHANG JIAN,LIANG-YAN	0	0	0	0
Independent Director	CHEN,GUAN-LIANG	0	0	0	0
Independent Director	FANG,ZHI-MIN	0	0	0	0
Electronics Cooling Divison Director	LIU,HSIEN-WEN	0	0	0	0
Home Appliances Division Director	CIA,JIN-JIN	0	0	0	0
Electronics Cooling Divison Deputy Director	SUN,XIN-CHENG	(83,000)	0	0	0
Home Appliances Division R&D Director	WANG,JIA-REN	0	0	0	0
Thermal Module Business Director	ZHANG,ZHENG-DA	0	0	0	0
Administration Department Director	LIANG, HSIANG-YI	0	0	0	0

B. The situation where recipient of the transferred equity is a related parson: None.

C. The situation where recipient of the transferred pledge is a related person: None.

(9) Top 10 shareholders relation

April 18,2020

Name	Shares in possession of the person		Shares in possession of the person's spouse or children who are minors		Shares in possession of the person registered under the name of a third-party		Names and relations of top 10 shareholders who are related persons specified in article no. 6 of the Statement of Accounting Principles, spouses, or relatives within two degrees to each other		Remarks
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)	
CHEN,CHIEN-JUNG	6,106,739	8.75%	2,254,244	3.23%	-	-	CHEN LIN,XIU-FEN CHEN,GUAN-HONG CHEN,YI-JUN	Spouse First degree of kinship First degree of kinship	
CHEN,GUAN-HONG	2,500,477	3.58%	320,000	0.46%	-	-	CHEN,CHIEN-JUNG CHEN LIN,XIU-FEN CHEN,YI-JUN	First degree of kinship Lineal descendants Second degree of kinship	
CHEN LIN,XIU-FEN	2,254,244	3.23%	6,106,739	8.75%	-	-	CHEN,CHIEN-JUNG CHEN,GUAN-HONG CHEN,YI-JUN	Spouse First degree of kinship First degree of kinship	
CHEN,YI-JUN	1,870,816	2.68%	-	-	-	-	LI YEN INVESTMENT Co., Ltd. CHEN,CHIEN-JUNG CHEN LIN,XIU-FEN CHEN,GUAN-HONG	Supervisor First degree of kinship First degree of kinship Second degree of kinship	
LI YEN INVESTMENT Co., Ltd.	1,741,000	2.50%					CHEN,YI-JUN	Supervisor	
LI YEN INVESTMENT Co., Ltd. Representative：Lin,Rui-Ming	37,000	0.05%	-	-	-	-	CHEN LIN,XIU-FEN	Second degree of kinship	
SHENG CHENG CORP.	1,356,000	1.94%	-	-	-	-	-	-	
SHENG CHENG CORP. Representative：Lin,Yuan-Feng	435,000	0.62%	-	-	-	-	CHEN,CHIEN-JUNG CHEN LIN,XIU-FEN	Brother-in-law Brother-in-law	
HUANG,HUAN-YAO	873,000	1.25%	-	-	-	-	-	-	
YAN,KUN-SHENG	670,000	0.96%	-	-	-	-	-	-	
GU,SHUN-RONG	652,000	0.93%	-	-	-	-	-	-	
Investment bank of DE-TAI E.SUN BANK	585,000	0.84%	-	-	-	-	-	-	

(10) The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company:

May 13,2020 Unit :Shares

Long-Term Investment	Ownership by YS		Direct/Indirect Ownership by Directors, Supervisors, and Management		Total Ownership	
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)
YEN SUN TECHNOLOGY(BVI)CORP.	500,000	100%	-	-	500,000	100%
LUCRATIVE INT'L GROUP INC.(Note)	1,000,000	100%	-	-	1,000,000	100%
YEN SUN TECH INTERNATIONAL （SAMOA） CORP.	1,000,000	100%	-	-	1,000,000	100%
YEN JIU TECHNOLOGY CORP.	11,050,000	100%	-	-	11,050,000	100%
YEN HUNG INTERNATIONAL CORP.	-	-	1,000,000	100%	1,000,000	100%
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	-	-	—	100%	—	100%
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	-	-	10,000,000	100%	10,000,000	100%
YH TECH INTERNATIONAL CORP.	-	-	1,000,000	100%	1,000,000	100%
DARSON ELECTRONIC (DONGGUAN) LTD.	-	-	-	100%	-	100%
YEN GIANT METAL (DONGGUAN) CO., LTD.	-	-	-	100%	-	100%
CHANSON WATER CO., LTD.	-	-	-	17.75%	-	17.75%
Y.S. TECH U.S.A. INC.	114,000	19%	-	-	114,000	19%

Note: actual capital investment yet.

4. Capital Overview

(1) Capital and shareholding

A. Source of Capital

April 18,2020

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT$ thousands)	Quantity (thousands of shares)	Amount (NT$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
1987/03	1,000	28	28,000	28	28,000	Establishment of share capital	None	
1997/04	1,000	51	51,000	51	51,000	Capital increase 23,000,000 by cash	None	
1998/08	10	8,100	81,000	8,100	81,000	Capital increase 30,000,000 by cash	None	At January 9,1998 the company changed the share face value by a resolution of the shareholders' meeting, from NT$ 1,000 per share to NT$ 10 per share.
1998/10	10	15,100	151,000	15,100	151,000	Capital increase 70,000,000 by cash	None	-
1998/12	10	19,800	198,000	19,800	198,000	Capital increase 47,000,000 by cash	None	-
1999/07	10	32,000	320,000	32,000	320,000	Capital increase 122,000,000 by cash	None	-
2005/09	10	60,000	600,000	32,000	320,000	Increase in Authorized capital		
2006/09	10	60,000	600,000	34,029	340,289	Capital increase 20,288,920 by earnings	None	Approved by July 12, 2006, JGZYZ No. 0950130020
2007/10	10	60,000	600,000	35,181	351,807	Capital increase 11,518,220 by earnings	None	Approved by July 18, 2007, JGZYZ No. 0960037514
2008/10	10	60,000	600,000	36,620	366,199	Capital increase 14,392,230 by earnings	None	Approved by August 11, 2008 , JGZYZ No. 0970040480
2010/02	10	60,000	600,000	38,168	381,677	Converse 1,547,810 shares convertible bond	None	Approved by the Ministry of Economic Affairs, February 22, 2010 MOE No. 09931693390

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT$ thousands)	Quantity (thousands of shares)	Amount (NT$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
2010/04	10	70,000	700,000	42,994	429,938	Converse 4,826,029 shares convertible bond	None	Approved by the Ministry of Economic Affairs, May 19, 2010,MOE No. 09932057510
2010/07	10	70,000	700,000	43,811	438,111	Converse 817,374 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 18, 2010, MOE No. 09932457120
2010/10	10	70,000	700,000	47,055	470,546	Converse 3,243,468 shares convertible bond	None	Approved by the Ministry of Economic Affairs, November 19, 2010, MOE No. 09932851000
2011/01	10	70,000	700,000	47,351	473,509	Converse 296,292 shares convertible bond	None	Approved by the Economic development bureau of Kaohsiung, March 9, 2011,GON NO10001079650
2011/03	10	70,000	700,000	47,647	476,472	Converse 296,292 shares convertible bond	None	Approved by the Economic development bureau of Kaohsiung, May 9, 2011,GON NO10001176450
2014/05	10	70,000	700,000	49,769	497,686	Converse 2,121,400 shares convertible bond	None	Approved by the Economic development bureau of Kaohsiung, October 20, 2014,GON NO10353871510
2015/03	10	70,000	700,000	49,647	496,471	Converse 28,570 shares convertible bond Treasury stocks cancellation NT$150,000	None	Approved by the Economic development bureau of Kaohsiung, March 16, 2015,GON NO10450725310

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT$ thousands)	Quantity (thousands of shares)	Amount (NT$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
2015/08	10	70,000	700,000	53,097	530,971	Converse 3,449,959 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 28, 2015 Shou-Shang No. 10401161370.
2016/12	10	70,000	700,000	54,431	544,313	Converse 1,334,163 shares convertible bond	None	Approved by the Ministry of Economic Affairs, December 27, 2016 Shou-Shang No. 10501297620.
2017/05	10	70,000	700,000	56,462	564,616	Converse 2,030,276 shares convertible bond	None	Approved by the Ministry of Economic Affairs, May 24, 2017 Shou-Shang No. 10601065660.
2017/12	10	70,000	700,000	61,684	616,839	Converse 5,222,369 shares convertible bond	None	Approved by the Ministry of Economic Affairs, December 6, 2017 Shou-Shang No. 10601162800.
2018/04	10	70,000	700,000	66,999	669,989	Converse 5,314,957 shares convertible bond	None	Approved by the Ministry of Economic Affairs, April 2, 2018 Shou-Shang No. 10701035200.
2018/08	10	70,000	700,000	67,267	672,666	Converse 267,716 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 24, 2018 Shou-Shang No. 10701109650.
2019/04	10	70,000	700,000	69,787	697,869	Converse 2,520,313 shares convertible bond	None	Approved by the Ministry of Economic Affairs, April 15, 2019 Shou-Shang No. 10801043050.

April 18,2020 Unit: Shares

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	69,786,925	30,213,075	100,000,000	Listed Company

Information about shelf registration system: None.

B. Shareholder structure

April 18,2020

Composition of Shareholders / Amount	Government institutions	Financial organization	Other Corporate shareholders	Individuals	Foreign Institutions and overseas investors	Total
Number of persons	-	-	125	12,586	18	12,729
Number of shares in possession (thousand shares)	-	-	5,041,426	62,842,886	1,902,613	69,786,925
Shareholding rate (%)	-	-	7.22%	90.05%	2.73%	100%

C. Distribution of Stock shares

April 18,2020 Unit: Shares

Class of Shareholding	Number of Shareholders	Number of shares in possession	Shareholding ratio (%)
	9,027	71,552	0.10%
	2,385	5,489,695	7.87%
	578	4,874,188	6.98%
	168	2,155,772	3.09%
	151	2,847,798	4.08%
	126	3,333,122	4.78%
	66	2,358,059	3.38%
	47	2,230,624	3.20%
	80	5,726,857	8.21%
	43	6,195,667	8.88%
	35	9,580,130	13.73%
	14	6,899,185	9.88%
	2	1,322,000	1.89%
	1	873,000	1.25%
	6	15,829,276	22.68%
Total	12,729	69,786,925	100.00%

D. List of Major Shareholders (top 10 shareholding)

April 18,2020 Unit: Shares

Shares / Name of Major Shareholders	Shareholding	Shareholding ratio (%)
CHEN,CHIEN-JUNG	6,106,739	8.75%
CHEN,GUAN-HONG	2,500,477	3.58%
CHEN LIN,XIU-FEN	2,24,244	3.23%
CHEN YI-JUN	1,870,816	2.68%
LI YUN INVESTMENT Co., Ltd.	1,741,000	2.50%
SHENG CHENG CORP.	1,356,000	1.94%
HUANG,HUAN-YAO	873,000	1.25%
YAN,KUN-SHENG	670,000	0.96%
YAN,SHUN-RONG	652,000	0.93%
Investment account of DE-TAI company in entrusted to E.SUN Bank	585,000	0.84%

E. The stock price, net value, profit, earning, and relevant information in the most recent two years.

Unit: NT Dollars

Item \ Year			2018	2019	In the current year up to March 31, 2020
Market price per share (note1)	Highest		22.20	27.80	20.15
	Lowest		13.70	15.05	10.50
	Average		19.09	21.44	15.42
Net value per share (note2)	Before distribution		12.81	13.53	13.77
	After distribution		12.81	13.53(註 8)	13.77
EPS	Weighted average number of shares(thousand shares)		67,096	69,520	69,782
	EPS（note3）		(0.47)	0.73	0.25
Dividends per share	Cash dividends		-	-	None
	Stock dividends	Earnings	-	-	None
		Capital surplus	-	-	None
	Accumulated unpaid dividend（note4）		-	-	None
Return analysis	Price-earnings Ratio（note5）		(40.62)	29.37	-
	Price-dividend Ratio（note6）		-	-	-
	Cash dividend yield（note7）		-	-	-

Note 1: Identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.
Note 2: This should be filled by using the shares already issued by fiscal year-end as a basis, and also by referencing the allocation that the Shareholders' Meeting has decided on for the subsequent fiscal year.
Note 3: If there are any retroactive adjustments needed due to the issuance of bonus shares, earnings per share before and after the adjustment should be listed.
Note 4: If the conditions of equity securities issuance allow unpaid dividends to be accumulated to the subsequent fiscal years in which there is profit, the company shall disclose the accumulated unpaid dividends respectively up to that fiscal year.
Note 5:Price-earnings Ratio=Average Closing Price per Share in current year / Earnings per Share.
Note 6:Price-dividend Ratio =Average Closing Price per Share in current year / Cash Dividend per Share.
Note 7:Cash dividend Yield=Cash Dividend per Share/Average closing price per share in current year.
Note 8: The 2019 earnings haven’t been distributed by the shareholders meeting .

F. Dividend policy and implementation status.

(a) Dividend policy and implementation status

The Company's article of incorporation stipulate that Company's net earnings should first be used to paying any income taxes and offset the prior years' deficits. 10% of the remaining balance is to be appropriated as legal reserve. However, it is not applicable if the statutory surplus reserve has reached our Group’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period and submit to the shareholders meeting for approval.The dividends policy shall first take into consideration its operating environment, financial plan, Group's sustainable operation and development and the maximum interests of stockholders as follows:

(i) The conditions and timing

The Company is currently in the stage of active market development. In order to support the growth of the company, the distribution of dividends should consider the continuing operation in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

(ii) Distribution ratio of cash dividends and stock dividends

The distribution of dividends of the company’s shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

(b) Allocation of dividend to be resolved by the Shareholders’ meeting in 2019:

The company's 2019 surplus distribution proposal was approved by the board of directors on May 5, 2020, and the result is not to distribute shareholder dividends.

(c) Any predictable major change in the dividend policy should be illustrated: None.

G. Effect impact of shareholder meeting’s resolution for distributing stock grants on the company’s performance and the earnings per share: not applicable

H. Remuneration paid to the employees, directors.

(a) The percentage or scope of employee and director compensation included in the company's articles of association:

The company shall distribute employees' compensation by 1% to 10% based on the current year's profit status; directors and supervisors based on the current year's profit status of no more than 5%. However, when company still has accumulated losses, it should be make up for it.The remuneration of employees shall be based on stocks or cash, and the objects issued to stocks or cash include employees of companies who meet certain conditions, and the conditions shall be authorized by the board of directors.

The profit status in the first item referred to the pre-tax profit for the current year after deducting the distribution of employee compensation and director compensation.

The distribution of employee remuneration and directors' remuneration shall be implemented by the board of directors with a resolution of more than two-thirds of the directors attending and more than half of the directors agree, and report to the shareholders' meeting.

(b) Accounting treatment when accrual allocated amount differs from the estimated amount of remuneration for employees, directors of the year, and the stock compensation for employees:
   (i) The estimate of the remuneration of employees and directors is based on the estimates within the scope of the company's articles of association.
   (ii) Stocks distribution amount based on employee compensation for calculation basis: Not applicable.
   (iii) When the actual amount of distribution and estimate amount differs from the result by the shareholders' meeting, it will be changed according to the accounting estimate and adjusted in the shareholders' meeting.

(c) The remuneration adopted by the Board of Directors' meeting:
   (i) Employee compensation and director's compensation distributed in cash or stocks: The employees and directors remuneration distribution plan of 2019 was approved by the board of directors on March 24, 2020. It is proposed to set aside 1% for directors' compensation of NT$736,559 and 2% for employee compensation of NT$1,473,118 in cash. The amount is the same as the estimate of the 2019.
   (ii) The proportion of stock remuneration for employees in the total amount of net income after tax and employee remuneration: Not applicable.

(d) The actual condition of distributing remuneration for employees, directors, and supervisors in the previous year (including number of shares, denomination, and price per share), the difference from registered amount of remuneration for employees, directors, and supervisors, the reasons, and follow-ups:

The status has not distribute remuneration for employees, directors in 2018.

I. Share Repurchase: ：

Numbering of repurchase	The 6th
Purpose of repurchase	Transfer of shares to employees
Repurchased share type	Common stock
Amount limit of repurchase	NT$184,884,150
Buyback period	From March 25, 2020 to May 24, 2020
Estimated price range of buyback	NT$10-23.5
Estimated quantity to buyback	1,500,000 shares
Price range of buyback	NT$12.7 to NT$17.45
Repurchased share type and amount	Common stock of 766,000 shares
Repurchased share value	NT$11,773,175
The ratio of the actual repurchased to the estimated to repurchase (%)	51.07%

(2) Issuance of Corporate Bonds

A. Issuance of **Convertible Bonds**：

B. The Company's fifth domestic guaranteed conversion of corporate bonds has been fully converted as of March 31, 2019, and there are no outstanding corporate bonds.

Information of Convertible Bonds

Issuance		The fifth domestic secured Convertible Bond
Year / Item		2019
Market Price of Convertible Bonds	Highest	174.00
	Lowest	140.40
	Average	158.34
Conversion Price		12.3
Issuance Date and Conversion Price at Issuance		March 30, 2016 NT$13.6
To perform the convert obligation		Issuance new shares

(3) Issuance of Preferred Shares: None.

(4) Issuance of Global Depository Receipts (GDR): None.

(5) Issuance of employee stock warrants:

(a) The status of stock warrants for employee whose term has not expired and the impact on shareholder’s equity up to the date of publication of the annual report: None.

(b) The managers who obtained employee stock option and the name, subscription, obtained status of top 10 employee who acquire employee stock warrants accumulating to the date of publication of the annual report: None.

(6) Employee Restricted Stock Awards:None

(7) Status of New Shares Issuance in Connection with Mergers and Acquisitions:None.

(8) Financing plans and implementation：None。

5. Company Overview

(1) Business Activities

A. Business Scope

A. Main Business

I. Electrical cooling fan manufacturing and selling
A. Cooling fan
B. Heat sink and thermal module

II. Home appliance manufacturing and selling
Water dispenser, Water purifier, Electrical kettle, Air purifier, Dehumidifier, Portable air conditioner, Stand fan, Induction cooker and other small appliances.

B. The ratio of mainly business in 2019

Units: NT$ thousands

Category	Sales	Ratio(%)
Cooling fan	1,856,045	62.16
Air series	553,253	18.53
Water series	217,613	7.29
Heat sink and thermal module	276,963	9.27
Others	82,205	2.75
Totals	2,986,079	100.00

C. The current products (service) and planned new products (service) projects:

I. The current products (service)

(i) Water series : water dispenser, bottle water dispenser, non-installation water purifier, thermos kettle, kettle, thermos.
(ii) Air series : air purifier, dehumidifier, portable air conditioner, nano photo-catalyst fan, stand fan.
(iii) Other appliances : ceramic heater, towel dispenser, disk dryer, rice cooker, oven, food blender, liquor chiller, induction cooker

II. The planned new products (service)

(i) Compact water dispenser with detachable water tank models with power energy saving and stylish design.
(ii) Tabletop RO water dispenser – the pure water come from YenSun water machine.
(iii) Dehumidifiers – DC inverter dehumidifier, American large dehumidifier. Wifi build-in models can be turned on remotely when the room humid is too high, which is leading consumer to entry the smart era of clouds.
(iv) Air purifier – DC motor and Wifi build-in function, the consumer can check the air quality of their home and control the air purifier remotely anywhere.
(v) Develop the high CADR commercial use air purifier.
(vi) Stand fand–evelop the DC stand fan for the trends of carbon reduction.

(vii) Liquor chiller – dual tank chiller, electrical cooling chiller and customized designed chiller.

(viii) Bottle water dispenser – metal housing new design.

(ix) Air water maker – revolutionary small household appliance which combined with water purifying, air purifying and dehumidying technology to clean the air and transform the air moisture to drinking water. It solves the global water shortage problem.

(x) Food nutrition machine- an innovated product in health care. The product is combining with extracting, boiling, automatic residue filtering, easy cleaning and time scheduled function, which can extract the ingredients of high nutrition food to keep the original taste and nutrition in the cooking.

(xi) Portable air conditioner – is combining with air conditioner/dehumidifier/humidifier/air purifier/cloth drying function, and add activated carbon and photo-catalyst air filter function.

B. Industry Overview

(a) Industry situation and development

I. Electronics Cooling Divison

The target markets of the Electronics Cooling Division are Automotive Electronics, Cloud Network Communication, Power Supply, Prospective Industry, and Green Energy industry.

Following up with the transform of automotive platform, and the rise of The Internet of Things and Big Data market, the demand of thermal cooling fan has been continuously increasing, as well as the demand of overall customized service and products, and high environmental reliability parts.

At the same time, the competition among the cooling fan industry has become increasingly fierce. The integration of products and markets' front-end applications and global services ability is the main target and direction for the future.

II. Home Appliances Division

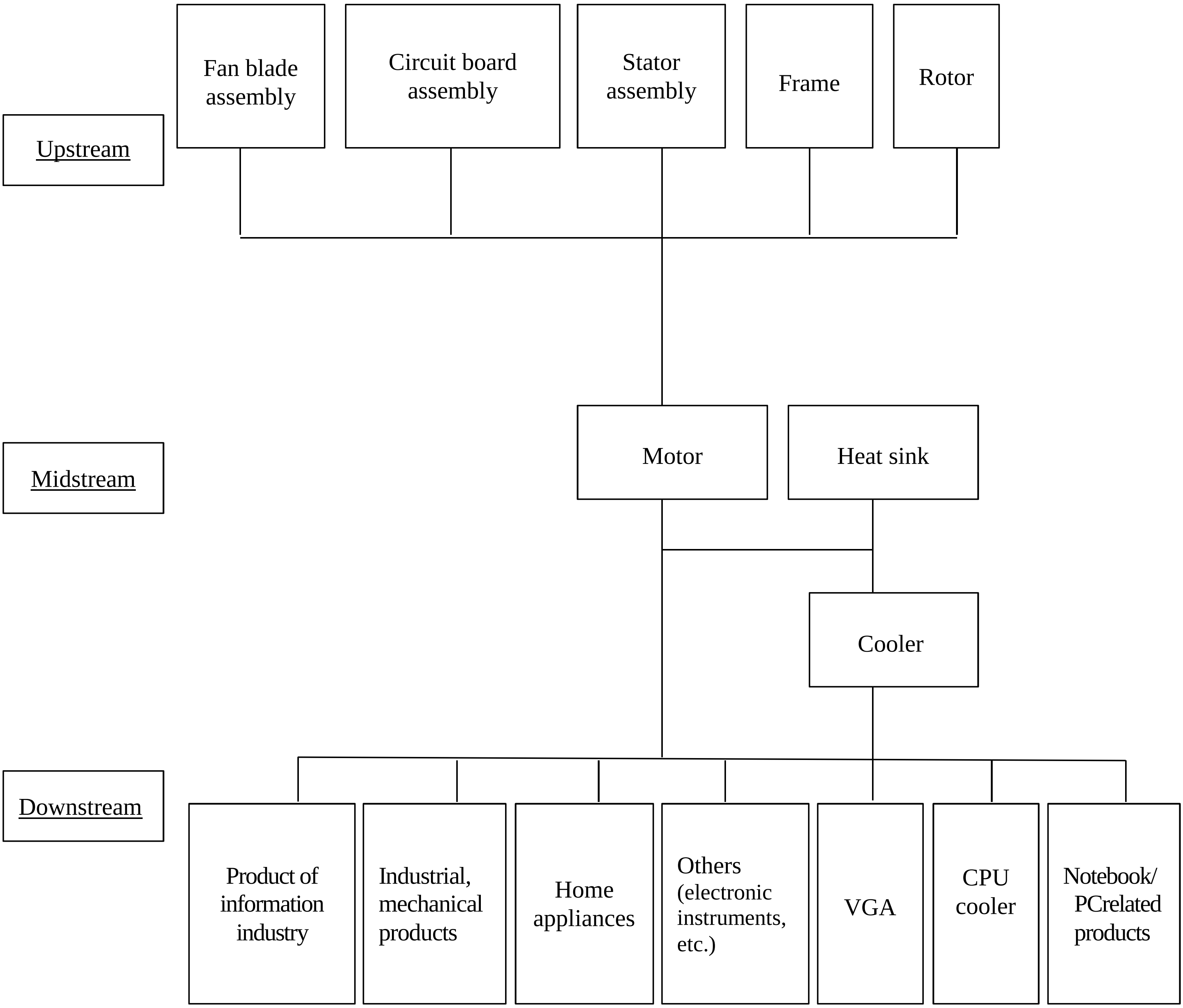
Looking into the future, the Smart Home will continue to evolve and enlarge the scope of home products, but it still focus on the families and family members to develop products. So the product design must back to the core value "Family" product refinement.

Yen Sun home appliance is committed to the development of R&D technology. It has not only won the support and affirmation of customers and consumers, has also implemented the concept of "Innovation, Quality, Efficiency " on its own brand. YenSun has been for half a century, in order to bring the life experience of "Safety, Quality, Hygiene " to the consumers, YenSun is committed to be the high quality of home appliance brand in Taiwan.

(b) The interrelationships among the upper, middle and downstream industries.

I. Electronics Cooling Divison

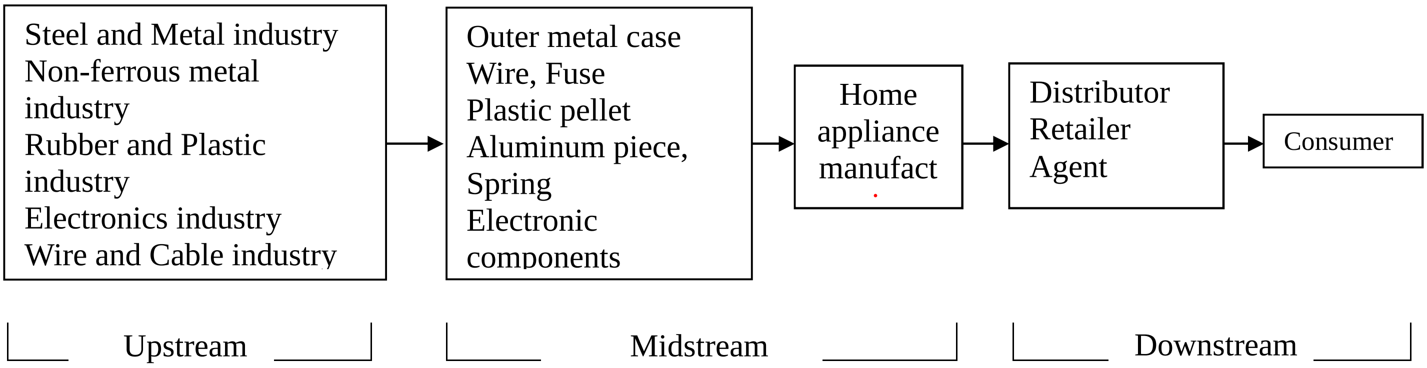
The feature products of Y.S. Tech. Electronics Cooling Division are cooling fan and thermal module, which are the components of the downstream industries. The main raw material are plastic, steel, aluminum, cable, enameled copper wire, PC board and SMT electrical components, which also includes the upstream industries, such as plastic, steel, electrical and semiconductor industries. The interrelationships among the upper, middle and downstream industries have been presented below:



II. Home Appliances Division

Our main products are water dispenser, stand fan, air purifier, dehumidifier, heater, towel dispenser and liquor chiller etc. The raw materials of these products are steel, plastic, aluminum, wire, temperature control and various electronic parts, the related industries covered include steel industry, non-ferrous metal industry, rubber industry, plastic industry, electronics industry, wire and cable industry…etc.

The supplied chain of the related industries as below :



(c) The trend of product development

I. Electronics Cooling Divison

The information electronics market has been fully developed due to the changes of the global economy and industry.

With the enormous progress of information computing and network technology, the technology and service platforms provided by industries such as Cloud and Netcom, Automobiles, and Power supplies continue to innovate and develop. The demand of cooling fans and modules that fulfilled high-performance,high-environmental-resistance, and fast reacting to customer design and manufacturing needs have been continuously increasing.

(i) Cloud and Netcom

With the trend of big data analysis, Internet of Things, and mobile computing, the demand for high-efficiency, long-life, and reliable cooling fans continues to increase. Applications include high-end servers/industrial computers, data centers, communications exchanges, and outdoor devices. Fan performance, stable reliability and life specifications continue to be improved, therefore the product design and module development are required to be constantly updated to meet the needs of the industry.

(ii) Automotive industry

The automotive electronics industry is based on the high complexity of safety and the use environment, so its quality requirements are particularly high comparing with the general industry. Especially driven by the future development directions such as advanced driving assistance systems, Internet of Vehicles, new energy vehicles and unmanned driving, it will lead the automotive industry into the next generation of technology applications and become more and more in line with human nature. Therefore the proportion of electronic components in vehicles is relatively increased. And the needs of the solutions for heat dissipation have been becoming more and more frequent. The demand for intelligent fans will lead the trend.

(iii) Electric power industry

Electricity and power supply are the basic technologies for the sustainable development of the industry. With the continuous development of the green energy, the technology of power conversion and intelligent management has been developing rapidly. Applications include: photovoltaic/wind power inverters, converters, and high-efficiency power modules, inverter and charging station applied to intelligent manufacturing, automotive, and cloud & telecommunications industries.

The demand for high-performance, high-reliability, energy-saving and noise-reducing cooling fans and modules has been continuously increasing.

II. Home Appliances Division

The smart home appliance will become a trend in the future. In order to resolve the air pollution, water pollution, food pollution and other related issues, YenSun launch various home appliance related to health, environmental protection and energy saving.

The home appliance products can be divided into four series : water series, kitchen appliance series, air series and ODM/OEM development etc

(i) Water series products

Water series included water dispenser, bottle water dispenser, electrical thermos kettle, RO water purifier, air water maker to provide consumers with healthy drinking water. The water dispenser use steam water supply technology to ensure the consumers can not drink the unboiled water, it has been the leader in the industry. And it use durable materials and safety protection to ensure consumers safe. YenSun officially entered the field of water purification to provide consumers with clean drinking water, and the Air Water Maker brings drinking water to another new option. Electrical thermos kettle adopts energy saving design, fireproof base and large water level window which has become a well-know brand in the market.

(ii) Kitchen appliance series

Kitchen appliance series included food blender, induction cooker, rice cooker, disk dryer, towel dispenser, oven and other kitchen products to meet consumers demend. Recently, there have been many food safety incidents in Taiwan, YenSun begin to think about how to provide consumer with a new cooking experience. After continuous testing and improvement, the Food nutrition machine was finally born , with 16 items invention patents and 11 items new patents, it combines the function of extracting, boiling, automatic filter residue, easy cleaning and time scheduled.

(iii) Air series

The air series mainly improve the air quality of home and environment, including stand fan, air purifier, dehumidifier and portable air conditioner. In recent years, the PM2.5 air pollution and various allergic symptoms have become more and more serious. The large CADR air purifier can improve the efficiency of air purification and make consumers more comfortable and healthy.

(iv) ODM/OEM Development

In addition to develop its own brand products, the YenSun's R&D, production capacity and professional technology are also recognized by major home appliance manufacturer in Europe, America, Japan, China and Southeast Asia , and cooperate in the development of ODM/OEM products.

D. Competition Situation

I. Electronics Cooling Divison

The company's main business is in the field of automotive electronics, cloud network communication, power supply, and forward-looking and green energy industries.

Although we are facing the technical competition of the first- and second-tier competitors in Asia, the company has flexible integrated technical support and service strategies, which provides customers customized RD products, and Total Thermal Solutions analysis, testing and countermeasures support services to the customer's R&D teams worldwide, hence gaining a competitive advantage.

The main competitors are SANYODENKI, NIDEC, NMB, EBM in Europe and Japan, and the domestic competitor, DELTA, in Taiwan. However, the company has built up a stable scale and foundation in the European automotive industry and Netcom industry. In addition to the advantages of flexible services, the company aims for the great expanding in the US, Japanese and Chinese markets through the global supply chain effect of customers.

II. Home Appliances Division

The future development trend of home appliance products mainly comes from consumers' needs for convenience, energy saving and health, and caring for the environment and human health. In the future, the product development will tend to green appliance, focusing on energy saving and recycling, and hoping to contribute to environmental protection. YenSun also encourages suppliers to make increase their achievement in environmental protection, safety and health to implement the social responsibility of enterprise.

C. Overview of Technology and R&D

(a) The technical level

I. Electronics Cooling Divison

Electronics Cooling Division has broken through the bottleneck of traditional axial fan technology, and has successfully developed advanced technologies such as high-efficiency small three-phase motor technology, microcomputer speed control system, and application of heat, sound, vibration, flow integration structure, and miniature fan.

The company continues to innovate and develop products to fulfill the market requirement, and expand production lines based on the quality standards of automotive industry.

We also develop the production technology and equipment to improve the efficiency and quality, introduce talent cultivation, recruit employees with Ph.D. or master degree, and carry out industry-university cooperation with schools to build a complete technical management team.

II. Home Appliances Division

The Home Appliance Division leads the national product safety standard and first requires produces with fire and flame retardant designs. YenSun not only pay attention to the safety of product use, but also requires the safety design of the internal structure of product. YenSun cooperate with the ITRI to set up a CADR laboratory in the factory. After continuous development and testing, we successfully launched an air purifier with high CADR efficiency filtration. "Energy saving" is the tread of home appliances in the future. The air purifier manufactured by YenSun adopting the DC motor design is leading the industry, which can reduce the power consumption to save more than 50% of electricity.

(b) Research & Development

I. Electronics Cooling Divison

(i) The research results on applying acoustic system and bionic research have developed the fan technology on high air volume, high pressure and low noise suitable for the communication market.

(ii) Completes the technology for high-performance fan required by the network and communications market, which includes large-size fans, high-voltage resistance design, and three-phase motor technology development.

(iii) Complete Smart fan design and integrated control of the body network.

II. Home Appliances Division

(i) Compact water dispenser with detachable water tank models with power energy saving and stylish design.

(ii) Install-free drinking fountains, break the old concept and enhance the added value of products.

(iii) Dehumidifiers – DC inverter dehumidifier, American large dehumidifier. Wifi build-in models can be turned on remotely when the room humid is too high, which is leading consumer to entry the smart era of clouds.

(iv) Air purifier – DC motor and Wifi build-in function, the consumer can check the air quality of their home and control the air purifier remotely anywhere.

(v) Develop the high CADR commercial use air purifier Stand fan – develop the DC stand fan for the trends of carbon reduction

(vi) Liquor chiller – dual tank chiller, electrical cooling chiller and customized designed chiller

(vii) Bottle water dispenser – metal housing new design

(viii) Air water maker – revolutionary small household appliance which combined with water purifying, air purifying and dehumidying technology to clean the air and transform the air moisture to drinking water. It solves the global water shortage problem.

(ix) Food nutrition machine- an innovated product in health care. The product is combining with extracting, boiling, automatic residue filtering, easy cleaning and time scheduled function, which can extract the ingredients of high nutrition food to keep the original taste and nutrition in the cooking.

(x) Portable air conditioner – is combining with air conditioner/dehumidifier/humidifier/air purifier/cloth drying function, and add activated carbon and photo-catalyst air filter function.

(c) Expenses on research and development over the past 2 years until the printing date of the annual report:

Units: NT$ thousands

Year / Item	2018	2019	Jan to Mar, 2020
Research and development expenses	116,86	127,18	31,623
Operating Revenue	2,569,28	2,986,07	699,599
R&D expenses / Operating Revenue (%)	4.55%	4.25%	4.52%

(d) Successful developed technology and the product

A. Electronics Cooling Divison

(i) the cooling fan for automotive seat
(ii) the cooling fan for electric cars
(iii) the cooling fan for LED headlight
(iv) Smart fan design and control integrated
(v) High efficacy / efficiency BLDC for automotive

B. Home Appliances Division

(i) Compact water dispenser with detachable water tank models with power energy saving and stylish design.

(ii) Tabletop RO water dispenser – the pure water come from YenSun water machine.

(iii) Install-free drinking fountains, break the old concept and enhance the added value of products.

(iv) Dehumidifiers – DC inverter dehumidifier, American large dehumidifier. Wifi build-in models can be turned on remotely when the room humid is too high, which is leading consumer to entry the smart era of clouds.

(v) Air purifier – DC motor and Wifi build-in function, the consumer can check the air quality of their home and control the air purifier remotely anywhere.F. Develop the high CADR commercial use air purifier

(vi) Stand fan – develop the DC stand fan for the trends of carbon reduction

(vii) Liquor chiller – dual tank chiller, electrical cooling chiller and customized designed chiller

(viii)Bottle water dispenser – metal housing new design

(ix) Air water maker – revolutionary small household appliance which combined with water purifying, air purifying and dehumidying technology to clean the air and transform the air moisture to drinking water. It solves the global water shortage problem.

(x) Food nutrition machine- an innovated product in health care. The product is combining with extracting, boiling, automatic residue filtering, easy cleaning and time scheduled function, which can extract the ingredients of high nutrition food to keep the original taste and nutrition in the cooking.

(xi) L.Portable air conditioner – is combining with air conditioner/ dehumidifier / humidifier / air purifier / cloth drying function, and add activated carbon and photo-catalyst air filter function.

D. Short term and long term marketing development plan

(a) Electronics Cooling Divison

I. Short term plan

(i) Continue to develop the new project for target market.

(ii) Expand and increase the productivity of the automotive oriented production line

(iii) Expand the customer group of non- information electronic industry

(iv) Continue to develop the planning and the cooperation with the sales agent in the West china and the North china.

(v) Setting the distribution and the agents around the worldwide to facilitate the expansion of the marketing channels.

(vi) Setting the distribution and the agents around the worldwide for the foreign business.

II. Long term plan

(i) Apply the new technology to production.

(ii) Develop the strategy cooperation partner.

(iii) Develop the energy- saving and cooling technology.

(b) Home Appliances Division

I. Short-term plan

(i) To take the advantage of heating, freezing and purification technology to innovate high-value energy-saving products and sold in Taiwan, mainland China and all over the world through MIT certified.

(ii) The innovated non-installation RO water purifier, TDS display to monitor water quality, detachable raw water tank is convenient for use.

(iii) Focus on the development of medium and large commercial high CADR air purifier.

(iv) From the water dispenser to expand a full range of household and commercial RO water purification equipment.

(v) The new official website is completed, and the coming online activities and selling will be launched

(vi) Plan the large promotion events such as retail channel greeting day. Anniversary, year-end activity, and union..etc

(vii) Develop more distributors and use their stores to establish the Yen Sun Water Purification Zone

(viii) Use different industry alliances, communities, blogs and other advertisement to enhance brand exposure.

(ix) Through lectures and exhibitions to close to consumers and listen to customers' opinions.

(x) Set the standard operation procedure of free service hotline and a client-oriented quality system to achieve the goal of sustainable business of enterprise.

(xi) Actively join in overseas exhibitions and magazine advertisement to expand the export market and increase new customers.

(xii) Use electronic media to enhance reporting and enlarge the marketing activities.

II. Long-term plan

(i) It is expected in the future to expand the scale of factories to strengthen competitive advantages, and expand volume to bring profits.

(ii) In the future, we will focus on the high-tech appliances with high added value. To achieve the smart home internet connection will make life more convenient.

(2) Market, Production, and Sales

A. Market analysis

(a) Main product sales area

In units/NT$ thousand；%

Area \ Year		2017		2018		2019	
		Amount	%	Amount	%	Amount	%
Domestic		1,182,334	48.86	1,325,914	51.18	1,399,754	46.88
Export	Asia	576,352	23.82	402,950	15.55	402,990	13.49
	America	177,848	7.35	210,944	8.14	206,410	6.91
	Europe	369,075	15.25	480,587	18.55	790,077	26.46
	Other	114,233	4.72	170,227	6.57	186,848	6.26
	Subtotal	1,237,508	51.14	1,264,708	48.82	1,586,325	53.12
Total		2,419,842	100.00	2,590,622	100.00	2,986,079	100.00

(b) The supply and demand status and the development for the market in future

I. Electronics Cooling Divison

(i) For the demand part

Although the application of the cooling fan has been more than half a century, the application scope covers almost all industries and result in the highly development of the cooling fan and the module industry, and there have been more than 100 large and small cooling fan factory. However, the due to the technology bottlenecks and the global economy influence, the market becomes matures, and the demand for the cooling fan becomes stable and concentrated. Under this trend, the cooling fan company is under the pressure of survival of the fittest. Those electronic cooling solution factories which are survived now have the ability to integrate the fan and module, the research development, and the service ability worldwide.

(ii) The future growth chance

Recently, there are two extremes development of the information product: large high-performance computing and ultra-thin portable information products still have the room to improve. Only the factories stand for the competitive roles which have the RD capabilities and the patent right.

Besides, the demand for the cooling fan has been fluctuating with economy of the world for decades. In the past decade, due to the rapid growing of the information industry, the demand for the cooling fan increase rapidly. Although the demand of the fan in Taiwan is no longer increase rapidly. Overall, the demand of the fan will back to the steady growing situation.

On the demand and supply side, over the past decade, the number of the cooling fan factory is growing, and it will force the integration among the fan factories to the balance level. The Electronics Cooling Division of YS-TECH have developed the complete production line and the standard of the quality control, moreover, YS-TECH has gained the approval of the TS16949 certified and the OHAS18000 certified. And catch the industry' eyes because of the level of production quality improved. The brand of 「Y.S.TECH」 is on sale all over the world. Compare to the same type of manufactory, YS-TECH focus on the niche market.

II. Home Appliances Division

(i) Supply and demand

In order to bring the life experience of "safety, quality and hygiene" to the customers, the smart home appliance will become a trend in the future. In response to the air and water pollution, the health-related home appliance will be more popular in the market. The health, environmental protection and energy-saving household appliances are expected to contribution to the earth.

(ii) Future gro

In the future, we will focus on the high-tech appliances with high added value. To achieve the smart home internet connection will make life more convenient

(c) Competitiveness

I. Brand image and popularity

YS Technology promotes own brand “Y.S.Tech” and is well-known as ventilation and cooling manufacture in global automotive electronic and high-end industrial markets. In Home Appliance, the excellent product performance, good quality and service are aiming Y.S Tech become leader manufacture in domestic air purifiers, dehumidifiers and water purification equipment and being the important partner of major international manufactures.

II. Strong R&D Team.

The company’s Core Technology is noise, heat, air flow ,motor and AI control and is keeping innovation and development.

Regardless of forward-looking research, project development and wisdom manufacturing technology, the strong R&D team innovates and develops continually ,focus on improving quality and efficiency in production, the company’s strong competitiveness foundation are owed to hundreds of global patents.

III. Standing in European, United States market and expanding China automotive electronics market.

The company is approaching automotive market for years and being European automotive supplier, after several years’ cooperation, the product quality and performance are highly recognized by customer and become BMW and Daimler’s Tier 1 supplier. In addition, seeing strong demands in China automotive market, YS Tech penetrate China’s first tier automotive supply chain successfully with our impressive technology supporting and product and keeping expanding our market scope..

IV. Qualified product conformed international standard.

The company is strict in product quality; our Home Appliance Division was conformed IS9002 quality system in 1997 and UL Safety certification in 1998. Electronics Cooling Division was conformed ISO 9001 quality system in 1999, QS 9000 quality system in 2001, Dongguan outsourcing plant was conformed ISO 9001 quality system in 2002 and TS16949 quality system in 2006.

Overall, YS Tech’s product are qualified by several major international certifications, this is our company’s competitiveness.

(d) Advantage, Disadvantage, and countermeasure of development prospect

I. Advantage

(i) Brand Marketing and OEM

The company not only sells its products to the world through domestic and foreign channels as its own brand "YS TECH," it also accepts ODM orders from related companies such as TECO, TATUNG, SAMPO, SANLUX and other companies. Their professional OEM and brand image will form a beneficial factor for the company's future market development.

(ii) High quality and innovative

The company is determined to the philosophy of “Flawless, efficiency maximization, and everlasting innovation.” to meet the needs of our customers and maintain favorable relationship with the suppliers. In addition, passing the international quality certification ISO9001,

TS16949, and OHSAS18000 has provide great benefit for our future market expansion.

(iii) Rapid development in the cloud system and the green energy industry

With the rapid rise of cloud computing, blockchain and green energy technology concepts, high-efficiency and 24-hour working equipment is being created and developed. Such equipment requires high-performance, high-reliability cooling fans and modules from energy conversion, energy transmission and storage. Especially in the coming non-nuclear era, governments of all countries will invest more to bring better business opportunities to the demand for high-end cooling fans and modules.

(iv) Global premium automotive market supply chain

Yen Sun Technology entered into the European/ North-America premium automotive electronics market under the brand "Y.S. TECH." Not only continuing to develop the cooling solution and module requirements for new vehicles with major manufacturers in the automotive supply chain in the future, the company will also use this as a basis to enter the premium automotive market in China, which is also prepared for the future demand for electronic devices in the global electric vehicle market.

(v) Quality products and strong R&D team

Y.S. Tech continues to increase resources in research and development department, constantly develop new products, expand the functions of previous products, and innovatively develop patented products to meet market demand. In addition to having a strong R&D team, it can also develop and respond to market changes, customer needs, specifications, and create high value-added and high-margin products. Therefore, high-quality products and a strong R&D team have brought beneficial effects on the company's market competition.

II. Disadvantages and countermeasures

(i) Rising labor cost

Due to the rapid development of the domestic economy and the rising awareness of labor, labor recruitment is becoming more difficult and the production costs are gradually increasing. Furthermore, the reliance of manual assembly on production process of home appliances, cooling fans testing and packaging, the rising of labor cost has relatively increased the pressure of domestic manufacturers, which became one of the disadvantages.

Countermeasure

(i) Improve production efficiency and reduce the demand for labor through importing automated production equipment.

(ii) Through adjustment of production line strategies, products with mature process technology and large quantities will be produced at subsidiaries in China, which has fully utilized low-cost local labor for assembly production, and is expected that the economies of scale will be brought into play to reduce costs.

(ii) Market price competition

Due to the rapid development of the electronic industry, new fan factories are attracted to join this market. as the appliances market joined the WTO, foreign appliances brands and low-priced products of China joined the market, causing in price cutting competition among the same industry, thus profits of reduction and price competition from another unfavorable factor.

The countermeasures as below:

(i) Implement the production and marketing coordination meeting, strengthen the process and production quality, and strengthen the after-sales service.

(ii) Develop high value-added products and differentiated technologies, so as to form Market Segmentation with the same industry and improve the price competitiveness.

B. Use and production of main products

(a) Use of main products

(i) Electronics Cooling Divison

Platform and performance platform; high-level industrial and power electronic equipment, cloud computing server, memory, office equipment, appliances equipment, medical instruments, measuring instruments, other industrial equipment and other consumer products, provide all-ventilation and cooling solutions.

(ii) Home Appliances Division

(i) Air Purifier

(1) Clean: 3 in 1 photocatalyst filter, UV lamp, deodorization box, HEPA filter, activated carbon filter, pre-filter….. ull range products.

(2) Quiet design

(3) Power saving design

(ii) Water Dispenser

(1) The innovated steam water supply patented design make the water completed boiled, no unboiled water can be drunk. It is qualified by the Consumer Council and BSMI to ensure healthy.

(2) Microcomputer intelligent dual water level detection can automatically supply hot and warm water, which provide you with the most convenient drinking water at any time.

(3) How much water is dispensing, how much to make up, that is keeping the water full to save power.

(4) The case is made of fireproof material, and the power is automatically cut off when dry boiling, which is safe and guard.

(5) Numbers of patented designs such as : raw water pre-heating power saving function, water empty sound and light warning, water cooling system, purification element, filter replacement, re-boiling dechlorination device..etc

(6) Energy saving certification

(iii) Portable air conditioner

(1) Wireless remote control function and the controller can be stored in the unit.

(2) It has multiple function of air-conditioning, dehumidification, humidification, air clean and cloth drying.

(3) It has temperature and humidity adjustment function

(4) It has the purifying function with activated carbon and 3 in 1 photocatalyst filter.

(5) Multi safety protection designs.

(iv) Hot/Warm/Cold RO Water Purifer

(1) The case is made of stainless steel with high quality painting.

(2) The hot tank use the advanced material

(3) Insulation material adopts UL fire protection standard.

(4) Re-boiling function reached 100℃

(5) LED display the water temperature

(v) Non-installation Hot and Warm Water Purifier

(1) TDS display of water quality

(2) SUS304 hot and warm water tank

(3) 4 steps filtration system

(4) Detachable raw water tank is easy for taking water and clean.

(vi) Dehumidifier

(1) Slim design to save space

(2) Rotary compressor : power saving, low noise and high dehumidification efficiency.

(3) Daily dehumidification capacity is 14L~32L

(4) Power saving design

(5) High/Low speed + air cleaning + auto defrosting device

(vii) Ambient Air Water Maker

(1) Large water tank storage to 42L (upper tank 27L, lower tank 15L)

(2) Daily water production up to 37L

(3) Whole machine with stainless steel structure (all tanks are made of stainless steel 304)

(4) 4 steps filtration system

(5) Use Philips UV lamp for sterilization (sterilization rate is more than 99.9%, lamp life is 8000 hrs)

(6) Non-pollution air filtration system

(7) It is a large-capacity water production and high-efficiency air purification equipment.

(viii) Hot and Cold Air Water Maker

(1) Large water tank storage to 42L (upper tank 27L, lower tank 15L)

(2) Daily water production up to 37L

(3) Whole machine with stainless steel structure (all tanks are made of stainless steel 304)

(4) 4 steps filtration system

(5) Use Philips UV lamp for sterilization (sterilization rate is more than 99.9%, lamp life is 8000 hrs)

(6) Non-pollution air filtration system

(7) Hot and Cold water dispensing

(8) It is a large-capacity water production and high-efficiency air purification equipment.

(ix) Liquor Chiller

(1) High-efficiency freezing system to cool liquid rapidly

(2) Patented liquor supply device

(3) Patented stopper device

(4) Fully surrounded heat exchange patented design make good freezing effect.

(x) Food nutrition machine

(1) Automatic residue filtering, easy cleaning and time scheduled function, extract the ingredients of high nutrition food

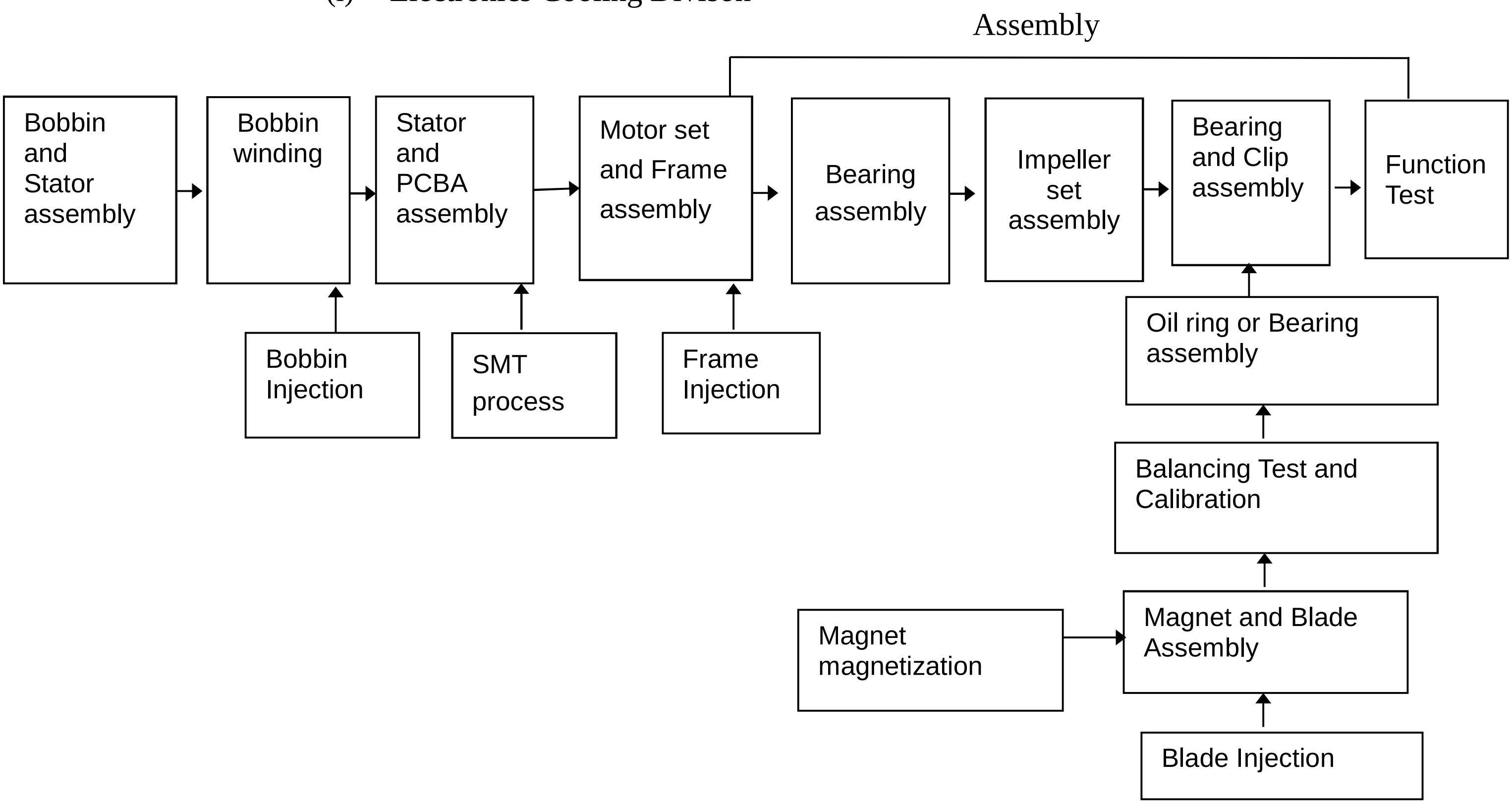
(2) Unique juice residue separated technology to extract easily fresh nutrients into soup.

(3) Friendly design to know the remaining cooking time by counts down display.

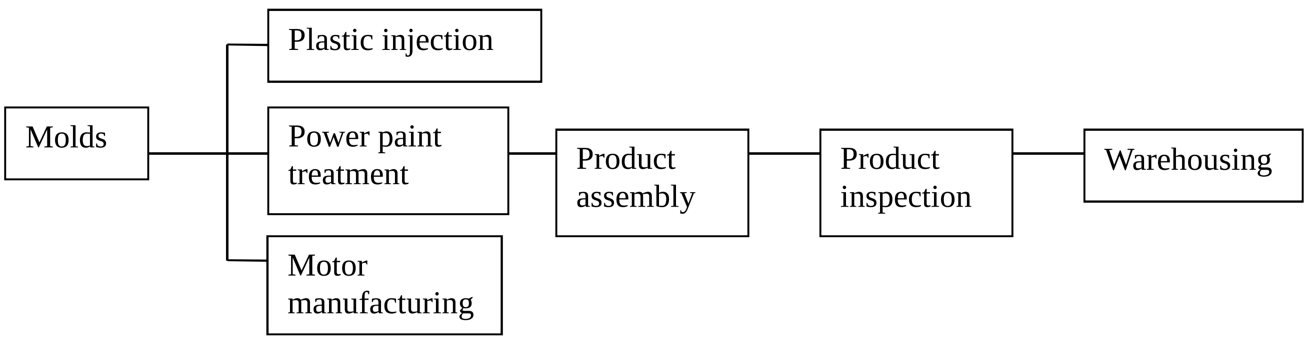
(4) Special steam plate design to make the meat soft and tender.

(b) Process Flow

(i) Electronics Cooling Divison



(ii) Home Appliances Division



C. Supply of the important materials

The company's main raw materials are electronic materials, metal materials, plastic materials, etc.

The supply has not changed much in the past three years. There are a number of raw material suppliers worked closely with company for a long time and have stable supply sources.

Major Material	Main suppliers (Domestic)	Main suppliers (Export)	Condition of supply
Bearing assembly	EP0111	—	Good
compressor	HPE066	HPE054	Good
IC	EP0028	EP0131	Good
Printed circuit board	EP0011	DP0032	Good
Blade、Frame	EP0144	DP0004	Good

The suppliers are presented in pseudo names

D. Major Suppliers/Customers Accounting in recent 2 years

(a) Sales

Units: NT$ thousands; %

	2018				2019				2020 Q1			
Item	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issue
1	EF0100	479,455	18.66	—	EF0100	788,806	26.42	—	EF0100	225,074	32.17	—
2	EF0005	265,281	10.33	—	EF0005	351,899	11.78	—	HC0001	69,169	9.89	—
3	HC0001	262,689	10.22	—	HC0001	200,116	6.70	—	EF0005	65,943	9.43	—
4	EF0001	168,534	6.56	—	EM0018	180,819	6.06	—	EF0001	26,743	3.82	—
5	EJ0010	114,144	4.44	—	EF0001	169,075	5.66	—	EM0018	23,484	3.36	—
6	EM0018	95,588	3.72	—	HA0092	120,903	4.05	—	EF0315	17,026	2.43	—

	2018				2019				2020 Q1			
Item	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issue
7	EF0004	52,182	2.03	—	HE0081	63,572	2.13	—	EF0180	16,578	2.37	—
8	EF0217	50,906	1.98	—	EF0180	60,146	2.01	—	HD0001	15,745	2.25	—
9	HD0001	49,614	1.93	—	EF0315	57,096	1.91	—	FJ0006	14,044	2.01	—
10	EF0166	41,805	1.63	—	EF0004	52,846	1.77	—	HB0011	10,485	1.50	—
	Others	989,091	38.50	—	Others	940,801	31.51	—	Others	215,308	30.77	—
	Net sales	2,569,289	100.00	—	Net sales	2,986,079	100.00	—	Net sales	699,599	100.00	—

The customer is noted by a pseudo name

The various changes are the result of the company's consideration of market trends, product demand, industry prospects, R&D technology, sales profits and customer contracts.

(b) Purchase

Units: NT$ thousands; %

	2018				2019				2020 Q1			
Item	Name	Amount	% of Total Purchase	Relation with issuer	Name	Amount	% of Total Purchase	Relation with issuer	Name	Amount	% of Total Purchase	Relation with issuer
1	EP0111	103,589	5.32	–	EP0111	112,975	5.63	–	EP0111	25,434	5.21	–
2	EP0028	73,468	3.78	–	EP0028	86,698	4.32	–	EP0028	20,868	4.28	–
3	DP0004	71,995	3.70	–	EP0127	77,708	3.87	–	EP0456	19,109	3.92	–
4	HPE052	66,637	3.43	–	JPC010	59,423	2.96	–	EP0100	17,553	3.60	–
5	EP0131	46,794	2.41	–	EP0153	54,760	2.73	–	EP0127	14,233	2.92	–
6	JPC010	46,216	2.38	–	HPE052	54,274	2.70	–	HPE052	12,751	2.61	–
7	DP0027	45,555	2.34	–	DP0027	44,279	2.21	–	DP0034	12,375	2.54	–
8	DP0008	43,421	2.23	–	DP0008	41,979	2.09	–	EP0404	12,199	2.50	–
9	EP0150	38,101	1.96	–	EP0404	39,647	1.98	–	HPE106	10,530	2.16	–
10	EP0404	37,312	1.92	–	EP0069	36,264	1.81	–	EP0417	10,337	2.12	–
	Others	1,372,354	70.53	–	Others	1,398,506	69.70	–	Others	332,470	68.14	–
	Net purchases	1,945,440	100.00	–	Net purchases	2,006,513	100.00	–	Net purchases	487,859	100.00	–

The various changes are the result of the company's consideration of market trends, product demand, industry prospects, R&D technology, sales profits and customer contracts.

E. Production in the last two years

Units: NT$ thousands;thousand pcs

Year / Main Products		2018			2019		
		Production capacity	Yield	Value of output	Production capacity	Yield	Value of output
Electronics Cooling Divison	Cooling fan	20,000	17,064	1,254,207	20,000	16,458	1,532,423
	Heat sink and thermal module	2,400	2,760	151,428	2,400	3,179	226,183
	Subtotal	22,400	19,824	1,405,636	22,400	19,637	1,758,607
Home Appliances Division	Air series	400	376	521,563	400	304	458,950
	Water series		103	173,373		74	133,930
	Others		46	51,979		26	30,602
	Subtotal	400	525	746,914	400	404	623,483
Total		22,800	20,349	2,152,550	22,800	20,041	2,382,089

F. Table of sales value in the most recent 2 years

Units: NT$ thousands;thousand pcs

Year / Main Products		2018				2019			
		Domestic sales		Export		Domestic sales		Export	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
Electronics Cooling Divison	Cooling fan	4,363	333,076	12,022	1,229,169	3,917	307,480	12,474	1,548,565
	Heat sink and thermal module	16	2,104	2,754	168,902	15	920	3,091	276,043
	Others	-	10,955	-	1,354	-	18,201	-	4,250
	Subtotal	4,379	346,135	14,776	1,399,425	3,932	326,601	15,565	1,828,858
Home Appliances Division	Air series	306	447,866	37	82,362	261	377,730	61	175,523
	Water series	91	204,009	-	805	91	217,516	-	97
	Others	271	72,424	57	16,263	215	54,174	10	5,580
	Subtotal	668	724,299	94	99,430	567	649,420	71	181,200
Total		5,047	1,070,434	14,870	1,498,855	4,499	976,021	15,636	2,010,058

(3) Human Resources

Unit: Persons; %

Year		2018	2019	As at March 31,2020
Number of Employees	Direct Staff	571	617	707
	Indirect Staff	423	416	420
	Total	994	1023	1127
Average Age		34.58	33.41	32.7
Average Year of Service		4.65	5.89	5.14
Degree Distribution Ratio(%)	Ph.D.	0.20%	0.20%	0.18%
	Masters	2.41%	2.25%	2.30%
	College	33.00%	24.63%	23.87%
	Senior High School	29.68%	35.87%	35.85%
	Under Senior High School	34.71%	37.05%	37.80%

(4) Disbursements for environmental protection

A. In the most recent year and up to the date of publication of the annual report, the total amount of losses and punishments due to environmental pollution: None.

B. Future countermeasures and possible expenditures: None.

C. The company's products are directly or indirectly exported to Europe or related to the EU Environmental Protection Directive (RoHS) related specifications:

(a) The company's progress in response to the EU Environmental Protection Directive (RoHS) is 100%.

(b) New models of the company's main products need to pass the SGS test, obtain the laboratory certification and sign a non-use guarantee for environmentally related substances with upstream and downstream manufacturers. The current acquisition rate is 100%.

D. The company's main plant and produce equipment are located in Renwu Kaohsiung, Guantian Tainan, Hengli Town and Dongkeng Town of Dongguan Mainland China. Normally, environmental protection will be listed as important issue; if problems occurs, they will be improved immediately. And existing equipment will be inspect, in order to give employees and nearby residents a good working and living environment. In addition, the company's products are mostly assembled during the production process, so it will not produce pollution and waste.

(5) Labor relations

A. Remuneration policy：

With consideration of the market trend and the operational conditions, the Company has established the remuneration policy that is incentive to the employees and competitive in the industry.

(a) To develop and establish a remuneration policy that is fair, reasonable, and equal for each employee.

(b) To establish remuneration policy based on the condition of supply anddemand on the labor market.

(c) To “use” the talent appropriately and reach job objectives with their professional competence.

B. Employees’ welfare

The company established the "Employee Welfare Committee" to regularly organize various cultural and recreational activities and handle various welfare affairs.

(a) The required welfare measures and implementation are as follows:
(b) All employees are required to participate in labor insurance and national health insurance.
(c) The company provides staff working suit and uniforms.
(d) Implement labor retirement measures.
(e) Employees are given leave in accordance with the Labor Law in case of marriage, funeral and so on that accroding.
(f) New Year bonus (Spring Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival) and irregular employee dinners, year-end party and spring feast.
(g) Birthday welfare products, etc.

Set up friendly childcare environment measures for employees to breastfeed or breastfeeding milk collection rooms.

The above-mentioned welfare measures are currently in implemented witgh good condition. In the future, we will cooperate with laws, social conditions and changes of the company's operating conditions to make appropriate corrections.

C. Policy for training and professional development:

(a) Before the end of the year, according to the employee education and training methods, each department should propose the internal and external training courses for the department’s personnel in the following year. HR department collects the company-wide information and training on time to improve the professional skills of staff in each department.

(b) Encourage employees to continue their on-the-job training in various colleges and universities, and according to their course give them flexibility to work time.

(c) The situation in which personnel related to financial information transparency obtain relevant certificates:

  (i) Republic of China accountant license: 2 persons in the General Administration Dep.

D. Pension system and practice

(a) The Company’s pension system and guidelines for pension plans have been established according to Labor Standard Act (old version), and employees’ pension is allocated to a designated account of Taiwan Bank. The amount of pension afforded by the employee is calculated according to the base number for service years and the average salary within 6 months before the retirement. Each employee gets two base points for working every one year for the first 15 years after entering. the Company and 1 base point for each, and forty-five is the maximal number.

(b) The Company adopted Labor Pension Act on July 1, 2005. The Defined Contributed Pension Plan (the new version) is adopted, and job tenure is traced back for service years before the above-mentioned provisions. The Monthly Contribution Wages Classification of Labor Pension is adopted, and 6% of the employee’s monthly wage is allocated to the personal account for Bureau of Labor. The employee can allocate an additional amount within 6% of the monthly wage to the personal pension fund.

(c) Qualifications for Employee Retirement Applications:

(i) An employee of the Company who meets any one of the following conditions shall be subject to compulsory retirement:

(1) The employee is aged 65 or older.
(2) The employee is mentally or physically incapacitated such that he or she is unable to perform his or her work duties.

(ii) An employee of the Company who meets any one of the following conditions may apply for voluntary retirement:

(1) The employee has worked at the Company for 25 years or longe
(2) The employee has worked at the Company for 15 years or longer and is aged 55 or older.

E. Measures to protect employees' rights:

The company always adhered to the basic concepts of "integration of labor and management" and "coexistence and common prosperity". It has cultivated recognition and consensus on the continuation of company survival and long-term development, and appropriately explained the difficulties and problems faced by the company and expressed the company's position and decision ben made, so that employers and employees both can be treated fairly and establish a stable, harmonious relationship.

F. Describe any loss suffered by the company due to labor disputes in the most recent two fiscal years and in the current fiscal year up to the date of publication of the prospectus, and disclose an estimate for the amount of losses that have been incurred to date and may be incurred in the future, as well as response measures. If a reasonable estimate cannot be made, explain why not: None.

G. The company's employee service codes
The company has established complete regulations to regulate employees' code of conduct on work ethics, protection of business secrets, work order, etc., as follows:

(a) Work ethics

(i) Working rules: There are special regulation for preventing sexual harassment.
(ii) Measures for prevention and control of sexual harassment in the workplace: In accordance with relevant government laws and regulations, a dedicated person is responsible for and continues to publicize to take preventive, corrective and punitive measures for harassment incidents.

(b) Regarding business secrets
(i) Working rules: There are special regulation to regulate the maintenance of official secrets.
(ii) Employee confidentiality contract: every new entrant must sign.

(c) Workplace order

In the work rules, attendance, reward and punishment, performance and other relevant regulations are clearly stipulated

(6) Important Contracts

Types of contract	Involved parties	Starting date and expiration date of contract	Major content	Restrictions
Long-term loan	hua nan bank	2018.11.09~2032.11.09	Bank loan contracts for operational needs.	None
Long-term loan	bank of taiwan	2017.05.24~2020.05.24	Bank loan contracts for operational needs.	None
Long-term loan	taiwan cooperative bank	2019.10.02~2024.10.02	Bank loan contracts for operational needs.	None
Long-term loan	Shin kong bank	2019.06.11-2022.06.11	Bank loan contracts for operational needs.	None
Long-term loan	Chang Hwa Bank	2020.01.13-2021.01.13	Bank loan contracts for operational needs.	None

6. Overview of the company's financial status

(1) Condensed Balance Sheet and Statements of Comprehensive Income for the last 5 years

A. Presented in the format of International Financial Report Standard

(i) Simplified Unconsolidated balance sheet—presented in the format of International Financial Report Standard

Units: NT$ thousands

Item \ Year		Financial Summary for the last five years (Note 1)					In the current year up to March 31, 2020
		2019	2018	2017	2016	2015	
Current Assets		1,338,602	1,272,918	1,033,434	1,085,188	972,979	
Property, plant and equipment		548,418	538,190	377,610	372,195	230,514	
Intangible assets		3,393	4,217	7,032	10,110	13,906	
Other assets		106,891	98,172	204,328	168,627	184,084	
Total assets		1997,304	1,913,497	1,622,404	1,636,120	1,401,483	
Current liabilities	Before distribution	714,875	703,776	474,051	555,969	675,753	
	After distribution	(note 2)	703,776	514,397	589,846	696,991	
Non-current liabilities		338,300	340,999	277,651	337,881	37,100	
Total liabilities	Before distribution	1,053,175	1,044,775	751,702	893,850	712,853	
	After distribution	(note 2)	1,044,775	792,048	927,727	734,091	
Equity attributable to the parent company		944,129	868,722	870,702	742,270	688,630	
Capital stock		697,869	678,357	625,816	544,314	530,972	
Capital surplus		119,761	114,729	100,488	77,838	72,265	
Retained earnings	Before distribution	109,353	63,523	135,767	112,319	82,786	
	After distribution	(note 2)	63,523	95,421	78,442	61,548	
Other equities		17,146	12,113	8,631	7,799	2,607	
Treasury stock		—	—	—	—	—	
Non-controlling equity		—	—	—	—	—	
Total equity	Before distribution	944,129	868,722	870,702	742,270	688,630	
	After distribution	(note 2)	868,722	830,356	708,393	667,392	

Note 1: Financial information of each year has been certified by CPAs.

Note 2: The distribution of earnings in 2019 is to be adopted by the shareholders' meeting.

(ii) Simplified Consolidated balance sheet—presented in the format of International Financial Report Standard

Units: NT$ Thousands

Year / Item		Financial Summary for the last five years (Note 1)					In the current year up to March 31, 2020(Note2)
		2019	2018	2017	2016	2015	
Current Assets		1,631,894	1,655,889	1,362,246	1,554,970	1,346,500	1,647,612
Property, plant and equipment		640,924	595,747	421,372	421,137	292,288	630,567
Intangible assets		3,702	4,217	82,050	88,599	98,882	3,744
Other assets		168,057	58,877	70,315	42,440	37,532	164,071
Total assets		2,444,577	2,314,730	1,935,983	2,107,146	1,775,202	2,445,994
Current liabilities	Before distribution	1,061,022	1,101,192	769,970	1,010,981	1,034,825	1,028,441
	After distribution	(Note3)	1,101,192	810,316	1,044,858	1,056,063	NA
Non-current liabilities			344,816	295,311	353,895	51,747	457,911
Total liabilities	Before distribution	1,500,448	1,446,008	1,065,281	1,364,876	1,086,572	1,486,352
	After distribution	(Note3)	1,446,008	1,105,627	1,398,753	1,107,810	NA
Equity attributable to the parent company		944,129	868,722	870,702	742,270	688,630	959,642
Capital stock		697,869	678,357	625,816	544,314	530,972	697,869
Capital surplus		119,761	114,729	100,488	77,838	72,265	119,761
Retained earnings	Before distribution	109,353	63,523	135,767	112,319	82,786	126,525
	After distribution	(Note3)	63,523	95,421	78,442	61,548	NA
Other equities		17,146	12,113	8,631	7,799	2,607	16,872
Treasury stock		—	—	—	—	—	1,385
Non-controlling equity		—	—	—	—	—	—
Total equity	Before distribution	944,129	868,722	870,702	742,270	688,630	959,642
	After distribution	(Note3)	868,722	830,356	708,393	667,392	NA

Note 1: Financial information of each year has been certified by CPAs.
Note 2: first quarter consolidate financial reports for 2020 has been audited and attested or reviewed by a CPA.
Note 3: The distribution of earnings in 2019 is to be adopted by the shareholders' meeting.

(iii) Simplified Unconsolidated composite income sheet—presented in the format of International Financial Report Standard

Units: NT$ Thousands

Item \ Year	Financial Summary for the last five years (Note)					In the current year up to March 31, 2020
	2019	2018	2017	2016	2015	
Operating revenue	2,930,653	2,539,242	2,269,956	2,125,692	1,788,829	NA
Gross profit	397,697	383,320	388,712	384,454	261,194	
Operating profit or loss	63,697	57,991	85,928	90,211	(5,705)	
Non-operating revenue and expense	9,763	(67,930)	(15,918)	(22,151)	17,833	
Net profit before tax	73,460	(9,939)	70,010	68,060	12,128	
Net profit of continuing department	50,466	(31,551)	59,930	55,133	10,557	
Loss of discontinued department	—	—	—	—	—	
Net profit (loss)	50,466	(31,551)	59,930	55,133	10,557	
Other comprehensive income (after tax)	397	3,135	(1,773)	830	(2,405)	
Total comprehensive income	50,863	(28,416)	58,157	55,963	8,152	
Net profit (loss) attributable to parent company	50,466	(31,551)	59,930	55,133	10,557	
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—	
Total comprehensive income attributable to parent company	50,863	(28,416)	58,157	55,963	8,152	
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—	
EPS (NT$)	0.73	(0.47)	1.04	1.03	0.20	

Note : Financial information of each year has been certified by CPAs,Parent-company-only financial statements for the first quarter of 2020 were not available; therefore it is not applicable.

(iv) Simplified Consolidated composite income sheet—presented in the format of International Financial Report Standard

Units: NT$ Thousands

Year / Item	Financial Summary for the last five years (Note1)					In the current year up to March 31, 2020 (Note 2)
	2019	2018	2017	2016	2015	
Operating revenue	2,986,079	2,569,289	2,419.842	2,293,403	2,026,677	699,599
Gross profit	534,153	515,549	512,836	503,160	407,156	112,716
Operating profit or loss	70,809	95,749	83,131	91,610	11,394	22,146
Non-operating revenue and expense	5,900	15,472	(8.546)	(20,619)	4,061	1,390
Net profit before tax	76,709	111,221	74,585	70,991	15,455	23,536
Net profit of continuing department	50,466	83,174	59,930	55,133	10,557	17,172
Loss of discontinued department	—	(114,725)	—	—	—	—
Operating revenue	50,466	(31,551)	59,930	55,133	10,557	17,172
Other comprehensive income (after tax)	397	3,135	(1,773)	830	(2,405)	(274)
Total comprehensive income	50,863	(28,416)	58,157	55,963	8,152	16,898
Net profit (loss) attributable to parent company	50,466	(31,551)	59,930	55,133	10,557	17,172
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—	—
Total comprehensive income attributable to parent company	50,863	(28,416)	58,157	55,963	8,152	16,898
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—	—
EPS (NT$)	0.72	(0.47)	1.04	1.03	0.20	0.25

Note 1: Financial information of each year has been certified by CPAs.
Note 2: first quarter consolidate financial reports for 2020 has been audited and attested or reviewed by a CPA.

(v) Names of CPAs in the most recent 5 years and audit opinion

Year	Accounting Firm	CPA	Audit Opinion
2015	KPMG Taiwan	PO-JEN YANG,KUO-TSUNG CHEN	unqualified opinions
2016	KPMG Taiwan	PO-JEN YANG,KUO-TSUNG CHEN	unqualified opinions
2017	KPMG Taiwan	PO-JEN YANG,KUO-TSUNG CHEN	unqualified opinions
2018	KPMG Taiwan	PO-JEN YANG,KUO-TSUNG CHEN	unqualified opinions
2019	KPMG Taiwan	PO-JEN YANG,KUO-TSUNG CHEN	unqualified opinions

(2) Financial analysis for the last 5 years

A. IFRS

(a) Unconsolidated Financial Analysis

Units: NT$ Thousands

Item	Year	Financial Analysis for the last five years (Note 1)					In the current year up to March 31, 2020
		2019	2018	2017	2016	2015	
Financial structure %	Liabilities to total assets	52.73	54.60	46.33	54.63	50.86	NA
	Long-term fund to property, plant and equipment	233.84	224.78	304.11	290.21	314.83	
Insolvency %	Current ratio	187.25	180.87	218.00	195.19	143.98	
	Quick ratio	133.36	125.62	154.54	144.54	110.87	
	Times Interest Earned	876.37	(42.19)	840.22	827.14	219.91	
Utility	Receivables turnover (time)	4.12	4.18	4.26	4.20	3.74	
	Average number of days receivables outstanding	88.59	87.32	85.68	86.90	97.59	
	Inventory turnover (time)	8.73	8.07	8.97	9.66	10.30	
	Payables turnover (time)	6.90	7.36	6.43	6.42	7.16	
	Average number of days of sales	41.81	45.23	40.69	37.78	35.44	
	Property, plant and equipment turnover (time)	5.39	5.55	6.05	7.05	7.83	
	Total assets turnover (time)	1.5	1.44	1.39	1.40	1.25	
Profitability	ROA (%)	2.98	(1.46)	4.16	4.14	1.32	
	ROE (%)	5.57	(3.63)	7.43	7.71	1.57	
	Income before tax to paid-in capital (%)	10.53	(1.47)	11.19	12.50	2.28	
	Profit margin (%)	1.72	(1.24)	2.64	2.59	0.59	
	EPS (NT$)	0.73	(0.47)	1.04	1.03	0.20	
Cash flow	Cash flow ratio (%)	25.61	-	4.22	15.54	3.97	
	Cash flow adequacy ratio (%)	27.99	7.20	58.89	58.84	67.17	
	Cash flow reinvestment ratio (%)	11.59	(2.73)	(1.03)	5.06	0.21	
Leverage	Operating leverage	43.33	40.66	23.91	22.03	0.00	
	Financial leverage	1.17	1.14	1.12	1.12	0.36	

Note 1: Financial information of each year has been certified by CPAs.

(b) Consolidated Financial Analysis

Units: NT$ Thousands

Item	Year	Financial Analysis for the last five years(Note1)					In the current year up to March 31, 2020
		2019	2018	2017	2016	2015	
Financial structure %	Liabilities to total assets	61.38	62.47	55.03	64.77	61.21	60.77
	Long-term fund to property, plant and equipment	215.87	203.70	276.72	260.29	253.30	224.81
Insolvency %	Current ratio	153.80	150.37	176.92	153.81	130.12	160.20
	Quick ratio	88.24	83.53	99.98	91.95	78.23	92.56
	Times Interest Earned	574.83	68.72	595.94	558.33	196.85	714.20
Utility	Receivables turnover (time)	4.11	3.98	4.03	3.91	3.65	3.96
	Average number of days receivables outstanding	88.81	91.70	90.57	93.35	100.00	92.17
	Inventory turnover (time)	3.42	3.11	3.19	3.19	3.19	3.36
	Payables turnover (time)	3.65	3.77	3.82	3.97	4.12	3.68
	Average number of days of sales	106.73	117.36	114.42	114.42	114.42	108.63
	Property, plant and equipment turnover (time)	4.83	5.05	5.74	6.43	6.77	4.56
	Total assets turnover (time)	1.25	1.21	1.20	1.18	1.10	1.16
Profitability	ROA (%)	2.66	(1.06)	3.58	3.50	1.29	3.40
	ROE (%)	5.57	(3.63)	7.43	7.71	1.57	7.52
	Income before tax to paid-in capital (%)	10.99	(0.52)	11.92	13.04	2.91	13.48
	Profit margin (%)	1.69	(1.23)	2.48	2.40	0.52	2.45
	EPS (NT$)	0.73	(0.47)	1.04	1.03	0.20	0.25
Cash flow	Cash flow ratio (%)	21.61	-	16.94	10.94	0.81	9.92
	Cash flow adequacy ratio (%)	47.95	30.83	51.80	31.06	14.62	47.95
	Cash flow reinvestment ratio (%)	12.96	(2.39)	6.34	6.20	(1.57)	5.6
Leverage	Operating leverage	37.85	23.68	23.64	22.43	164.50	29.38
	Financial leverage	1.30	1.13	1.22	1.20	(2.50)	1.21

Explanation of reasons for changes in each financial rate in the most recent two years: (no analysis is necessary when the ratio of change is under 20%) Insolvency：The Times Interest Earned ratio increased, which was mainly due to the disposal of Mainland China SUNPENTOWN business in 2018, and recognized loss of disposal. Profitability：The profitability of this period has risen, and it is mainly due to the impact of the disposal of Mainland China SUNPENTOWN business in 2018, and recognized loss of disposal. Cash Flow： 1.The increase in Cash flow ratio was mainly due to the effective digestion of previous inventory and the good collection status, resulting in cash inflows in this period. 2.The decrease in cash flow adequacy ratio was due to the increase in net cash flow from operating activities in the last five years 3.The increase in cash flow reinvestment ratio was mainly due to a significant increase in cash inflows from operating activities compared to 2018. Leverage：The increase in operating leverage was mainly due to the increased capital expenditures of the Guantian plant and the new Dongguan plant in 2019, resulting in relatively large fixed operating costs.

Note 1: Financial information of each year has been certified by CPAs., first quarter consolidate financial reports for 2020 has been audited and attested or reviewed by a CPA.
Formula illustration:

I. Financial structure
   (i) Liabilities to total assets =Total liabilities/total assets
   (ii) Long-term capital to property, plant and equipment= (total equity + non-current liabilities)/property, plant and equipment, net

II. Insolvency
   (i) Current ratio=current assets/current liabilities
   (ii) Quick ratio= (current assets-inventory-prepayment)/current liabilities
   (iii) Times Interest Earned = income tax and interest expenses net income before income tax/interest expenses in the current period

III. Business performance
   (i) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
   (ii) Average number of days receivable outstanding = 365 /accounts receivable turnover
   (iii) Inventory turnover=sale cost/average inventory
   (iv) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
   (v) Average number of days of sales=365/inventory turnover
   (vi) property, plant and equipment turnover=net sales/average property, plant and equipment, net
   (vii) Total assets turnover rate = net sales/average total assets

IV. Profitability
   (i) ROA = [income after income tax + interest expense*(1-tax rate)]/average total assets.
   (ii) ROE = Income after income tax/average total equity
   (iii) Profit margin = Income After income tax/net sales
   (iv) Earnings per Share = (income attributable to parent company – dividends from preferred

(v) shares)/weighed average quantity of outstanding shares

V. Cash flow

(i) Cash flow ratio=Net cash flow from operating activities/current liabilities
(ii) Net cash flow adequacy ratio= Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
(iii) Cash reinvestment ratio= (Net cash flow from operating activities-cash dividends) (gross of property, plant and equipment+ long-term investment+ other non-current assets+ working capital)

VI. Leverage:

(iv) (Operating leverage=(Net operating revenue-changed operating costs and

(v) expenses)/operating income

(vi) Financial leverage=Operating income/ (operating income-interest expenses)

(3) Audit Committee’s Review Report

YEN SUN TECHNOLOGY CORP.

Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2019 Business Report, individual and consolidated financial reports and proposal for allocation of earnings, which have been reviewed and determined to be correct and accurate by the Audit Committee members of YEN SUN TECHNOLOGY CORP.

According to relevant Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

YEN SUN TECHNOLOGY CORP. 2020 Annual Shareholders’ Meeting

Chair of the Audit Committee：*ZHANG JIAN,LIANG-YAN*
May 5, 2020

Independent Auditors' Report

To the Board of Directors
YEN SUN TECHNOLOGY CORP.:

Opinion

We have audited the financial statements of YEN SUN TECHNOLOGY CORP. (the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended in December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi Order No.1090360805 as approved by the Financial Supervisory Commission and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have judged the matters described below to be the key and it matters to be communicated in our report.

1. Loss allowance of accounts receivable

Please refer to Note 4(6) for significant accounting policies on loss allowance of accounts receivable and Note 5(1) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the loss allowance of accounts receivable is shown in Note 6(4) of the financial statements.

Description of key audit matter:

The Company selling cross-industry products and giving some customer longer credit term. The management has subjective and significant judgments with the loss allowance of receivables. Therefore, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Company’s internal control activities related to collection and inspecting the collection records after balance sheet date; inspecting and analyzing the receivable aging report; understating the assumptions made by the management and the industrial credit status, and considering the adequacy of the Company’s disclosures in the accounts in order to evaluate the appropriateness of loss allowances recognized under default risk and expected credit loss model.

2. Valuation of inventory

Please refer to Note 4(7) for significant accounting policies on inventories and Note 5(2) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the inventory is shown in Note 6(6) of the financial statements.

Description of key audit matter:

The sales of Yen Sun Technology is affected by the selling seasons and consumers preference of products in the home appliance division, and the demand fluctuation of the automotive market and electronic information product in the electronic cooling division. Therefore, the sale fluctuate greatly may result in the book value of inventory exceeds its net realizable value. In addition, the subjective judgment of the management involves the relevant inventory valuation, so the inventory valuation is one of the important evaluation matters for the accountant to audit the Company’s financial statement.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included analyzing the changes of inventory turnover; evaluating the rationality of the Company’s accounting policies, such as the policy of provision for inventory valuation and obsolescence; understanding the selling prices adopted by the management for evaluating the rationality of net realizable value of inventories, evaluating the appropriateness of provision and the adequacy of the Company’s disclosures in the accounts made by the management.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the auditing standards genera1ly accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the

disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Kaohsiung, Taiwan (the Republic of China)

March 24, 2020

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the statement of financial posit ion, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standard s, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors、audit report and parent-company-only financial statements, the Chinese version shall prevail.

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

YEN SUN TECHNOLOGY CORP.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 131,490	7	93,838	5
1110	Current financial assets at fair value through profit or loss (note 6(2))	-	-	62	-
1151	Notes receivable, net (note 6(4) and (22))	20,852	1	30,082	2
1170	Accounts receivables, net (note 6(4) and (22))	661,074	33	602,276	31
1180	Accounts receivable due from related parties (notes 6(4) and 7)	64,251	3	44,269	2
1210	Other receivables due from related parties (notes 6(5) and 7)	64,172	3	76,061	4
130X	Inventories, net (note 6(6))	261,582	13	318,730	17
1470	Other current assets (note 6(11) and 7)	122,238	6	71,403	4
1476	Othercurrent financial assets (notes 6(5) and 8)	12,943	1	36,197	2
	Total current assets	1,338,602	67	1,272,918	67
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(3))	4,204	-	4,167	-
1550	Investments accounted for using equity method (note 6(7) and 8)	69,997	5	67,054	4
1600	Property, plant and equipment (notes 6(8), 7 and 8)	548,418	27	538,190	28
1755	Right-of-use assets(note 6(9))	13,805	1	-	-
1780	Intangible assets (note 6(10))	3,393	-	4,217	-
1840	Deferred income tax assets (note 6(19))	9,170	-	7,868	-
1980	Other non-current financial assets (note 6(5) and 8)	7,969	-	16,361	1
1995	Other non-current assets (notes 6(11))	1,746	-	2,722	-
	Total non-current assets	658,702	33	640,579	33
	Total assets	$ 1,997,304	100	1,913,497	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l2) and 8)	$ 200,000	10	285,000	15
2170	Accounts payable	261,391	13	157,819	8
2180	Accounts payable-related parties (note 7)	67,201	4	26,669	1
2200	Other payables (note 7)	97,160	5	123,738	7
2230	Current income tax liabilities	16,244	1	16,039	1
2280	Current lease liabilities (note 6(15))	4,448	-	-	-
2320	Long-term liabilities, current portion (note 6(13),(14) and 8)	48,691	2	73,982	4
2399	Other current liabilities (note 6(16) and (22))	19,740	1	20,529	1
	Total current liabilities	714,875	36	703,776	37
	Non-Current liabilities:				
2540	Long-term bo (note 6(13) and 8)	300,746	15	317,286	17
2580	Non-current lease liabilities (note 6(15))	9,406	-	-	-
2640	Net defined benefit liability-non-current (note 6(18))	27,683	2	23,713	1
2645	Guarantee deposits	465	-	-	-
	Total non-current liabilities	338,300	17	340,999	18
	Total liabilities	1,053,175	53	1,044,775	55
	Equity attributable to owners of parent (note 6(20)):				
3100	Capital stock	697,869	35	678,357	35
3200	Capital surplus	119,761	6	114,729	6
3300	Retained earnings:	109,353	5	63,523	3
3400	Other equity interest	17,146	1	12,113	1
	Total equity	944,129	47	868,722	45
	Total liabilities and equity	$ 1,997,304	100	1,913,497	100

See accompanying notes to financial statements.

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

YEN SUN TECHNOLOGY CORP.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2019		2018	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenues (note 6(22) and 7)**	$ 2,930,653	100	2,539,242	100
5000	**Operating costs (notes 6(6), (18), and (23), and 7)**	2,532,956	86	2,155,922	85
5900	**Gross profit from operations**	397,697	14	383,320	15
5920	Add:Realized (Unrealized) profit (loss) from sales	904	-	3,621	-
5950	**Gross profit**	398,601	14	386,941	15
6000	**Operating expenses (notes 6(18) and (23)):**				
6100	Selling expenses	174,829	6	182,729	7
6200	General and administrative expenses	51,985	2	45,014	2
6300	Research and development expenses	106,379	4	100,388	4
6450	Expected credit impairment loss (notes 6(4) and (5))	1,711	-	819	-
	Total operating expenses	334,904	12	328,950	13
6900	**Net operating income**	63,697	2	57,991	2
7000	**Non-operating income and expenses (notes 6(24)):**				
7010	Other income (notes 7)	37,096	1	19,326	1
7020	Other gains and losses	(10,649)	-	11,693	-
7070	Share of profit of associates accounted for using equity method	(7,222)	-	(91,959)	(3)
7050	Finance costs	(9,462)	-	(6,990)	-
	Total non-operating income and expenses	9,763	1	(67,930)	(2)
7900	**Profit before income tax**	73,460	3	(9,939)	-
7950	Income tax expenses (note 6(19))	22,994	1	21,612	1
8200	**Profit (loss)**	50,466	2	(31,551)	(1)
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Losses on remeasurements of defined benefit plans (note 6(18))	(4,636)	-	(347)	-
8316	Unrealized gains from investments in equity instrument measured at fair value through other comprehensive income (note 6(20))	37	-	936	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(4,599)	-	589	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements (note 6(20))	4,996	-	2,546	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		4,996	-	2,546	-
8300	**Other comprehensive income (after tax)**	397	-	3,135	-
8500	**Comprehensive income**	**$ 50,863**	**2**	**(28,416)**	**(1)**
	Earnings per share (note 6(21)):				
9750	**Basic earnings per share (in New Taiwan Dollars)**	**$**	**0.73**		**(0.47)**
9850	**Diluted earnings per share (in New Taiwan Dollars)**	**$**	**0.72**		**(0.47)**

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

YEN SUN TECHNOLOGY CORP.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share capital				Retained earnings				Total other equity interest			
	Ordinary shares	Entitled Certificate	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2018	$ 616,840	8,976	625,816	100,488	37,401	3,798	94,568	135,767	8,631	-	8,631	870,702
Loss	-	-	-	-	-	-	(31,551)	(31,551)	-	-	-	(31,551)
Other comprehensive income	-	-	-	-	-	-	(347)	(347)	2,546	936	3,482	3,135
Total comprehensive income	-	-	-	-	-	-	(31,898)	(31,898)	2,546	936	3,482	(28,416)
Appropriation and distribution of retained earnings:												.
Legal reserve appropriated	-	-	-	-	5,993	-	(5,993)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(40,346)	(40,346)	-	-	-	(40,346)
Conversion of convertible bonds	55,826	(3,285)	52,541	14,241	-	-	-	-	-	-	-	66,782
Balance at December 31, 2018	**672,666**	**5,691**	**678,357**	**114,729**	**43,394**	**3,798**	**16,331**	**63,523**	**11,177**	**936**	**12,113**	**868,722**
Profit	-	-	-	-	-	-	50,466	50,466	-	-	-	50,466
Other comprehensive income	-	-	-	-	-	-	(4,636)	(4,636)	4,996	37	5,033	397
Total comprehensive income	-	-	-	-	-	-	45,830	45,830	4,996	37	5,033	50,863
Conversion of convertible bonds	25,203	(5,691)	19,512	5,032	-	-	-	-	-	-	-	24,544
Balance at December 31, 2019	**$ 697,869**	**-**	**697,869**	**119,761**	**43,394**	**3,798**	**62,161**	**109,353**	**16,173**	**973**	**17,146**	**944,129**

See accompanying notes to financial statements.

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

YEN SUN TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollar)

	2019	2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ 73,460	(9,939)
Adjustments:		
Adjustments to reconcile profit (loss):		
Expected credit loss	1,711	819
Depreciation expense	52,927	31,633
Amortization expense	2,071	4,003
Net profit on financial assets or liabilities at fair value through profit or loss	(14)	(538)
Interest expense	9,462	6,990
Interest revenue	(696)	(1,013)
Dividends revenue	-	(54)
Share of loss of associates accounted for using equity method	7,222	91,959
Loss (gain) from disposal of investment property, and property, plant and equipment	142	(56)
Unrealized loss from sales	(904)	(3,621)
Unrealized foreign exchange loss (gain)	9,648	(5,983)
Total adjustments to reconcile profit (loss)	81,569	124,139
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	-	4,018
Notes receivable	9,230	(8,281)
Accounts receivable	(67,323)	(142,806)
Accounts receivable due from related parties	(21,752)	4,554
Other receivables	10,387	2,999
Inventories	57,148	(117,069)
Other current assets	(53,700)	33,082
Other financial assets	810	(1,866)
	(65,200)	(225,369)
Changes in operating liabilities:		
Accounts payable	106,561	58,438
Accounts payables - related parties	41,715	(71,667)
Other payables	(26,134)	36,016
Other current liabilities	(324)	(3,810)
Net defined benefit liability	(666)	(3,207)
	121,152	15,770
Total changes in operating assets and liabilities	55,952	(209,599)
Total adjustments	137,521	(85,460)
Cash inflow generated from operations	210,981	(95,399)
Interest received	700	1,097
Dividends received	5,000	2,254
Interest paid	(9,493)	(6,109)
Income taxes paid	(24,091)	(18,525)
Net cash flows from operating activities	183,097	(116,682)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(9,265)	-
Acquisition of property, plant and equipment	(60,457)	(185,398)
Proceeds from disposal of property, plant and equipment	323	332
Decrease in refundable deposits	(342)	(1,559)
Acquisition of intangible assets	(1,247)	(1,188)
Decrease in other financial assets	31,159	19,153
Decrease in other non-current assets	976	921
Net cash flows used in investing activities	(38,853)	(167,739)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(85,000)	175,000
Proceeds from long-term debt	35,000	303,000
Repayments of long-term borrowings	(52,245)	(146,242)
Decrease in guarantee deposits	-	(1,157)
Payments of lease liabilities	(3,114)	-
Cash dividends paid	-	(40,346)
Net cash flows from (used in) financing activities	(105,359)	290,255
Effect of exchange rate changes on cash and cash equivalents	(1,233)	531
Net increase (decrease) in cash and cash equivalents	37,652	6,365
Cash and cash equivalents at beginning of period	93,838	87,473
Cash and cash equivalents at end of period	**$ 131,490**	**93,838**

See accompanying notes to financial statements.

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

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

1. Company history:

YEN SUN TECHNOLOGY CORP. (the "Company") was incorporated in March 10, 1987 as a company limited by shares under the laws of the Republic of China (R.O.C.). The registered address is No.329 Feng Zen Rd, Zen Wu District, Kaohsiung City, Taiwan. The major business activities of the Company are the manufacture and sale of electronic heat transfer products such as electric fans, electric cookers, induction cookers, juice machines, bowl dryers, water dispensers, dehumidifiers, electric heaters and other home appliances, cooling fans and modules. The Company's common shares were listed on the Taipei Exchange (TPEX) in December 23, 2004.

2. Approval date and procedures of the financial statements:

The parent-Company-only financial statements were authorized for issuance by the Board of Directors on March 24, 2020.

3. New standards, amendments and interpretations adopted

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ('IFRSs') as endorsed by the Financial Supervisory Commission ('FSC').

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 16,'Leases'	January 1, 2019
IFRIC 23,'Uncertainty over income tax treatments'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

A. IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 " Leases", IFRIC 4 " Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (10).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The 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 there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office and leases of office equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

— Applied a single discount rate to a portfolio of leases with similar characteristics.
— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

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

(d) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional $2,420 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.55%.

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

		January 1, 2019
Operating lease commitment at December 31, 2018, as disclosed in the Company's financial statements	$	945
Recognition exemption for:		
short-term leases		(945)
Extension and termination options reasonably certain to be exercised		2,466
	$	2,466
Discounted using the incremental borrowing rate at January 1, 2019	$	2,420
Lease liabilities recognized at January 1, 2019	$	2,420

(2) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assessed that the above IFRSs will not have any material impact on its financial statements.

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International

(continued)

Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2021

The Group is evaluating the impact of its initial adoption of trhe abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. The following accounting policies were applied consistently throughout the presented periods in the financial statements.

(1) Statement of compliance

The financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulation").

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts ,the financial statements have been prepared on a historical cost basis:

(a) Financial instruments at fair value through profit or loss are measured at fair value;
(b) Financial assets at fair value through other comprehensive income are measured at fair value; and
(c) The defined benefit liabilities are recognized as the present value of the defined benefit obligation less the fair value of plan assets and considered the re-measurement of the effect of the asset ceiling as stated in note 4(15).

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand, unless otherwise noted.

(3) Foreign currencies

A. Fore4ign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

(a) An investment in equity securities designated as at fair value through other comprehensive income;

(b) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(c) Qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(continued)

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(continued)

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated -e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(e) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would not meet this condition. In making this assessment, the Company considers：

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；
- prepayment and extension features；and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non- recourse features).

(f) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes receivable, accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

If there is a low risk of default on financial asset, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfilll its contractual cash flow obligations, the financial asset would be considered low credit risk.

When the contract amount is past due or the borrower is unlikely to pay its credit obligations to the Company in full, the company considers the credit risk on a financial asset has increased significantly or a financial asset to be in default.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(continued)

(g) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) reasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(f) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Company′s embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(continued)

(8) Investment in subsidiaries

When preparing the parent-company-only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent- company-only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent-company-only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.
Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a)	Buildings	3～60 years
(b)	Machinery and equipment	2～10 years
(c)	Molds	1～5 years
(d)	Transportation equipment	5～6 years

(e)	Office equipment	3～8 years
(f)	Other equipment	2～17 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

D. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(10) Leases

Applicable from January 1, 2019

A. Identifying a lease

At inception o6f a contract, the Group 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 Group assesses whether:

(a) the contract involves the use of an identified asset – this may be specified 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

(b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct the use of the asset throughout the period of use only if either:
- the relevant decisions about how and for what purpose the asset is used are predetermined and:

–the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

–the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, at the time of lease of land and construction, the Company chooses to treat the lease component and the non-lease component as part of a single lease without distinguishing between non-lease components.

B. As a lessee

The Group 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 payments made at or before the commencement date, plus any initial direct costs 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 incentives 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 right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company′s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

(a) fixed payments, including in-substance fixed payments;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

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

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise a

(continued)

extension or termination option; or

(e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Applicable before January 1, 2019

(a) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(b) Lessee

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(11) Intangible assets

A. Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. 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 expenditure is recognized in profit or loss as incurred.

C. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(continued)

(a)	Patents	10～20 years
(b)	Computer software	1～6 years
(c)	Technology authorized	2～10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, except when the recognition of finance cost for a short-term provision was insignificant.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(14) Revenue

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company′s main types of revenue are explained below.

(a) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfillled obligation that could affect the customer’ s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company grants its customers the right to return the product within a certain period. Therefore, the Company reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns.

The Company’s obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty; please refer to note 4(13)

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

Receipt of a prepayment from a customer is recognized as contract liability. The amount of contract liability is recognized as revenue when the products has been transferred to the customer.

(b) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the

(continued)

customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

B. Contract costs

(a) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(b) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

— the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

— the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

— the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

D. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(16) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized 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.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfilll one of the below scenarios;

(a) levied by the same taxing authority; or

(b) 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.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(18) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(19) Operating segments

The Company discloses its segment information in the consolidated financial statements. Therefore, the Company need not disclose segment information in the parent-company-only financial statements.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties have significant risk of resulting in material adjustments within the next year:

(1) The loss allowance of accounts receivable

The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values please refer to note 6(4).

(2) Inventory valuation

As inventory shall be measured based on the lower of cost or realizable value, if on the Company 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 the inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes. For inventory valuation, please refer to Note 6(6).

6. Explanation of significant accounts:

Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash and cash on hand	$	465	481
Checking deposits		50	50

(continued)

Demand deposits	130,675	90,550
Time deposits	300	2,757
Cash and cash equivalents in the statement of cash flows	**$ 131,490**	**93,838**

(continued)

Please refer to note 6(25) for the exchange rate risk and sensitivity analysis of the financial assets of the Company.

(1) Financial assets at fair value through profit or loss-current

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative Financial Assets		
Convertible corporate bond embedded derivative instruments	$ -	62

The information on financial assets at fair value through profit or loss recognized in net gains and losses is provided in Note 6(25).

The Company has no financial assets at fair value through profit or loss pledged to others.

(2) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Unlisted common shares－Y.S. Tech U.S.A Inc.	$ 4,204	4,167

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019 and 2018.

Please refer to Note 6(26) for market risk.

The abovementioned financial assets were not pledged as collateral.

(3) Notes and accounts receivables

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 20,852	30,082
Accounts receivables(including related parties)–measured as amortized cost	$ 735,221	656,090
Less: allowance for impairment	(9,896)	(9,545)
	$ 725,325	646,545

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 712,149	0.01%	75
1 to 90 days past due	27,041	0.54%	147
91 to 180 days past due	9,855	26.89%	2,650
181 to 240 days past due	19	76.70%	15
241 to 365 days past due	2	100.00%	2
More than 366 days past due	7,007	100.00%	7,007
	$ 756,073		9,896

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 631,933	0.07%	491
1 to 90 days past due	24,336	2.00%	487
91 to 180 days past due	21,344	3.00%	640
181 to 240 days past due	43	5.00%	2
241 to 365 days past due	657	10.00%	66
More than 366 days past due	7,859	100.00%	7,859
	$ 686,172		9,545

The movement in the allowance for notes and accounts receivables were as follows: ：

	2019	2018
Balance at January 1	$ 9,545	8,726
Impairment losses recognized	1,696	819
Amounts written off	(1,345)	-
Balance at December 31	$ 9,896	9,545

The abovementioned notes and accounts receivables were not pledged as collateral.

For further credit risk information, please refer to note 6(25).

(4) Other financial assets

	December 31, 2019	December 31, 2018
Refundable deposits	$ 2,969	2,627
Other receivables (including related parties)	65,984	80,220
Payment for molds behalf of others	9,133	7,611
Restricted deposit	7,002	38,161
Less: Loss allowance	(4)	-
	$ 85,084	**128,619**
Book as :		
Other receivables－related parties	$ 64,172	76,061
Current other financial assets	12,943	36,197
Non-current other financial assets	7,969	16,361
	$ 85,084	**128,619**

Please refer to Note 6(25) for credit risk.

The abovementioned other financial assets pledged as collateral for borrowings are disclosed in Note 8.

(5) Inventories

	December 31, 2019	December 31, 2018
Raw materials and supplies	$ 78,029	86,119
Work in progress	56,580	63,249
Finished goods	126,973	169,362
	$ 261,582	**318,730**

For the years ended December 31, 2019 and 2018, the cost of inventories recognized as operating costs and expense were $2,518,548 and $2,152,745.

In 2019 and 2018, the write-down of inventories amounted to $10,678 and $18,169. The write-downs are included in operating costs.

Abovementioned inventories were not pledged as collateral.

(6) Investments accounted for using equity method

A summary of the Company’s financial information for investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 69,997	67,054

For the related information, please refer to the consolidated financial statements for the years ended December 31, 2019.

(7) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

	Land	Buildings	Machinery and equipment	Molds	Other equipment	Construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2019	$ 267,535	19,532	118,945	211,039	67,770	134,065	818,886
Additions	-	13,295	23,916	15,949	7,297	-	60,457
Reclassifications	-	128,992	-	-	5,073	(134,065)	-
Disposal	-	-	(842)	-	(9,044)	-	(9,886)
Balance at December 31, 2019	$ 267,535	161,819	142,019	226,988	71,096	-	869,457
Balance at January 1, 2018	$ 267,535	18,299	92,492	187,446	63,322	-	629,094
Additions	-	1,233	26,628	25,276	5,287	134,065	192,489
Disposal	-	-	(175)	(1,683)	(839)	-	(2,697)
Balance at December 31, 2018	$ 267,535	19,532	118,945	211,039	67,770	134,065	818,886
Depreciation and impairments loss:							
Balance at January 1, 2019	$ -	9,652	75,447	142,322	53,275	-	280,696
Depreciation	-	9,332	10,991	23,353	6,088	-	49,764
Disposal	-	-	(578)	-	(8,843)	-	(9,421)
Balance at December 31, 2019	$ -	18,984	85,860	165,675	50,520	-	321,039
Balance at January 1, 2018	$ -	9,095	69,779	124,306	48,304	-	251,484
Depreciation	-	557	5,843	19,448	5,785	-	31,633
Disposal	-	-	(175)	(1,432)	(814)	-	(2,421)
Balance at December 31, 2018	$ -	9,652	75,447	142,322	53,275	-	280,696
Carrying amounts:							
Balance at December 31, 2019	$ 267,535	142,835	56,159	61,313	20,576	-	548,418
Balance at January 1, 2018	$ 267,535	9,204	22,713	63,140	15,018	-	377,610
Balance at December 31, 2018	$ 267,535	9,880	43,498	68,717	14,495	134,065	538,190

In 2018, the amount of interest capitalization of the Company was $1,519, and the capitalization interest rate was 1.61%.

Please refer to Note 6(24) for detail of disposal gain and loss.

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral for borrowings; please refer to note 8.

(continued)

(8) Right-of-use assets

The movements in the cost and depreciation of the leased buildings, transportation equipment were as follows:

	Buildings	Transportation equipment	Total
Cost:			
Balance at January 1, 2019	$ -	2,420	2,420
Additions	13,113	1,435	14,548
Balance at December 31, 2019	**$ 13,113**	**3,855**	**16,968**
Accumulated depreciation:			
Balance at January 1, 2019	$ -	-	-
Depreciation	1,786	1,377	3,163
Balance at December 31, 2019	**$ 1,786**	**1,377**	**3,163**
Carrying amount:			
Balance at December 31, 2019	**$ 11,327**	**2,478**	**13,805**
Balance at January 1, 2019	**$ -**	**2,420**	**2,420**

Please refer to note 3(1) for the balance January 1. 2019.

(9) Intangible assets

Initial cost, accumulated amortization and impairment losses for intangible assets were as follows：

	Patent	Computer software	Technology Authorized	Total
Cost:				
Balance at January 1, 2019	$ 4,995	40,872	14,336	60,203
Additions	-	1,247	-	1,247
Disposal	-	-	(1,800)	(1,800)
Balance at December 31, 2019	**$ 4,995**	**42,119**	**12,536**	**59,650**
Balance at January 1, 2018	$ 9,487	39,684	17,836	67,007
Additions	-	1,188	-	1,188
Disposal	(4,492)	-	(3,500)	(7,992)
Balance at December 31, 2018	**$ 4,995**	**40,872**	**14,336**	**60,203**

(continued)

		Patent	Computer software	Technology Authorized	Total
Amortization and impairment losses:					
Balance at January 1, 2019	$	4,914	37,502	13,570	55,986
Amortization		23	1,890	158	2,071
Disposals		-	-	(1,800)	(1,800)
Balance at December 31, 2019	**$**	**4,937**	**39,392**	**11,928**	**56,257**
Balance at January 1, 2018	$	9,384	34,130	16,461	59,975
Amortization		22	3,372	609	4,003
Disposals		(4,492)	-	(3,500)	(7,992)
Balance at December 31, 2018	**$**	**4,914**	**37,502**	**13,570**	**55,986**
Carrying value:					
Balance at December 31, 2019	**$**	**58**	**2,727**	**608**	**3,393**
Balance at January 1, 2018	**$**	**103**	**5,554**	**1,375**	**7,032**
Balance at December 31, 2018	**$**	**81**	**3,370**	**766**	**4,217**

As of December 31, 2019 and 2018, intangible assets of the Company have not been pledged as collateral or restricted.

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

The other current assets and other non-current assets of the Company were as follows:

		December 31, 2019	December 31, 2018
prepayment for purchases	$	105,145	54,737
prepaid expenses		5,666	4,812
income tax refund receivable		7,743	7,142
Return assets		3,684	4,712
prepayments for equipment		1,746	2,722
	$	**123,984**	**74,125**

		December 31, 2019	December 31, 2018
Current	$	122,238	71,403
Non-current		1,746	2,722
	$	**123,984**	**74,125**

(11) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31,2019	December 31,2018
Unsecured bank loans	$ 120,000	212,000
Secured bank loans	80,000	73,000
Total	$ 200,000	285,000
Unused short-term credit lines	$ 520,509	670,279
Range of interest rates	1.25%～1.45%	0.75%～1.70%

For the collateral for short-term borrowings, please refer to note 8.

Please refer to note 6(25) for the interest rate risk, exchange rate risk, and analysis of sensitivity of the financial liabilities of the Company.

(12) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2019			
	Currency	Rate	Maturity date	Amount
Unsecured bank loans	NTD	1.73%～1.88%	May 24,2020～ August 13, 2022	$ 57,152
Secured bank loans	NTD	1.55%～1.7%	December 6, 2025～ November 21, 2033	292,285
				349,437
Less: current portion				48,691
Total				$ 300,746
Unused long-term credit lines				$ -

	December 31, 2018			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.40%～1.68%	July 18, 2019～ May 24, 2020	$ 63,682
Secured bank loans	NTD	1.55%～1.7%	December 6, 2025～ November 21, 2031	303,000
				366,682
Less: current portion				49,396
Total				$ 317,286
Unused long-term credit lines				$ -

(continued)

Assets pledged as collateral for long-term loans are disclosed in note 8.

In 2018, company early repaid the 98,000 thousand of the long –term borrowing that will due in 2031. A 303,000 thousand of long-term borrowing were re-sign and will be use as working capital.

(13) Bonds payable

The details of secured convertible bonds of the Company were as follows:

	December 31, 2019	December 31, 2018
The fifth secured domestic convertible bonds	$ -	24,586
Less: current portion	-	24,586
Total	$ -	-

In 2019 and 2018, the bondholders exercise of conversion rights to covert its bonds into shares, please refer to Note 6(20) for details.

The company issued domestic convertible bonds, the major terms are as follows:

Items	The fifth secured domestic convertible bonds
(a) Total issue amount	$200,000 thousand
(b) Issue price	$100 thousand
(c) Period	105.3.30～110.3.30
(d) Maturity date	Five years, with the maturity date on March 30, 2021.
(e) Interest rate	0%
(f) Conversion price	The conversion price at the issuance date is 13.6 per share. The conversion price shall be the simple arithmetical average closing price of the common shares of the Company for either one, three or five business days before the pricing date (exclusive), multiplied by the premium ratio of 110%. If the ex-dividend and the ex-rights date happens before the pricing date, the closing price which was adopted to calculate the conversion price should be adjusted for the distribution of stock dividends and cash dividends; and if the ex- dividend and the ex-rights date happens between the conversion price determination date and the actual issuance date, the conversion price should be modified by the conversion price adjustment

Items		The fifth secured domestic convertible bonds
		formula.
		As of December 31, 2018, the conversion price was 12.3 per share.
(g)	Conversion period	The bondholder can convert the bonds by conversion price into shares any time between the month after the issuance date and before the maturity day, except the closing period.
(h)	Repurchase at the option of the bondholders (put option of the bondholders)	Within 30 days before the day of company's bonds been published for three years. The bondholders is required in writing to request the company to use the bond face value plus interest compensation debt redemption within 30 days after the company announces that the bondholders have exercised the right to sell back. Redeem it by cash with 103.797% of the bond face value (Real yield 1.25%).
(i)	Redemption at the option of the Company (call option of the Company)	(1)If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 30th day after the share issuance date and the 40th day before the maturity date, the Company may redeem all the bonds in their face value with cash.
		(2)If the amount outstanding of bonds is less than 10% of the principal amount between the 30th day after the share issuance date and the 40th day before the maturity date, the Company may redeem the outstanding bonds in their face value with cash.
(j)	Repayment due	Except for the bonds that been bought back by the company at the securities firm's business premises, or those been redeemed, sold back and converted. At maturity, the bond's face value is added with 6.408% of its face value (the real yield is interest compensation of 1.25%) will be repaid in cash.

Assets pledged as collateral for bonds payable are disclosed in note 8.

(14) Lease liabilities

The carrying value of lease liabilities of the Company was as follows:

	December 31, 2019
Current	$ 4,448
Non-current	$ 9,406

For the maturity analysis, please refer to note 6(25).

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ 133

(continued)

Expenses relating to short-term leases	**$ 1,505**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 321**

(continued)

The amounts recognized in the statement of cash flows for the Company was as follows:

		2019
Total cash outflow for leases	$	5,073

A. Buildings leases

The company leases buildings as a warehouse and business office. The leases of buildings run for 3 to 5 years.

B. Other leases

The Company leases transportation equipment, with lease terms of 3 to 4 years.
In addition, the Company also leases some business office and office equipment, with lease terms 1 to 3 years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases. In addition, the Company also leases some business office and office equipment, with lease terms 1 to 3 years.

(15) Other current and non-current liabilities

The details of other current and non-current liabilities were as follows:

		December 31, 2019	December 31, 2018
Advance receipts	$	5,294	3,341
Provision for warranties		1,243	2,110
Refund liability		9,627	9,726
Receipts under custody		2,652	2,591
Others		924	2,761
	$	19,740	20,529

The movement in provision for warranties were as follows：

		2019	2019
Balance at January 1	$	2,110	2,818
Provisions made during the year		1,243	2,110
Provisions reversed during the year		(2,110)	(2,818)
Balance at December 31	$	1,243	2,110

The provision for warranties relates mainly to home appliance sold during the years ended 31

(continued)

December 2019 and 2018. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(16) Operating leas

Leases as lessee:

Non-cancellable operating lease rentals payable was as follows:

	December 31,2018
Less than one year	$ 945

The Company leases several offices and warehouses under operating leases, and the leases period ends on July 31, 2019.

During the year 2018, an amount of $3,214 thousand was recognized as an expense in profit or loss in respect of operating leases.

(17) Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 44,143	38,334
Fair value of plan assets	(16,460)	(14,621)
Net defined benefit liabilities	$ 27,683	23,713

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $16,460 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

		2019	2018
Defined benefit obligations at January 1	$	38,334	41,617
Current service costs and interest cost		665	702
Remeasurements loss (gain):			
—Experience adjustments		1,725	(2,570)
—Change in demographic assumptions		3,419	3,299
Benefits paid		-	(4,714)
Defined benefit obligations at December 31	**$**	**44,143**	**38,334**

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2019	2018
Fair value of plan assets at January 1	$	14,621	15,044
Interest income		203	210
Remeasurements loss (gain)			
—Return on plan assets excluding interest income		508	382
Contributions paid by the employer		1,128	3,699
Benefits paid		-	(4,714)
Fair value of plan assets at December 31	**$**	**16,460**	**14,621**

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2019	2017
Current service costs	$	139	130
Net interest of net liabilities for defined benefit obligations		323	362
	$	**462**	**492**
Operating cost	$	115	123
Selling expenses		270	287
Administration expenses		77	82

(continued)

	$ 462	**492**

(e) Remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income

The remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income was as follows:

		2019	2018
Cumulative amount at January 1	$	9,302	8,955
Recognized during the period		4,636	347
Cumulative amount at December 31	$	13,938	9,302

(f) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.000%	1.375%
Future salary increase rate	3.000%	2.000%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $458.

The weighted average lifetime of the defined benefits plans is 13.81 years.

(g) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	Decreased 0.25%
December 31, 2019:			
Discount rate	$	(1,369)	1,418
Future salary increasing rate		1,359	(1,327)
December 31, 2018:			
Discount rate		(1,244)	1,295
Future salary increasing rate		1,263	(1,219)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $9,020 and $7,520 for the years ended December 31, 2019 and 2018, respectively.

(18) Income taxes

A. Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

	2019	2018
Current tax expense:		
Current period	$ 21,428	23,272
Adjustment for prior periods	2,868	525
	24,296	23,797
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	3,100	(20,314)
Impact of change in tax rate	-	(1,001)
Change in unrecognized deductible temporary differences	(4,402)	19,130
	(1,302)	(2,185)
Income tax expense	**$ 22,994**	**21,612**

The company has no income tax recognized in other comprehensive income in 2019 and 2018 and no income tax directly recognized in equity.

Reconciliation of income tax and profit (loss) before tax for 2019 and 2018 is as follows.

(continued)

	2019	2018
Profit (loss) before income tax	$ 73,460	(9,939)
Income tax calculated based on the Company's tax rate	$ 14,692	(1,988)
Adjustment in tax rate	-	(1,001)
Effect of profit (loss) of investment accounted for using the equity method	5,713	(1,379)
Change in unrecognized temporary differences	(4,402)	19,130
Adjustment for prior year	2,868	525
Undistributed earnings additional tax	-	1,099
Tax-exempt income	-	(295)
Non-deductible expenses	4,000	4,000
Others	123	1,521
Income tax expense	$ 22,994	21,612

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Pension cost	$ 27,683	23,713
Over provision of allowance for doubtful accounts	3,097	3,097
Temporary variances related to invest subsidiaries	403,184	389,939
	$ 433,964	416,749

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from.

(b) The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries. As of December 31, 2019 and 2018, the management considers it probable that partial temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities, the amounts were $86,557 and $46,973 respectively.

(c) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred Tax Assets:

	Inventory valuation loss	Unrealized sales return and discounts	Unrealized profit from sales	Unrealized exchange loss	Others	Total
Balance at January 1, 2019	$ 6,463	533	181	126	565	7,868
Recognized in profit or loss	(533)	140	(181)	1,930	(54)	1,302
Balance at December 31, 2019	**$ 5,930**	**673**	**-**	**2,056**	**511**	**9,170**
Balance at January 1, 2018	$ 2,405	789	769	1,125	733	5,821
Recognized in profit or loss	4,058	(256)	(588)	(999)	(168)	2,047
Balance at December 31, 2018	**$ 6,463**	**533**	**181**	**126**	**565**	**7,868**

Deferred Tax Liabilities:

	Valuation gains relating to financial instruments
Balance at January 1, 2018	$ 138
Recognized in profit or loss	(138)
Balance at December 31, 2018	**$ -**

The Company’s income tax returns through 2017 have been assessed and approved by the R.O.C tax Authority. There were no disputes between the Company and the Tax Authority.

(19) Capital and other equity

A. Common stock

As of December 31, 2019 and 2018, the authorized share capital of the Company was $700,000 comprising 70,000 thousand shares, with par value of $10. Issued shares were 69,787 thousand shares and 67,836 thousand shares respectively. All the capital was fully paid in.

Reconciliation of shares outstanding for 2019 and 2018 was as follows:

(in thousand of shares)	2019	2018
Balance on January 1	67,836	62,582
Conversion of convertible bonds	1,951	5,254
Balance on December 31	**69,787**	**67,836**

B. Issuance of common stock

For the years ended December 31, 2019 and 2018, the fifth convertible bonds issued by the Company amounting to $24,000 and $66,500, respectively, were converted into 1,951 thousand shares and 5,254 thousand shares of common stock, respectively, resulting in premium on conversion of convertible bonds $5,032 and $14,241, respectively. For the

 (continued)

569 thousand shares in 2018 that were converted, the related registration procedures were not completed.

C. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Premium on conversion of convertible bonds	$ 86,977	81,945
Lapsed option	18,643	18,643
Treasury share transactions	14,141	14,141
	$ 119,761	114,729

According to the ROC Company Act, capital surplus can only be used to make up a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock (including premium on conversion of convertible bonds) and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring additional paid-in capital should not exceed 10% of the total common stock outstanding.

D. Retained Earning

Base on the Company’s article of incorporation, if the Company’s annual final accounts show surplus, it shall first pay the taxes, offset past annual loss, and then set 10% as regulatory surplus reserve. However, it is not applicable if the statutory surplus reserve has reached our Company’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period., on not more than 80% of the year’s distributable surplus, and submit to the shareholders meeting for approval.

The dividends policy shall first take into consideration its operating environment, financial program, company's sustainable operation and development and the biggest interests of stockholders as follows:

The company is currently in the stage of active market development. In order to support the growth of the company, the company's dividends can continue to operate in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

Distribution ratio of cash dividends and stock dividends:

The distribution of dividends of the company's shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 " First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments (gains) recognized under shareholders' equity shall be zeroed at the adoption date. According to regulations, the increase in retained earnings amounted to $3,798 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, these special earnings reserve shall be reversed as distributable earnings proportionately. As of December 31, 2019 and 2018, the carrying amount of special earnings reserve was $3,798 thousand.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

Earnings distribution of 2017, have been approved by the annual shareholders meeting held on June 14, 2018. The appropriation and dividend per share were as follows:

	2017	
	Amount per share	**Amount**
Dividends distributed to ordinary shareholders		
Cash	$ **0.6**	**40,346**

(continued)

In addition, the company will not distribute the earning of 2018 according to the resolution of the shareholders' general meeting on June 25, 2019.

E. Other equity

		Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on financial assets measured at FVOCI	Total
Balance at January 1, 2019	$	11,177	936	12,1
Changes of the Company		4,996	37	5,0
Balance at December 31, 2019	$	16,173	973	17,1
Balance at January 1, 2018	$	8,631	-	8,6
Changes of the Company		2,546	936	3,4
Balance at December 31, 2018	$	11,177	936	12,1

(20) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	2019	2018
Basic earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	$ 50,466	(31,551)
Weighted average number of ordinary shares at December 31(in thousands)	69,520	67,096
Basic earnings per share (in dollars)	$ 0.73	(0.47)
Diluted earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	$ 50,466	(31,551)
Effect of dilutive potential common shares－convertible bonds	21	-
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	$ 50,487	(31,551)
Weighted average number of ordinary shares at December 31(in thousands)	69,520	67,096
Effect of convertible bonds (in thousands)	267	-
Effect of employee share bonus (in thousands))	74	-
Weighted average number of ordinary shares at December 31-diluted (in thousands)	69,861	67,096
Diluted earnings per share (in dollars)	$ 0.72	(0.47)

Note: In 2018, the potential common shares have an anti-dilutive effect, and hence they are not included in the calculation of the weighted average number of shares (diluted).

(21) Revenue from contracts with customers

A. Details of revenue

	2019		
	Home Appliances Department	**Electronics Cooling Department**	**Total**
Primary geographical markets：			
Domestic	$ 658,784	741,595	1,400,379
Mainland China	4,175	122,906	127,081
Germany	-	790,077	790,077
America	31,825	174,585	206,410
Japan	118,363	13,163	131,526
South Korea	-	89,569	89,569
Others	17,782	167,829	185,611
	$ 830,929	**2,099,724**	**2,930,653**
Major products services lines:			
Cooling fan	$ -	1,815,749	1,815,749
Product of home appliances–air series	552,937	-	552,937
Product of home appliances–water series	217,669	-	217,669
Heat sink and thermal module	-	262,868	262,868
Others	60,323	21,107	81,430
	$ 830,929	**2,099,724**	**2,930,653**

	2018		
	Home Appliances Department	**Electronics Cooling Department**	**Total**
Primary geographical markets：			
Domestic	$ 715,183	732,488	1,447,671
Mainland China	10,686	102,083	112,769
Germany	-	480,587	480,587
America	34,593	176,351	210,944
Japan	41,889	15,960	57,849
South Korea	-	80,690	80,690
Others	24,880	123,852	148,732

(continued)

	$ 827,231	**1,712,011**	**2,539,242**

	2018		
	Home Appliances Department	**Electronics Cooling Department**	**Total**
Major products services lines:			
Cooling fan	$ -	1,540,398	1,540,398
Product of home appliances –air series	530,981	-	530,981
Product of home appliances –water series	203,622	-	203,622
Heat sink and thermal module	-	159,863	159,863
Others	92,628	11,750	104,378
	$ 827,231	**1,712,011**	**2,539,242**

B. **Contract balance**

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Notes and accounts receivables	$ 756,073	686,172	537,531
Less: allowance for impairment	(9,896)	(9,545)	(8,726)
Total	**$ 746,177**	**676,627**	**528,805**
Contract liabilities－unearned revenue	**$ 5,294**	**3,341**	**9,958**

For details on notes and accounts receivables and allowance for impairment, please refer to note 6(4)

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $3,257 thousand and $9,768 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Contract liabilities-unearned revenue was classified under other current liabilities.

(22) Employee compensation and directors’ remuneration

In accordance with the articles of incorporation the Company should contribute 1% to 10% of the profit as employee compensation and less than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the abovementioned employee compensation, in shares or cash may include the employees of the Company's subsidiaries who meet certain conditions.

For the year ended December 31, 2018, the Company did not estimated employee compensation and directors’ remuneration, because the operating outcome was loss before tax. For the year ended December 31, 2019, the Company estimated its employee remuneration amounting to $1,473 thousand and directors' remuneration amounting to $737 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019. If employee compensation is distributed by shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares of one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019.

(23) Non-operating income and expenses

A. Other income

The details of other income were as follows:

	2019	2018
Interest income		
Interest income from bank deposits	$ 676	1,005
Other interest income	20	8
Dividend income	-	54
Rent income	5,040	-
Income from selling samples	4,762	5,228
Others	26,598	13,031
	$ 37,096	19,326

B. Other gains and losses

The details of other gains and losses were as follows:

	2019	2018
Foreign exchange gains (losses), net	$ (9,955)	11,623
Gains on financial assets at fair value through profit or loss, net	14	538
Gains (losses) on disposal of property, plant and equipment, net	(142)	56
Others	(566)	(524)
	$ (10,649)	11,693

C. Finance costs

The details of finance costs were as follows:

		2019	2018
Interest expense			
Bank loan	$	(9,294)	(6,450)
Lease liability		(133)	-
Amortization of discount on bonds payable		(35)	(540)
	$	(9,462)	(6,990)

(24) Financial instruments

A. Credit risk

(a) Exposure to credit risk

As of December 31, 2019 and 2018, the Company's exposure to credit risk and the maximum exposure were mainly from:

- The carrying amount of financial assets recognized in the balance sheet; and

- The amount is the result due to Company providing financial guarantees to its customers was $128,938 thousand and $206,289 thousand for the years ended December 31, 2019 and 2018, respectively.

(b) Concentration of credit risk

The major customers of the Company are centralized in industries within similar areas and dealers. To reduce concentration of credit risk, the Company evaluates those customers' financial positions and requires customers to provide collateral, if necessary. In addition, the Company evaluates the possibility of collecting the notes and accounts receivable periodically.

As of December 31, 2019 and 2018, one customer accounted for 20.36% and 19.84% of the notes and accounts receivable, respectively, and thus caused a concentration of credit risk.

(c) Receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(4). Other financial assets at amortized cost includes: other receivables, restricted deposits and guarantee deposits paid.

The following table presents whether abovementioned assets were subject to a 12-month ECL or lifetime ECL allowance, and in the latter case, whether they were credit-impaired:

	December 31, 2019		
	At amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Guarantee deposits paid	$ 2,969	-	-
Other receivables (including related parties)	73,465	1,534	118
Restricted deposits	7,002	-	-
Loss allowance	-	-	(4)
Amortized cost	$ 83,436	1,534	114
Carrying amount	$ 83,436	1,534	114

	December 31, 2018		
	At amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Guarantee deposits paid	$ 2,627	-	-
Other receivables (including related parties)	87,831	-	-
Restricted deposits	38,161	-	-
Loss allowance	-	-	-
Amortized cost	$ 128,619	-	-
Carrying amount	$ 128,619	-	-

The movement in the allowance for impairment with respect to the financial assets measured at amortized cost as of December 31, 2019 were as follows:

	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance on January 1, 2019	$ -	-	-	-
Impairment losses recognized	-	-	4	4
Balance on December 31, 2019	$ -	-	4	4

B. Liquidity risk

Details of financial liabilities categorized by due dates were as follows. The amounts include interest expenses but exclude the impacts of negotiated net amounts.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Loans (floating rate)	$ 549,437	580,430	239,159	15,058	44,447	103,661	178,105
Accounts payable (non-interest bearing)	328,592	328,592	328,592	-	-	-	-
Other payable (non-interest bearing)	52,550	52,550	52,550	-	-	-	-
Lease liabilities (fixed rate)	13,854	14,258	2,316	2,316	4,079	5,547	-
Guarantee deposits received (non-interest bearing)	465	465	-	-	465	-	-
	$ 944,898	976,295	622,617	17,374	48,991	109,208	178,105
December 31, 2018							
Non-derivative financial liabilities							
Loans (floating rate)	$ 651,682	687,609	318,024	22,475	53,403	114,692	179,015
Bonds payable (fixed rate)	24,586	25,538	-	25,538	-	-	-
Accounts payable (non-interest bearing)	184,488	184,488	184,488	-	-	-	-
Other payable (non-interest bearing)	83,905	83,905	83,905	-	-	-	-
Guarantee deposits received (non-interest bearing)	465	465	-	465	-	-	-
	$ 945,126	982,005	586,417	48,478	53,403	114,692	179,015

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Significant financial assets and liabilities exposed to foreign currency risk were as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD amount	Foreign currency	Exchange rate	NTD amount
Financial assets						
Monetary items						
USD	$ 21,930	29.98	657,488	19,568	30.715	601,030
EUR	545	33.59	18,297	532	35.2	18,723
JPY	517	0.276	143	301	0.2782	84
HKD	520	3.849	2,003	522	3.921	2,047
CNY	19,005	4.305	81,853	17,977	4.472	80,399
Financial liabilities						
Monetary items						
USD	7,921	29.98	237,533	2,178	30.715	66,942
EUR	124	33.59	4,182	47	35.2	1,633
HKD	101	3.849	389	92	3.921	360
CNY	87	4.305	373	42	4.472	186

(b) Foreign exchange gain and loss on monetary items

For years 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss $9,955 and gain $11,623, respectively.

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivables (including related parties), other receivables (including related parties), restricted deposits, loans, accounts payable (including related parties), and other payables (including related parties). As of December 31, 2019 and 2018, if the exchange rate of the NTD versus the USD, CNY and EUR had increased or decreased by 1%, given no changes in other factors, the impact were as follow:

	Appreciate 1%	**Depreciate 1%**
Profits after tax for year 2019	Decrease in profits $4,124 thousand	Increase in profit $4,124 thousand
Losses after tax for year 2018	Increase in losses $5,051 thousand	Decrease in losses $5,051 thousand

D. Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Company's financial liabilities.

The sensitivity analysis of interest was determined based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates was prepared based on the assumption that the outstanding amounts at the reporting date had existed for the whole year. Management adopted 0.25% as a reasonable change in interest rates, and therefore evaluated the impacts of 0.25% changes in interest rates.

If interest rates on borrowings had increased or decreased 0.25%, with all other variables held constant, the information was as follows:

	Increase 0.25%	**Decrease 0.25%**
Profits after tax for year 2019	Decrease in profits $1,099 thousand	Increase in profit $1,099 thousand
Losses after tax for year 2018	Increase in losses $1,303 thousand	Decrease in losses $1,303 thousand

E. Other market price risk

If the prices of equity securities change at reporting date, with all other variables held constant, the influences to other comprehensive income, were as follows:

	2019		**2018**	
Prices at reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increase 3%	$ 101	-	100	-
Decrease 3%	$ (101)	-	(100)	-

F. Fair value of financial instruments

(a) Categories and fair values of financial instruments

The fair value of financial assets at fair value through profit or loss and at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follow; however, except as described in following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Unlisted common shares	$ 4,204	-	-	4,204	4,204
Financial assets at amortized cost					
Cash and cash equivalent	$ 131,490	-	-	-	-
Notes and accounts receivables(including related parties)	746,177	-	-	-	-
Other account receivables－related parties	64,172	-	-	-	-
Other financial assets－current	12,943	-	-	-	-
Other financial assets－non-current	7,969	-	-	-	-
Total	$ 962,751				
Financial liabilities at amortized cost					
Short-term borrowings	$ 200,000	-	-	-	-
Accounts payable (including related parties)	328,592	-	-	-	-
Other payable (including related parties)	52,550	-	-	-	-
Long-term liabilities, current portion	48,691	-	-	-	-
Lease liabilities－current	4,448	-	-	-	-
Long-term borrowings	300,746	-	-	-	-
Lease liabilities－non-current	9,406	-	-	-	-
Guarantee deposits received	465	-	-	-	-
Total	$ 944,898				

	December 31, 2018				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Derivative financial assets	$ 62	-	62	-	62
Financial assets at FVOCI					
Unlisted common shares	$ 4,167	-	-	4,167	4,167
Financial assets at amortized cost					
Cash and cash equivalent	$ 93,838	-	-	-	-
Notes and accounts receivables(including related parties)	676,627	-	-	-	-
Other account receivables－related parties	76,061	-	-	-	-
Other financial assets－current	36,197	-	-	-	-
Other financial assets－non-current	16,361	-	-	-	-
Total	$ 899,084				
Financial liabilities at amortized cost					
Short-term borrowings	$ 285,000	-	-	-	-
Accounts payable (including related parties)	184,488	-	-	-	-
Other payable (including related parties)	83,905	-	-	-	-
Long-term liabilities, current portion	49,396	-	-	-	-
Convertible bonds payable－liability portion	24,586	-	25,058	-	25,058
Short-term borrowings	317,286	-	-	-	-
Guarantee deposits received	465	-	-	-	-
Total	$ 945,126				

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values are based on the degree to which the fair value can be observed and are grouped into Level 1 to Level 3 as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data.

(b) Valuation technique of financial instruments not measured at fair value

The methodology and assumptions used by the Company to estimate financial instrument measured at amortized cost, except for convertible bonds payable－liability portion use the discounted cash flows to estimate fair values, because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

(c) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation or reference with counterparty quotations. The fair value can be calculated by reference to the current fair value of other financial instruments with similar replacement conditions and characteristics, discounted cash flow method or other evaluation techniques, including the use of market information available on the balance sheet date.

The equity instruments held by the company without public quotes are based on the comparable company method to estimate fair value. The main assumptions are based on the net equity value of being-investors and the equity multiplier derived from the market quotes of comparable listed (counter) companies. The estimate has adjusted the discount effect of the lack of market liquidity.

Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models.

(d) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2019 and 2018.

(e) Movements of financial assets in level 3

	Fair value through other comprehensive income
	Equity investment without an active market
Balance at January 1, 2019	$ 4,167
Total gains and losses	
Recognized in other comprehensive income (loss)	37
Balance at December 31, 2019	**$ 4,204**
Balance at January 1, 2018	$ -
Effect of retrospective application	3,231
Balance at January 1, 2018 after adjustments	3,231
Total gains and losses	
Recognized in other comprehensive income (loss)	936
Balance at December 31, 2018	**$ 4,167**

For the years ended December 31, 2019 and 2018, total gains (losses) that were included in "unrealized gains and losses from financial assets at fair value through other comprehensive income".

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value only a significant unobservable inputs. Quantified information of significant unobservable inputs was as follows:

Item	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets at fair value through other comprehensive income -equity investments without an active market	Comparable listed company approach	• Lack of market liquidity discount (43.58% and 32.77% on December 31, 2019 and 2018, respectively) • Valuation multiples (1.32% and 1.04% on December 31, 2019 and 2018, respectively)	• The higher the lack of market liquidity discount is, the lower the fair value will be. • The higher the valuation multiples is, the higher the fair value will be. • The lower the stock price

(continued)

	• Stock price volatility (49.86% and 42.55% on December 31, 2019 and 2018, respectively)	volatility is, the higher the fair value will be.

(g) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The fair value measurements of the Company's financial instruments are reasonable. However, change in the use of valuation models or variables may affect the estimations. For fair value measurements in Level 3, the information of changes in the use of valuation variable was as follows:

	Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
			Favorable	Unfavorable
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Equity investment without an active market	Market illiquidity discount rate 43.58%	10%	$ 752	(752)
	Valuation multiples 1.32	5%	205	(240)
	Stock price volatility 49.86%	5%	308	(308)
December 31, 2018				
Financial assets at fair value through other comprehensive income				
Equity investment without an active market	Market illiquidity discount rate 32.77%	10%	$ 630	(630)
	Valuation multiples 1.04	5%	211	(210)
	Stock price volatility	5%	245	(280)

(continued)

42.55%

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(25) Financial risk management

A. Overview

The extent of risk exposure arising from the use of financial instruments was as follows:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

The following likewise discusses the Company′s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the company′s risk management framework. General administration department is responsible for planning and controlling the risk management of the Company′s operation and reports it to the Board regularly.

The Company′s financial risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how the management complies in monitoring the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Board of Directors

.

C. Credit risk

Credit risk is the risk of financial loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company′s accounts receivable and other receivable, bank deposits and guarantee.

(a) Accounts receivable and other receivables

The Company's exposure credit risk is influenced by the individual characteristics of each customer. The Company continuously monitors the information concerning client credit risk factors, such as the default risk of the industries and countries in which the customers operate.

According to the credit policy, the Company has to evaluate the credit rating of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviews credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

(b) Bank deposits

The exposure to credit risk for the bank deposits is measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations. Hence, there is no significant credit risk arising from these counterparties.

(c) Guarantee

The Company’s policy is to provide financial guarantees only to wholly owned subsidiaries. The further information please refer to note13.

D. Quiddity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

As of December 31, 2019 and 2018, the Company has unused credit facilities for short-term amounting to $520,509 thousand and $670,279 thousand, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Company′s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Company engages in derivative financial instruments trading in order to manage the market risk, thus, generating financial liabilities or financial assets, all the execution of those transactions were under the Board′s instruction.

(a) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in another currency. Functional currency is NTD. The currencies used in these transactions are the NTD, USD and CNY. At any point of time, the

Company’s principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operation. The Company mainly hedges its currency risk using the foreign forward exchange contracts wherein the maturity date is less than one year from the reporting date.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, USD and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

Regarding monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the merged company purchases or sells foreign currencies at the real-time exchange rate to ensure that net risk exposure remains at an acceptable level.

(b) Interest rate risk

The Company adopts a policy to ensure the exposure of changes in interest rates on borrowings is evaluated by the trend in market interest rates. The Company can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

(c) Market price risk of equity instruments

Part of the Company's equity securities are classified as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. These assets are measured at fair value. Therefore, the Company will be exposed to the risk of changes in the value of the equity securities market.

(26) Capital management

The Company sets its objectives for managing capital to ensure its capacity to continue to operate, to continue to provide returns to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment, issue new shares, or sell assets to settle any liabiltiies.

The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

In 2019, the Company's capital management strategy is consistent with the prior year. The Company’s debt-to-equity ratio at the end of the reporting period as of December 31, 2019 and 2018, was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 1,053,175	1,044,775
Less: cash and cash equivalents	131,490	93,838
Net debt	$ 921,685	950,937

	December 31, 2019	December 31, 2018
Total equity	$ 944,129	868,722
Adjusted equity	$ 1,865,814	1,819,659
Debt-to-equity ratio at 31 December	49.40%	52.26%

(27) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities of the Company were as follows:

			Non-cash changes			
	January 1, 2019	Cash flows	Converted to ordinary shares	Amortized interest	Increased in lease liabilities	December 31, 2019
Short-term borrowings	$ 285,000	(85,000)	-	-	-	200,000
Long-term borrowings (including current portion)	366,682	(17,245)	-	-	-	349,437
Bonds payable	24,586	-	(24,621)	35	-	-
Lease liabilities(current and non-current)	2,420	(3,114)	-	-	14,548	13,854
Guarantee deposit received	465	-	-	-	-	465
Total liabilities from financing activities	$ 679,153	(105,359)	(24,621)	35	14,548	563,756

			Non-cash changes			
	January 1, 2018	Cash flows	Converted to ordinary shares	Amortized interest	Others	December 31, 2018
Short-term borrowings	$ 110,000	175,000	-	-	-	285,000
Long-term borrowings (including current portion)	209,924	156,758	-	-	-	366,682

Bonds payable	91,143	-	(66,782)	540	(315)	24,586
Guarantee deposit received	1,622	(1,157)	-	-	-	465
Total liabilities from financing activities	**$ 412,689**	**330,601**	**(66,782)**	**540**	**(315)**	**676,733**

(continued)

7. Transaction with related parties:

(1) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(2) Names and relationship with related parties

The following are subsidiaries and other related parties that have had transactions with the Company during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Yen Sun Technology (BVI) Corp. (“Yen Sun (BVI)”)	Subsidiary
Yen Sun Tech International (SAMOA) Corp. (“Yen Sun (SAMOA)”)	Subsidiary
LUCRATIVE INT'L GROUP INC. (“LUCRATIVE”)	Subsidiary
YEN JIU TECHNOLOGY CORP. (“YEN JIU”)	Subsidiary
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD. (“SHANGHAI YENSUN”)	Subsidiary
Yen Hung International Corp. (“Yen Hung”)	Subsidiary
Yen Tong Tech International (SAMOA) Corp. (“Yen Tong”)	Subsidiary
Y.H.Tech International Corp. (“Y.H. Tech”)	Subsidiary
DARSON ELECTRONICS (DONGGUAN) LTD. (“DARSON”)	Subsidiary
YEN GIANT METAL (DONGGUAN) CO., LTD. (“YEN GIANT”)	Subsidiary

(3) Significant related party transactions

A. Operating revenue

The amounts of significant sales by the Company to the related parties were as follows:

	2019	2018
Yen Sun (SAMOA)	$ 25,641	96,965
Others	1,366	5
	$ 27,007	96,970

The prices of goods sold to related parties due to the variety of goods; there is no comparison with the sales price to other customer. The credit terms with related parties were 180 days, which were no significantly different from other customer. Accounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(continued)

B. Purchases

The amounts of significant purchases by the Company from related parties were as follows:

		2019	2018
YEN JIU	$	651,321	729,027
Yen Sun (BVI)		671,442	478,040
Y.H. Tech		219	148,154
Yen Sun (SAMOA)		265,660	151,650
	$	1,588,642	1,506,871

The pricing of purchase transaction with related parties have not comparison with those purchase from other vendor due to the variety of goods. The payment terms were that the accounts payable offset against the prepayments of raw material by month. Remaining payment terms were 90 days, which were no different from the payment terms given by other vendors.

C. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship		December 31, 2019	December 31, 2018
Accounts receivables	Subsidiary－Yen Sun (SAMOA)	$	64,251	44,269
Other receivables	Subsidiary－SHANGHAI YENSUN	$	13,349	28,158
Other receivables	Subsidiary－Others		1,966	-
		$	15,315	28,158

The above-mentioned other receivables are the overdue accounts receivable. Except for some of which were approved by the board of directors as loans to other parties, the other subsidiaries has been requested to arrange the repayment as soon as possible.

D. Payables to Related Parties

The Payables to related parties were as follows:

Account	Relationship		December 31, 2019	December 31, 2018
Account payable	Subsidiary－YEN JIU	$	-	26,344
	Subsidiary－Yen Sun (BVI)		67,201	-
	Subsidiary－Others		-	325
		$	67,201	26,669

(continued)

E. Prepayments

The prepayments to related parties were as follows:

		December 31, 2019	December 31, 2018
Subsidiary－Yen Sun (SAMOA)	$	36,131	38,836
Subsidiary－Y.H. Tech		-	14,940
Subsidiary－YEN JIU		63,618	-
Subsidiary－Yen Sun (BVI)		5,396	-
	$	105,145	53,776

The company prepays the operation funds for the subsidiary, in order to being able to produce the products ordered by the company. The above prepayments are presented in other current assets on the balance sheet.

F. Loans to Related Parties

The loans to related parties were as follows:

Account	Relationship		December 31, 2019	December 31, 2018
Other receivable-related parties	Subsidiary－Yen Sun (BVI)	$	44,970	46,073

In 2019 and 2018, the loans to subsidiary were not interest-bearing, and all of them are unsecured loans. There is no need to recognize as loss after assessment.

G. Guarantee

(a) The guarantee for related parties were as follows:

2019

Counter party of guarantee		Highest balance(note)	Highest balance date	Balance at December 31
Subsidiary－Yen Sun (BVI)	$	**137,908**	January 1, 2019	**92,938**
		(USD4,600,000)		**(USD3,100,000)**
Subsidiary－YEN JIU		**65,000**	January 1, 2019	**36,000**

2018

Counter party of guarantee		Highest balance(note)	Highest balance date	Balance at December 31
Subsidiary－SHANGHAI YENSUN	$	**39,930**	January 1, 2018	-
		(USD1,300,000)		-
Subsidiary－Yen Sun (BVI)		**156,647**	January 1, 2018	**141,289**
		(USD5,100,000)		**(USD4,600,000)**
Subsidiary－YEN JIU		**65,000**	August 9, 2018	**65,000**

(continued)

Note: The highest balance were based on the exchange rate of the reporting date of each year. The above endorsement guarantee is that the company obtains the bank credit line for the subsidiary, and provides US dollar deposit certificate as guarantee. Since they are all 100% owned subsidiaries of the company, no collateral is provided to the company.

(b) The company borrowed from financial institutions on December 31, 2019 and 2018. According to the requirements of some contracts, the major management staff of the company should provide a joint guarantee.

H. Others

(a) Purchasing on raw materials and molds behalf of subsidiaries

The details of company purchasing on raw materials and molds behalf of subsidiaries as follow:

		2019	2018
Subsidiary－Yen Sun (BVI)	$	56,924	53,906
Subsidiary－Y.H.Tech		-	22,855
Subsidiary－Yen Sun (SAMOA)		53,703	5,676
Subsidiary－YEN JIU		1,146	6,547
	$	**111,773**	**88,984**

(b) Payments behalf on related parties

The detail is as follow:

Accounts	Relationship		December 31, 2019	December 31, 2018
Other receivables-related parties	Subsidiary－Y.H.Tech	$	2,726	1,830
Other receivables-related parties	Subsidiary－Yen Sun (SAMOA)		1,161	-
		$	**3,887**	**1,830**
Other payables	Subsidiary－YEN JIU	**$**	**-**	**214**

(c) The company leased the factory to its subsidiary, YEN JIU TECHNOLOGY CORP. . The lease contract was from January 1, 2019 to December 31, 2023. In the 2019, the rental income was 5,040 thousand, recognized asd other income in the consolidated statement of profit or loss. As of December 31, 2019, the receivables have been received.

(4) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 6,006	4,714
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 6,006	**4,714**

The Group provided a car for the use of major management that cost 952 thousand on December 31, 2018.

In addition, on December 31, 2019,a rental car was provided for the use of major management. It cost 1,551 thousand and been recognized as right of use assets of transportation equipment.

8. Pledged assets

The details and carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Demand deposits (reserve account)	Long-term/short-term borrowing, customs taxes, company debt and other repayment accounts	$ 6,002	15,046
Time deposits	Endorsement and guarantee of subsidiary	-	6,757
Time deposits	Guarantee of sales channel	1,000	1,000
Time deposits	Guarantee of short-term borrowing	-	15,358
Land	Guarantee of long-term/short-term borrowing	267,535	251,996
Buildings	Guarantee of long-term/short-term borrowing	141,761	9,880
		$ 416,298	**300,037**

9. Significant Commitments and Contingencies

(1) Unrecognized contractual commitments

	December 31, 2019	December 31, 2018
Acquisition of property, plant and equipment	$ -	14,265

(2) The Company's outstanding standby letter of credit are as follows:

	December 31, 2019	December 31, 2018
Purchase of raw materials	$ 39,491	$ 27,721

10. Losses due to major disasters: None

11. Subsequent events

The Company's Board of Directors made a decision on March 24, 2020 that the Company would repurchase 1500 thousand shares as treasury shares.

12. Other

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	109,235	129,816	239,051	105,299	129,262	234,561
Labor and health insurance	9,827	12,671	22,498	6,034	11,229	17,263
Pension	4,160	5,322	9,482	2,813	5,199	8,012
Remuneration of directors	-	2,352	2,352	-	1,622	1,622
Others	5,868	5,145	11,013	4,131	5,450	9,581
Depreciation	17,881	35,046	52,927	6,232	25,401	31,633
Amortization	-	2,071	2,071	-	4,003	4,003

The additional information of number of employees and employee benefits in the year of 2019 and 2018 was as follows:

	2019	2018
Number of employees	478	382
Number of non- employee directors	5	5
Average employee benefits	$ 596	715
Average employee salary	$ 505	622
Adjustment of average employee salary	(19)%	

(continued)

13. Other disclosures

(1) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2019.

A. Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period (Note 2)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Other receivables －related parties	YES	3,142 (USD 104,798)	-	-	-	Short-term financing	-	The requirement for working capital	-	-	-	377,652 (Note 1)	377,652 (Note 1)
0	The Company	Yen Sun Technology (BVI) Corp.	Other receivables －related parties	YES	44,970 (USD 1,500,000)	44,970 (USD1,500,000)	44,970 (USD 1,500,000)	-	Short-term financing	-	The requirement for working capital	-	-	-	377,652 (Note 1)	377,652 (Note 1)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Long-term receivables-related parties	YES	138,116 (USD 4,606,943)	129,122 (USD 4,306,943)	128,977 (USD 4,302,111)	-	Short-term financing	-	The requirement for working capital	-	-	-	377,652 (Note 1)	377,652 (Note 1)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Long-term receivables-related parties	YES	25,830 (RMB 6,000,000)	25,830 (RMB 6,000,000)	25,830 (RMB 6,000,000)	-	Short-term financing	-	The requirement for working capital	-	-	-	377,652 (Note 1)	377,652 (Note 1)
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	Long-term receivables-related parties	YES	59,409 (USD 1,981,614)	50,415 (USD 1,681,614)	50,415 (USD 1,681,614)	-	Short-term financing	-	The requirement for working capital	-	-	-	377,652 (Note 1)	377,652 (Note 1)
3	DARSON ELECTRONICS (DONGGUAN) LTD.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	-	YES	74,606 (CNY 17,330,000)	- -	- -	-	Short-term financing	-	The requirement for working capital	-	-	-	377,652 (Note 1)	377,652 (Note 1)

Note 1:The aggregate loan amount and the loans to each party were both limited to 40% of Company's net equity.
Note 2:The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 2019.

(continued)

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements(Continued)

B. Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of reporting date (Note 4)	Actual usage amount during the period (Note 4)	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship										
0	The Company	Yen Sun Technology (BVI) Corp.	Subsidiary of the Company	283,239 (Note 1)	137,908 (USD 4,600,000)	92,938 (USD 3,100,000)	17,988 (USD 600,000)	62,958	9.84%	472,065	Y	-	-
0	The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary of the Company	188,826 (Note 2)	65,000	36,000	-	-	3.81%	472,065	Y	-	-

(Note 1) For a single overseas affiliated company, the limit shall not exceed 30% of the company's net equity.

(Note 2) For a single enterprise, the limit is not more than 20% of the company's net worth.

(Note 3) Not exceeding 50% of the company's net equity.

(Note 4) The amount of TWD is converted at the exchange rate on the balance sheet date.

(continued)

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements(Continued)

C. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
Yen Tong Tech International (Samoa) Corp.	SHANGHAI CHANSON WATER CO., LTD.	-	Financial assets at FVTPL－non-current	-	- (Note)	17.75%	-	-
The Company	Y.S. Tech U.S.A Inc./Stock	-	Financial assets at FVOCI－non-current	114,000	4,204	19.16%	4,204	-

(Note) Impairment has been recognized.

D. Accumulated trading amount of a single security in excess of $300 million or 20% of paid in capital: None

E. Acquisition of property, plant and equipment that excess of $300 million or 20% of paid in capital: None

F. Disposal of property, plant and equipment in excess of $300 million or 20% of paid in capital: None.

G. Sales to and purchases from related parties in excess of $100 million or 20% of paid in capital was as follows

Purchasing (selling) company	Counter party	Relation-ship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	Percentage of notes and accounts receivable (payable)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	651,321	29.12%	6 months	Single supplier	6 month There is no significant difference from the general transaction	63,618 (Note2)	36.08% (Note3)	
The Company	Yen Sun Technology (BVI) Corp.	Subsidiary		671,442	30.02%	(Note 1)	Single supplier	(Note1)	(67,201)	16.81%	
The Company	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Purchase	265,660	11.88%	(Note 1)	Single supplier	(Note1)	36,131 (Note2)	20.49% (Note3)	
Yen Sun Technology (BVI) Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Subsidiary of the Company (indirectly hold)	Purchase	655,767	91.72%	(Note 1)	Single supplier	(Note1)	(52,662)	29.88%	
Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	Subsidiary of the Company (indirectly hold)	Purchase	264,381	76.72%	(Note 1)	Single supplier	(Note1)	42,570 (Note2)	100.00% (Note3)	
YEN JIU TECHNOLOGY CORP.	The Company	Ultimate parent company	Sale	651,321	99.92%	6 months	Single sales object	6 month There is no significant difference from the general transaction	(63,618) (Note2)	100.00% (Note3)	

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements(Continued)

Purchasing (selling) company	Counter party	Relation-ship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	Percentage of notes and accounts receivable (payable)	
YEN JIU TECHNOLOGY CORP.	The Company	Ultimate parent company	Sale	651,321	99.92%	6 months	Single sales object	6 month There is no significant difference from the general transaction	(63,618) (Note2)	100.00% (Note3)	
Yen Sun Technology (BVI) Corp.	The Company	Ultimate parent company	Sale	671,442	91.74%	(Note 1)	Single sales object	(Note1)	67,201	48.35%	
Yen Sun Tech International (Samoa) Corp.	The Company	Ultimate parent company	Sale	265,660	90.58%	(Note 1)	Single sales object	(Note1)	(36,131) (Note2)	100.00% (Note3)	
DARSON ELECTRONICS (DONGGUAN) LTD.	Yen Sun Technology (BVI) Corp.	Subsidiary	Sale	655,767	99.98%	(Note 1)	Single sales object	(Note1)	52,662	29.88%	
YEN GIANT METAL (DONGGUAN) CO., LTD.	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Sale	264,381	73.32%	(Note 1)	Single sales object	(Note1)	(42,570) (Note2)	100.00% (Note3)	

(Note 1) The accounts receivable (payable) balance each month offset with other prepayments (advance receipts) arising from purchasing raw materials monthly.

(Note 2) Recognized as account prepayments (advance receipts).

(Note 3) The ratio of prepayments (advance receipts) is calculated based on the proportion of the prepayments (advance receipts)

(continued)

H. Receivables from related parties in excess of $100 million or 20% of issued share capital were as follows:

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Sub-subsidiary	168,999	- (note)	-	-	-	-	

(Note) Principal, interest receivable and overdue receivables of capital finance reclassified as the receivables

I. Derivative financial instrument transactions: Please refer to note 6(2).

(2) Information on investees：

Relevant information about investees is as follows: (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee (Note2)	Investment income (less) Recognized (Note2)	Remarks
				December 31,2019	December 31,2018	Shares owned	Percentage owned	Carrying value (Note2)			
The Company	Yen Sun Technology (BVI) Corp.	British Virgin Islands	Investment holding	259,842	250,577	500,000	100%	(143,341)	(18,804)	(18,804)	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	**(Note1)**	**(Note1)**	**(Note1)**	100%	**(Note1)**	-	-	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	118,653	40,148	40,148	Subsidiary
Name of investor	**Name of investee**	**Location**	**Business Scope**	**Original cost of investment December 31,2019**	**December 31,2018**	**Held at the end of term Shares owned**	**Percentage owned**	**Carrying value (Note2)**	**Net income (loss) of the Investee (Note2)**	**Investment income (less) Recognized (Note2)**	**Remarks**
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	94,685	(29,673)	(28,566)	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	113,097	41,111	41,111	Subsidiary of the Company (indirectly hold)
Yen Sun Tech International (Samoa) Corp.	Yen Tong Tech International (Samoa) Corp.	Samoa	Investment holding	1,916	1,916	10,000,000	100%	1	-	-	Subsidiary of the Company (indirectly hold)
Yen Hung International Corp.	Y.H. Tech International Corp.	ST.Kitts and Nevis	Investment holding	30,179	30,179	1,000,000	100%	113,089	41,108	41,108	Subsidiary of the Company (indirectly hold)

(Note 1) No actual capital investment yet.

(3) Information on investments in Mainland China:

A. Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan.1,2019	Invested capital remitted from repatriated to Taiwan		Invested capital remitted from or repatriated to Taiwan	Net income of investee	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of Dec. 31, 2019	Accumulated investment income repatriated to Taiwan as of Dec. 31,2019
					Remittance	Remittance						
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO.,LTD.	Manufacturing and sales of Home Appliances, Cooling fan	233,347 (USD7,800 of thousand)	Invest through Yen Sun Technology (BVI) Corp. and then invest in Mainland China.	224,081 (USD7,500 of thousand)	9,265 (USD300 of thousand)	-	233,346 (USD7,800 of thousand)	(23,080)	100%	(23,080) (Note1)	(176,070) (Note1)	-
DARSON ELECTRONICS (DONGGUAN) LTD.	Manufacturing of Cooling fan	30,179 (USD1,000 of thousand)	Invest through Y.H. Tech International Corp. and then invest in Mainland China.	30,179 (USD1,000 of thousand)	-	-	30,179 (USD1,000 of thousand)	43,709	100%	43,709 (Note1)	15,385 (Note1)	-
Investee company	**Main businesses and products**	**Received capital**	**Investment method**	**Accumulated amount invested**	**Invested capital remitted from orrepatriated to Taiwan**		**Invested capital remitted from or**	**Net income of investee**	**The Company'sdirect or indirect**	**Investment gain (loss)**	**Book value of the investme**	**Accumulated investment**

				in Mainland China as of Jan.1,2019	Remittance	Remittance	repatriated to Taiwan		investment ratio	recognized by the Company	nt as of Dec. 31, 2019	income repatriated to Taiwan as of Dec. 31,2019
SHANGHAI CHANSON WATER CO.,LTD.	Development and production of water making machine, pure water machine and purification device	20,503 (USD700 of thousand)	Invest through Yen Tong Tech International (Samoa) Corp. and then invest in Mainland China.	1,916 (USD60 of thousand)	-	-	1,916 (USD60 of thousand)	-	17.75%	-	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Manufacturing of heat sink	6,005 (CNY$1,300 of thousand)	Other methods (Note3)	-	-	-	-	33,383	100%	33,383 (Note1)	6,021 (Note1)	-

B. Limitation of investment amount to Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Upper Limit on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
265,623 (Note2) (US$8,860 of thousand)	316,589 (Note2) (US$10,560 of thousand)	566,477

(Note 1) Investment gains and losses are recognized in accordance with the financial report audited by the audit firm of the Company.
(Note 2) Translated with the exchange rate of balance sheet date.
(Note 3) Reinvest in Mainland China through DARSON ELECTRONICS (DONGGUAN) LTD.,

C. Significant transactions:

The significant inter-company transactions (direct or indirect) with the investees in Mainland China are disclosed in "Information on significant transactions".

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2019

Representation Letter

The entities that are required to be included in the combined financial statements of YEN SUN TECHNOLOGY CORP. 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, YEN SUN TECHNOLOGY CORP. and Subsidiaries do not prepare a separate set of combined financial statements.
Very truly yours,

YEN SUN TECHNOLOGY CORP.
By

____
CHEN,CHIEN-JUNG
Chairman
March 24, 2020

INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
YEN SUN TECHNOLOGY CORP.:

Opinion

We have audited the consolidated financial statements of YEN SUN TECHNOLOGY CORP. and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have judged the matters described below to be the key and it matters to be communicated in our report.

1. Loss allowance of accounts receivable

Please refer to Note 4(7) for significant accounting policies on loss allowance of accounts receivable and Note 5(1) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the loss allowance of accounts receivable is shown in Note 6(4) of the consolidated financial statements.

Description of key audit matter:

The Group selling cross-industry products and giving some customer longer credit term. The management has subjective and significant judgments with the loss allowance of receivables.

Therefore, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Group's internal control activities related to collection and inspecting the collection records after balance sheet date; inspecting and analyzing the receivable aging report; understating the assumptions made by the management and the industrial credit status, and considering the adequacy of the Group's disclosures in the accounts in order to evaluate the appropriateness of loss allowances recognized under default risk and expected credit loss model.

2. Valuation of inventory

Please refer to Note 4(8) for significant accounting policies on inventories and Note 5(2) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the inventory is shown in Note 6(6) of the consolidated financial statements.

Description of key audit matter:

The sales of the Group is affected by the selling seasons and consumers preference of products in the home appliance division, and the demand fluctuation of the automotive market and electronic information product in the electronic cooling division. Therefore, the sale fluctuate greatly may result in the book value of inventory exceeds its net realizable value. In addition, the subjective judgment of the management involves the relevant inventory valuation, so the inventory valuation is one of the important evaluation matters for the accountant to audit the consolidated financial statement.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included analyzing the changes of inventory turnover; evaluating the rationality of the Group's accounting policies, such as the policy of provision for inventory valuation and obsolescence; understanding the selling prices adopted by the management for evaluating the rationality of net realizable value of inventories, evaluating the appropriateness of provision and the adequacy of the Group's disclosures in the accounts made by the management.

Other Matter

YEN SUN TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the auditing standards genera1ly accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1.Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2.Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groups internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4.Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5.Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6.Obtain sufficient and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the onsolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Kaohsiung, Taiwan (Republic of China)

March 24, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial posit ion, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standard s, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

YEN SEN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollar)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 178,432	7	140,580	6
1110	Current financial assets at fair value through profit or loss (notes 6(2))	-	-	62	-
1151	Notes receivables, net (note 6(4) and (23))	20,978	1	30,082	2
1170	Accounts receivable, net (note 6(4) and (23))	696,195	29	647,990	28
130X	Inventories (note 6(6))	662,756	27	688,782	30
1470	Other current assets (note 6(12))	43,706	2	54,440	2
1476	Other current financial assets (note 6(5) and 8)	29,827	1	93,953	4
		1,631,894	67	1,655,889	72
	Non-Current Assets				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(3))	4,204	-	4,167	-
1600	Property, plant and equipment (note 6(8) and 8)	640,924	26	595,747	26
1755	Right-of-use assets (note 6(9))	125,550	5	-	-
1760	Investment Property (note 6(10))	12,856	1	6,228	-
1780	Intangible assets (note 6(11)) (note 6(11))	3,702	-	4,217	-
1840	Deferred income tax assets (note 6(20))	9,170	-	7,868	-
1980	Other non-current financial assets (note 6(5) and 8)	11,635	1	28,296	1
1995	Other non-current assets (notes 6(12))	4,642	-	12,318	1
		812,683	33	658,841	28
	Total Assets	**$ 2,444,577**	**100**	**2,314,730**	**100**

		December 31, 2019		December 31, 2018	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(l3) and 8)	$ 224,574	9	338,941	15
2170	Accounts payable	577,675	24	442,207	19
2200	Other payables	144,657	6	177,657	8
2230	Current income tax liabilities	17,034	-	18,870	1
2280	Current lease liabilities (note 6(16))	17,977	1	-	-
2320	Long-term borrowings, current portion (note 6(14),(15) and 8)	48,691	2	73,982	3
2399	Other current liabilities (note 6(17) and (23))	30,414	1	49,535	2
		1,061,022	43	1,101,192	48
	Non-current liabilities:				
2540	Long-term borrowings (note 6(14) and 8)	300,746	12	317,286	14
2570	Deferred tax liabilities (note 6(20))	127	-	-	-
2580	Non-current lease liabilities (note 6(16))	110,332	5	-	-
2640	Net defined benefit liability, non-current (note 6(19))	27,683	1	23,713	1
2600	Other non-current liabilities (note 6(17))	538	-	3,817	-
	Total non-current liabilities	439,426	18	344,816	15
	Total liabilities	1,500,448	61	1,446,008	63
	Equity attributable to owners of parent (note 6(21))：				
3100	Capital stock	697,869	29	678,357	29
3200	Capital surplus	119,761	5	114,729	5
3300	Retained earnings	109,353	4	63,523	3
3400	Other equity interest	17,146	1	12,113	-
	Total equity	944,129	39	868,722	37
	Total liabilities and equity	**$ 2,444,577**	**100**	**2,314,730**	**100**

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

YEN SEN TECHNOLOGY CORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Common Share)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenues (note 6(23))**	$ 2,986,079	100	2,569,289	100
5000	**Operating costs (notes 6(6)(19))**	2,451,926	82	2,053,740	80
5950	**Gross profit (loss) from operations**	534,153	18	515,549	20
6000	**Operating expenses (notes 6(19)(24))：**				
6100	Selling expenses	213,657	7	218,903	9
6200	General and administrative expenses	96,818	3	80,372	3
6300	Research and development expenses	127,180	4	116,861	5
6450	Expected credit impairment loss	25,689	1	3,664	-
	Total operating expenses	463,344	15	419,800	17
6900	**Net operating income**	70,809	3	95,749	3
7000	**Non-operating income and expenses(notes 6(25))：**				
7010	Other income	42,655	1	25,242	1
7020	Other gains and losses	(20,600)	(1)	1,432	-
7050	Finance costs	(16,155)	-	(11,202)	-
	Total non-operating income and expenses	5,900	-	15,472	1
7900	**Profit before income tax from continuing operations:**	76,709	3	111,221	4
7950	Income tax expense(notes 6(20))	26,243	1	28,047	1
8000	**Profit (loss) from continuing operations**	50,466	2	83,174	3
8100	**Income (Loss) from discontinued operations：**				
8101	Post-tax loss from discontinued operation(notes 6(7)(11))	-	-	(101,961)	(4)
8102	Loss after tax on disposal of discontinued operations	-	-	(12,764)	-
	Total loss on discontinued operations	-	-	(114,725)	(4)
8200	**Net Profit (loss)**	50,466	2	(31,551)	(1)
8300	**Other comprehensive income：**				
8310	**items that will not be reclassified to profit or loss**				
8311	Re-measurements of the defined benefit plans (notes 6(19))	(4,636)	-	(347)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(21))	37	-	936	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(4,599)	-	589	-
8360	**Items that will be reclassified to profit or loss**				
8361	Exchange differences on translation(notes 6(21))	4,996	-	2,546	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		4,996	-	2,546	-
8300	**Other comprehensive income, net**	397	-	3,135	-
8500	**Comprehensive income**	**$ 50,863**	**2**	**(28,416)**	**(1)**
	Basic earnings per share(in dollar, note6(22))				
9710	Profit from continuing operations before tax	$	0.73		1.24
9720	Loss from discontinued operations before tax	-			(1.71)
9750	Total basic earnings per share (in dollar)	**$**	**0.73**		**(0.47)**
	Diluted earnings per share (in dollar, note(6(22))				
9810	Profit from continuing operations before tax	$	0.72		1.24
9820	Loss from discontinued operations before tax	-			(1.71)
9850	Diluted earnings per share (in New Taiwan Dollars)	**$**	**0.72**		**(0.47)**

YEN SEN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018
(expressed in thousands of New Taiwan Dollar)

	Equity attributable to owners of parent											
	Share capital				Retained earnings				Other equity			
	Ordinary shares	**Entitled Certificate**	**Total**	**Capital surplus**	**Legal reserve**	**Special reserve**	**Unappropriated retained earnings**	**Total**	**Exchange differences on translation of foreign financial statements**	**Unrealized gains from financial assets measured at fair value through other comprehensive income**	**Total**	**Total equity**
Balance at January 1, 2018	$ 616,840	8,976	625,816	100,488	37,401	3,798	94,568	135,767	8,631	-	8,631	870,702
Loss	-	-	-	-	-	-	(31,551)	(31,551)	-	-	-	(31,551)
Other comprehensive income	-	-	-	-	-	-	(347)	(347)	2,546	936	3,482	3,135
Total comprehensive income	-	-	-	-	-	-	(31,898)	(31,898)	2,546	936	3,482	(28,416)
Appropriation and distribution of retained earnings：												
Legal reserve	-	-	-	-	5,993	-	(5,993)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	-	(40,346)	(40,346)	-	-	-	(40,346)
Conversion of convertible bonds	55,826	(3,285)	52,541	14,241	-	-	-	-	-	-	-	66,782
Balance at December 31, 2018	**672,666**	**5,691**	**678,357**	**114,729**	**43,394**	**3,798**	**16,331**	**63,523**	**11,177**	**936**	**12,113**	**868,722**
Profit	-	-	-	-	-	-	50,466	50,466	-	-	-	50,466
Other comprehensive income	-	-	-	-	-	-	(4,636)	(4,636)	4,996	37	5,033	397
Total comprehensive income	-	-	-	-	-	-	45,830	45,830	4,996	37	5,033	50,863
Conversion of convertible bonds	25,203	(5,691)	19,512	5,032	-	-	-	-	-	-	-	24,544
Balance at December 31, 2019	**$ 697,869**	**-**	**697,869**	**119,761**	**43,394**	**3,798**	**62,161**	**109,353**	**16,173**	**973**	**17,146**	**944,129**

See accompanying notes to consolidated financial statements

YEN SEN TECHNOLOGY CORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018
(expressed in thousands of New Taiwan Dollar)

	2019	2018
Cash flows from (used in) operating activities：		
Profit before tax from continuing operations	$ 76,709	111,221
Loss before tax from discontinued operations	-	(114,725)
Profit (loss) before tax	76,709	(3,504)
Adjustments：		
Adjustments to reconcile profit (loss)		
Expected credit impairment loss (reversal gain)	25,689	3,664
Depreciation expense	83,517	41,279
Amortization expense	2,077	4,782
Net profit on financial assets or liabilities at fair value through profit or loss	(14)	(538)
Interest expense	16,155	11,202
Interest income	(3,208)	(1,835)
Dividend income	-	(54)
Loss on disposal of investment property and property, plant and equipment	1,165	8
Loss on disposal of home appliances department in Mainland China	-	12,764
Impairment loss on intangible assets	-	33,590
Unrealized foreign exchange loss (gain)	(15,792)	2,616
Amortization of long-term prepayment for rents	-	453
Total adjustments to reconcile profit	109,589	107,931
Changes in operating assets and liabilities：		
Changes in operating assets：		
Financial assets mandatorily measured at fair value through profit or loss	-	4,018
Notes receivable	9,104	82
Accounts receivable	(42,191)	(132,769)
Inventories	26,026	(188,348)
Other current assets	11,468	(10,723)
Other financial assets	(2,359)	(9,097)
	2,048	(336,837)
Changes in operating liabilities：		
Notes payable	-	(8,320)
Accounts payable	140,088	103,612
Other payable	(31,961)	47,691
Other current liabilities	(21,248)	7,682
Net defined benefit liability	(666)	(3,207)
	86,213	147,458
Total changes in operating assets and liabilities	88,261	(189,379)
Total adjustments	197,850	(81,448)
Cash inflow generated from operations	274,559	(84,952)
Interest received	913	1,310
Dividends received	-	54
Interest paid	(16,186)	(10,404)
Income taxes paid	(29,988)	(23,441)
Net cash flows from (used in) operating activities	229,298	(117,433)
Cash flows from (used in) investing activities：		
Decrease in other financial assets	31,158	22,265
Acquisition of property, plant and equipment	(109,858)	(203,886)
Proceeds from disposal of investment property and property , plant and equipment	323	1,470
Proceeds from disposal of home appliances department	31,414	31,689
Increase in guarantee deposits paid	(228)	(766)
Acquisition of intangible assets	(1,562)	(1,188)
Increase in other non-current assets	(4,642)	(4,153)
Net cash flows from (used in) investing activities	(53,395)	(154,569)
Cash flows from (used in) financing activities：		
(Decrease) increase in short-term borrowings	(114,604)	144,916
Proceeds from long-term borrowings	35,000	303,000
Repayment of long-term borrowings	(52,245)	(146,242)
Decrease in guarantee deposits received	(1,152)	(7,789)
Payment of lease liabilities	(15,943)	-
Cash dividends paid	-	(40,346)
Net cash flows from (used in) financing activities	(148,944)	253,539
Effect of exchange rate changes on cash and cash equivalents	10,893	2,423
Net increase (decrease) in cash and cash equivalents	37,852	(16,040)
Cash and cash equivalents at beginning of period	140,580	156,620
Cash and cash equivalents at end of period	$ 178,432	140,580

See accompanying notes to consolidated financial statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan Dollar unless otherwise specified)

1. Company history

Yen Sun Technology Corporation (the "Company") was incorporated in March, 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The consolidated financial statements comprise the Company and subsidiaries (jointly referred to the Group). The major business activities of the Company are the manufacture and sale of home appliances and electronic cooling products such as electric fans, electric cookers, induction cookers, juice machines, bowl dryers, water dispensers, dehumidifiers, electric heaters and other home appliances, cooling fans , heat sink and thermal modules. (Please refer to Note 14.) The Company's common shares were listed on the Taipei Exchange in December 23, 2004..

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2020.

3. New standards, amendments and interpretations adopted

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

A. IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases-Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019.

The details of the changes in accounting policies are disclosed below,

(a) Definition of a lease

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group 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 there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the Group 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 Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases **–** i.e. these leases are on-balance sheet.
The Group decided to apply recognition exemptions to short-term leases of office and office equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. Right-of-use asset will be use with equal amount to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

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

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

－Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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

(continued)

(c) As a lessor

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

(d) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $119,208 thousand of right-of-use assets and $119,208 thousand of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at the date of initial application. The weighted-average rate applied is 3.225%. Additionally, the right to use land was previously recognized under long-term prepayment for rents, in IFRS 16 at the date of initial application have been reclassified to investment property which is $7,537 thousand of right-of-use asset.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 38,693
Recognition exemption for:	
Short-term leases	(1,630)
Extension and termination options reasonably certain to be exercised	106,813
	$ 143,876
Discounted using the incremental borrowing rate at January 1, 2019	**$ 119,208**
Lease liabilities recognized at January 1, 2019	**$ 119,208**

(2) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(continued)

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

(a) Financial instruments at fair value through profit or loss are measured at fair value;

(b) Financial assets at fair value through other comprehensive income are measured at fair value;

(c) The defined benefit liabilities are measured at fair value of pension fund less the present value of the defined benefit obligation, limited as explained in Note 4(16).

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

 (continued)

B. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Business activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Explanation
The Company	YEN SUN TECHNOLOGY (BVI) CORP.	Investment holding	100%	100%	Non-major Subsidiary
The Company	YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	Major Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Investment holding	100%	-	Non-major Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.(“YEN JIU)	Sales and manufacture of home appliances products	100%	100%	Major Subsidiary
YEN SUN TECHNOLOGY (BVI) CORP.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD. (“SHANGHAI YENSUN”)	Sales and manufacture of home appliances products	100%	100%	Non-major Subsidiary
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN HUNG INTERNATIONAL CORP.	Investment holding	100%	100%	Major Subsidiary
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	Non-major Subsidiary
YEN HUNG INTERNATIONAL CORP.	Y.H.TECH INTERNATIONAL CORP.	Investment holding	100%	100%	Major Subsidiary
Y.H.TECH INTERNATIONAL CORP.	DARSON ELECTRONICS (DONGGUAN) LTD. (“DARSON”)	Manufacture of electronic cooling products	100%	100%	Major Subsidiary
DARSON ELECTRONICS (DONGGUAN) LTD.	YEN GIANT METAL (DONGGUAN) CO., LTD. (“YEN GIANT”)	Manufacture of heat sink and thermal module products	100%	100%	Non-major Subsidiary

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(a) An investment in equity securities designated as at fair value through other comprehensive income;

(b) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(c) Qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current

.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Business model assessment

(continued)

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated ─ e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(e) Assessment whether contractual cash flows are solely payments of principal and Interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；

(continued)

- prepayment and extension features；and
- terms that limit the Group’s claim to cash flows from specified assets（e.g. non-recourse features.

(f) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables , guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes receivable, accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

If there is a low risk of default on financial asset, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations, the financial asset would be considered low credit risk.

When the contract amount is past due or the borrower is unlikely to pay its credit obligations to the Group in full, the Group considers the credit risk on a financial asset has increased significantly or a financial asset to be in default.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(g) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in

(continued)

capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(f) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present occasion and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

When the use of a property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(continued)

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings: 3 to 60 years

(b) machinery equipment: 2 to 10 years

(c) mold equipment: 1 to 5 years

(d) transportation equipment: 5 to 6 years

(e) office equipment: 3 to 8 years

(f) others: 2 to 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date / each annual reporting date and adjusted if appropriate.

D. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(11) Leases

Applicable from January 1, 2019

A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

(continued)

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 Group assesses whether:

(a) the contract involves the use of an identified asset – this may be specified 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

(b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, at the time of lease of land and construction, the Company chooses to treat the lease component and the non-lease component as part of a single lease without distinguishing between non-lease components.

B. As a lessee

The Group 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 payments made at or before the commencement date, plus any initial direct costs 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 incentives 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 right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

(a) fixed payments, including in-substance fixed payments;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

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

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise a extension or termination option; or

(e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(continued)

The Group chose not to recognize the right-of-use assets and lease liabilities of short-term leases and low-value underlying asset lease of office and office equipment. The Group recognizes the lease payments related to these leases as expenses on a straight-line basis during the lease term.

C. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Applicable before January 1, 2019

(a) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(b) Lessee

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(12) Intangible assets

A. Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. 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 expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

(a) Patents: 10 to 20 years

(b) Computer software cost: 1 to 6years

(c) Technology licensing: 2 to 10years

(continued)

(d) Trademark: 30years
Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities, except when the recognition of finance cost for a short-term provision was insignificant.

(15) Recognition of revenue

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. Group's main types of revenue are explained below.

(a) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group grants its customers the right to return the product within certain term. Therefore, the Group reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to Note 4(14).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.
A contract liability is recognized when receipt of a prepayment from a customer. Contract liability is recognized as revenue when control over the property has been transferred to the customer.

(b) Financing components.

The group expects the period between the transfer of every contracted goods to the customers and payment by the customers will not exceeds over one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

B. Contract costs

(a) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(b) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying(or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. +The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

A short-term employee benefit is based on undiscounted part and will be recognized as expenses as the related service is provided.

D. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(17) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized 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.

(18) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities ; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (a) the same taxable entity; or

    (b) different taxable entitle which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(19) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(20) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(21) Discontinued operations

A discontinued operation is a component of the Group's business that either has been disposed, or is classifies as held for sale, and represents a separate major line of business or geographic area of operations; or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(1) The loss allowance of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(4) .

(2) Valuation of inventory

Since inventory must be measured between the lower cost and net realizable value, the Group assesses the amount of inventory due to normal wear and tear, obsolescence or no market sales value on the reporting date, and writes down the cost of inventory to net realizable value. This inventory evaluation is mainly based on the product demand in specific period in the future as the basis for estimation, so it may cause significant changes due to rapid industrial changes. Please refer to Note 6 (6) for further description of inventory valuation.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018

(continued)

Cash and petty cash	$	1,152	1,819
Checking deposits		50	50
Demand deposits		176,930	135,954
Time deposits		300	2,757
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**178,432**	**140,580**

Please refer to Note 6(26) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

		December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss：			
Derivative instruments			
Embedded derivative-convertible bonds	**$**	**-**	**62**

Please refer to note 6(26) for the Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss.

(3) Financial assets at fair value through other comprehensive income－Non-current

		December 31, 2019	December 31, 2018
Equity instruments at fair value through other comprehensive income			
Foreign un-listed stocks－Y.S. Tech U.S.A Inc.	**$**	**4,204**	**4,167**

The Group intends to hold this equity Instrument for long-term strategic purposes and not for trade intend therefore the Group designated this investments as equity securities at fair value through other comprehensive income.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019 and 2018.

For information of market risk, please refer to Note 6(27)

None of the above financial assets at fair value through other comprehensive profit or loss have been provided as collateral.

(4) Notes and accounts receivable

		December 31, 2019	December 31, 2018
Notes receivable from operating activities	$	724,649	676,535
Accounts receivables–measured as amortized cost		(28,454)	(28,545)
Less: Allowance for impairment	**$**	**696,195**	**647,990**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The exposures to credit risk and expected credit losses for trade receivables were determined as follows:

	December 31, 2019		
	Carrying amount of Notes and accounts receivable	**Weighted-average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not over due	$ 683,148	0.01%	79
Overdue less than 90 days	27,041	0.54%	147
Overdue 91 to 180 days	9,856	26.89%	2,650
Overdue 181 to 240 days	19	76.70%	15
Overdue 241 to 365 days	2	100.00%	2
Overdue over 366 days	25,561	100.00%	25,561
	$ 745,627		28,454

	December 31, 2018		
	Carrying amount	**Weighted-average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not over due	$ 639,923	0.10%	687
Overdue less than 90 days	24,336	2.00%	487
Overdue 91 to 180 days	14,799	3.00%	444
Overdue 181 to 240 days	43	5.00%	2
Overdue 241 to 365 days	657	10.00%	66
Overdue over 366 days	26,859	100.00%	26,859
	$ 706,617		28,545

(continued)

The movement in the provision for impairment loss with respect to trade receivables was as follows：

	2019	2018
Balance at January 1	$ 28,545	25,271
Impairment losses recognized	2,877	3,664
Amounts written off	(1,345)	-
Foreign exchange losses	(1,623)	(390)
Balance at December 31	$ 28,454	28,545

None of the above financial assets have been provided as collateral.

Please refer to Note 6(26) for credit risk.

(5) Other financial assets

	December 31, 2019	December 31, 2018
Refundable deposits	$ 7,462	7,234
Other receivables－disposal of operation department in Mainland China	22,833	51,325
Other receivables－Other	22,801	21,329
Restricted deposits	11,203	42,361
Less: Loss allowance	(22,837)	-
	$ 41,462	122,249
Book as:		
Other financial assets－current	$ 29,827	93,953
Other financial assets－non-current	11,635	28,296
	$ 41,462	122,249

Please refer to Note 6(26) for credit risk. The abovementioned other financial assets pledged as collateral for borrowings are disclosed in Note 8.

(6) Inventories

	December 31, 2019	December 31, 2018
Raw materials and supplies	$ 268,830	258,412
Work in progress	148,692	131,190
Finished goods and Merchandise inventories	245,234	299,180
	$ 662,756	688,782

The cost of inventories recognized as the cost of goods sold and expenses in 2019 and 2018 were $2,421,079 thousand and $2,201,497 thousand, respectively. Recognition of inventory impairment losses in 2019 and 2018 due to write-off of inventories to net realizable value was $12,896 thousand and $70,315 thousand, and has been recognize under operating costs (including the operating costs of discontinued operation which is 0 thousand and $45,842 thousand, respectively).

Abovementioned inventories were not pledged as collateral.

(7) Discontinued operations

The Company's subsidiary, SHANGHAI YENSUN Company, signed a transfer agreement with a company in the second quarter of 2018 to sell the trademark rights of SUNPENTOWN in Mainland China, its related inventory, business items, claim and debts. Caused it reclassified to discontinued operations.

The total sale price of the transfer agreement is $20,000 thousand RMB (including tax, which is equivalent to approximately $93,500 thousand NTD at the exchange rate on the date of the transfer agreement, and the untaxed amount is approximately $84,025 thousand NTD). According to the agreement, the selling price will be pay in installments for a period of 3 years. The sale price is calculated based on the discounted value of $78,752 thousand NTD at the interest rate of 6.6%, and the loss on sale is $10,974 thousand NTD.

In addition, due to the discontinued of the Mainland China home appliance department, the loss of other related assets was $1,790 thousand NTD. The total loss due to the disposal of the Mainland China home appliance department was $12,764 thousand NTD, which recognized as loss on disposal of discontinued operations (after tax) under the discontinued operations of the consolidated comprehensive profit and loss statement.

Relevant information about the accounts receivable of the above transactions, please refer to Note 6(5).

The details of the carrying amount of the assets and liabilities of the Mainland China home appliance department on April 28, 2018 were as follows:

	April 28, 2018
Accounts receivable	$ 7,013
Inventory	47,477
Property, plant and equipment	202
Intangible assets	42,249
Refundable deposits	1,588
Guarantee deposits received	(7,013)
Carrying amount of net assets	**$ 91,516**

Profit and loss, and cash flows from (used in) discontinued operations are summarized as follows:

Results from operating activities:	2018
Operating revenue	$ 21,333
Operating cost	71,923
Gross profit	(50,590)
Operating expenses	17,768
Operating income	(68,358)
Non-operating income and expenses	(33,603)
Loss from discountinued operation	**$ (101,961)**

Cash flows from (used in) discontinued:	2018
Net cash flows from operating activities	$ (22,775)
Cash flows from investing activities	439
Cash flows from financing activities	(3,288)
Effect of exchange rate changes on cash and cash equivalents	(493)
Net cash outflows	**$ (26,117)**

(8) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings and Structures	Machinery and equipment	Mold Equipment	Miscellaneous equipment	Construction in progress	Total
Cost or deemed cost：							
Balance at January 1,2019	$ 267,535	23,950	183,868	388,340	84,710	134,065	1,082,468
Additions	-	29,828	47,854	22,295	12,937	505	113,419
Reclassifications	-	129,055	-	-	5,073	(134,128)	-
Disposals	-	-	(4,012)	(6,872)	(7,100)	-	(17,984)
Effect of movements in exchange rates	-	(547)	(2,713)	(1,734)	(506)	(16)	(5,516)
Balance at December 31, 2019	**$ 267,535**	**182,286**	**224,997**	**402,029**	**95,114**	**426**	**1,172,387**
Balance at January 1,2018	$ 267,535	23,197	148,311	391,737	75,950	-	906,730
Additions	-	1,232	37,425	31,818	12,515	134,065	217,055
Disposals	-	(387)	(642)	(34,322)	(932)	-	(36,283)
Disposals- Discontinued operations	-	-	(86)	-	(2,627)	-	(2,713)
Effect of movements in exchange rates	-	(92)	(1,140)	(893)	(196)	-	(2,321)
Balance at December 31, 2018	**$ 267,535**	**23,950**	**183,868**	**388,340**	**84,710**	**134,065**	**1,082,468**

(continued)

	Land	Buildings and Structures	Machinery and equipment	Mold Equipment	Miscellaneous equipment	Construction in progress	Total
Accumulated depreciation and impairment：							
Balance at January 1,2019	$ -	14,070	113,169	297,769	61,713	-	486,721
Depreciation for the year	-	11,706	17,149	28,313	7,215	-	64,383
Disposals	-	-	(3,135)	(6,601)	(6,760)	-	(16,496)
Effect of movements in exchange rates	-	(242)	(1,365)	(1,211)	(327)	-	(3,145)
Balance at December 31, 2019	$ -	25,534	125,818	318,270	61,841	-	531,463
Balance at January 1,2018	$ -	13,605	104,761	306,797	60,195	-	485,358
Depreciation for the year	-	557	9,739	25,678	4,996	-	40,970
Disposals	-	-	(578)	(34,071)	(907)	-	(35,556)
Disposals- Discontinued operations	-	-	(56)	-	(2,455)	-	(2,511)
Effect of movements in exchange rates	-	(92)	(697)	(635)	(116)	-	(1,540)
Balance at December 31, 2018	$ -	14,070	113,169	297,769	61,713	-	486,721
Carrying amounts：							
Balance at December 31, 2019	$ 267,535	156,752	99,179	83,759	33,273	426	640,924
Balance at January 1,2018	$ 267,535	9,592	43,550	84,940	15,755	-	421,372
Balance at December 31, 2018	$ 267,535	9,880	70,699	90,571	22,997	134,065	595,747

The amount of Group's capitalization of interest in 2018 was 1,519 thousand, and the average capitalization interest rate was 1.61%. Please refer to Note 6(25) for detail of disposal gain and loss.

The information have been used as collateral of the long-term and short-term borrowing in December 31, 2019 and 2018. Please refer to Note 8.

(9) Right-of-use assets

The cost and accumulated depreciation of the Group's lease of Buildings, construction and transportation equipment, etc., its movements were as follows:

	Buildings	Transportation equipment	Total
Right-of-use assets cost：			
Balance at January 1,2019	$ 116,788	2,420	119,208
Additions	13,113	1,435	14,548
Re-measurement (The changes of contract rent)	14,586	-	14,586
Effect of movements in exchange rates	(4,637)	-	(4,637)

(continued)

	Buildings	Transportation equipment	Total
Balance at December 31, 2019	$ 139,850	3,855	143,705
Accumulated Depreciation：			
Balance at January 1,2019	$ -	-	-
Depreciation for the period	17,347	1,377	18,724
Effect of movements in exchange rates	(569)	-	(569)
Balance at December 31, 2019	$ 16,778	1,377	18,155
Carrying amounts：			
Balance at December 31, 2019	$ 123,072	2,478	125,550
Balance at January 1,2019	$ 116,788	2,420	119,208

Please refer to Note 3 (1) for the information of Balance at January 1, 2019.

(10) Investment Property

Investment property includes property owned by Group and right-of-use asset. The leases of right-of-use asset s contain an initial non-cancellable lease term of 50 years. The non-cancellable lease term remaining 26 years by the time of January 1, 2019.

The movements of investment property are as follows:

	Owned property	Right-of-use assets	
	Building and construction	Land	Total
Cost or deemed cost：			
Balance at January 1,2019	$ 58,090	7,537	65,627
Effect of movements in exchange rates	(2,169)	(282)	(2,451)
Balance at December 31, 2019	$ 55,921	7,255	63,176
Balance at January 1, 2018	$ 61,184	-	61,184
Disposals	(1,883)	-	(1,883)
Effect of movements in exchange rates	(1,211)	-	(1,211)
Balance at December 31, 2018	$ 58,090	-	58,090

	Owned property	Right-of-use assets	
	Building and construction	Land	Total
Accumulated depreciation and impairment losses:			
Balance at January 1,2019	$ 51,862	-	51,862
Depreciation for the period	120	290	410

		Owned property	Right-of-use assets	
		Building and construction	**Land**	**Total**
Effect of movements in exchange rates		(1,941)	(11)	(1,952)
Balance at December 31, 2019	$	50,041	279	50,320
Balance at January 1,2018	$	53,765	-	53,765
Depreciation for the period		309	-	309
Disposals		(1,132)	-	(1,132)
Effect of movements in exchange rates		(1,080)	-	(1,080)
Balance at December 31, 2018	$	51,862	-	51,862
Carrying amounts：				
Balance at January 1,2019	$	6,228	7,537	13,765
Balance at December 31, 2019	$	5,880	6,976	12,856
Balance at January 1,2018	$	7,419	-	7,419
Balance at December 31, 2018	$	6,228	-	6,228

The fair value of investment property is $29,356 thousand and $14,550 thousand respectively, and its evaluation basis considers the aggregate amount of estimated cash flows expected to be received if the property is leased. And discounts it by using a rate of return that reflects the specific risks inherent in the net cash flow to determine the value of the property. The yield ranges which adopted in 2019 and 2018 are as follows:

Location	**2019**	**2018**
Shanghai, Mainland China	5.04%	5.04%

As of December 31, 2019 and 2018, the investment property was not pledged as collateral.

(11) Intangible assets

The cost, amortization and impairment loss of the Group's intangible assets are as follows:

		Trademark rights	Computer software	Other	Total
Cost:					
Balance at January 1,2019	$	-	40,872	19,331	60,203
Additions		-	1,562	-	1,562
Disposals		-	-	(1,800)	(1,800)
Balance at December 31, 2019	$	-	42,434	17,531	59,965
Balance at January 1,2018	$	**77,605**	**39,684**	**27,323**	**144,612**

	Trademark rights	Computer software	Other	Total
Additions	-	1,188	-	1,188
Disposals	-	-	(7,992)	(7,992)
Disposals-Discontinued operations	(79,475)	-	-	(79,475)
Effect of movements in exchange rates	1,870	-	-	1,870
Balance at December 31, 2018	$ -	40,872	19,331	60,203
Accumulated amortization and impairment losses:				
Balance at January 1,2019	$ -	37,502	18,484	55,986
Amortization for the year	-	1,895	182	2,077
Disposals	-	-	(1,800)	(1,800)
Balance at December 31, 2019	$ -	39,397	16,866	56,263
Balance at January 1,2018	$ 2,587	34,130	25,845	62,562
Amortization for the year	779	3,372	631	4,782
Impairment loss	33,590	-	-	33,590
Disposals	-	-	(7,992)	(7,992)
Disposals-Discontinued operations	(37,226)	-	-	(37,226)
Effect of movements in exchange rates	270	-	-	270
Balance at December 31, 2018	$ -	37,502	18,484	55,986
Book value detail:				
Balance at December 31, 2019	$ -	3,037	665	3,702
Balance at January 1,2018	$ 75,018	5,554	1,478	82,050
Balance at December 31, 2018	$ -	3,370	847	4,217

A. Impairment loss of Intangible assets

The trademark rights in the intangible assets of the Group belong to the Mainland China home appliance department, and it is the minimum level of the management of trademark rights assets under the Group′s investment.
In the first quarter of 2018, the Group re-examined the strategic direction and resource allocation of various operating departments according to the future operating strategy.

Due to this strategic adjustment will lead to significant changes in the value of the above trademark rights, the Group conducted

(continued)

impairment assessment. The Group decides the recoverable amount based on the fair value less cost to sell by using the relief from royalty method. The estimated on book fair value of trademark rights is based on discounted cash flows of the future expected amount of royalty relief and the report from external independent appraiser.

In the first quarter of 2018, according to estimated fair value the recoverable amount was 42,118 thousand ; lower than the carrying amount of it ,which is 75,708 thousand. Therefore, impairment loss of 33,590 thousand was recognized in the first quarter of 2018. In the second quarter, Group has sold the trademark of the Mainland China home appliance operating department. Therefore the above losses are reported in the consolidated statement of comprehensive income as loss after tax of discontinued operation under the profit and loss of discontinued operation.

The fair value measurement of trademark rights in the first quarter of 2018 was classified as a level 3 by using significant unobservable inputs. The discount rate is 12.1164%, the royalty rate is 3.24%, and the remaining useful lives of the trademark right is 30 years, used as the key assumption of estimating the recoverable amount. This amount of key assumption also represent the assessment to future trend of China home appliance; internal and external historical information also been consider.

The difference between the recoverable amount calculated at fair value less the costs to sell and the carrying amount has been recognized as impairment loss, so the recoverable amount is equal to book amount; If there are significant adversely changed to the assumptions, the amount of impairment loss will be increased.

B. Collateral

None of any Group's intangible asset was pledged as collateral.

(12) Other current assets and Other non-current assets

The other current assets others and other non-current assets of the Group were as follows:

	December 31, 2019	December 31, 2018
Prepayment for purchases	$ 8,817	7,523
Prepaid expense	8,170	8,802
Prepayments for equipment	4,642	4,781
Long term prepaid rents	-	7,537
Income tax refund receivable	22,301	33,382
Assets for right to recover product to be returned	3,684	4,712
Other	734	21
	$ 48,348	**66,758**

	December 31, 2019	December 31, 2018

Current	$ 43,706	54,440
Non-current	4,642	12,318
	$ 48,348	**66,758**

The Group applied IFRS 16 with a date of initial application on January 1, 2019, the long-term prepayment for rents have been reclassified as right-of-use asset under investment property in January 1, 2019. Please refer to Note 6(10).

(13) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2019	December 31, 2018
Letters of credit	$ 6,586	1,726
Unsecured bank loans	137,988	212,000
Secured bank loans	80,000	125,215
Total	**$ 224,574**	**338,941**
Unused short-term credit lines	**$ 615,106**	**790,203**
Range of interest rates	**1.25%～3.48%**	**0.75%～4.61%**

For the collateral information of Group using asset as collateral for bank borrowings, please refer to Note 8.

Please refer to Note 6(26) for the interest rate risk, exchange rate risk and sensitivity analysis of the financial liabilities of the Group.

(14) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2019			
	Currency	**Interest rate range**	**Maturity period**	**Amount**
Unsecured bank borrowings	NTD	1.73%～1.88%	May 24, 2020～August 13, 2022	$ 57,152
Secured bank loans	NTD	1.55%～1.7%	December 6, 2025～November 21, 2033	292,285
				349,437
Less: current portion				48,691
Total				**$ 300,746**
Unused long-term credit lines				**$ -**

	December 31, 2018			
	Currency	**Interest rate range**	**Maturity period**	**Amount**
Unsecured bank borrowings	NTD	1.40%～1.68%	July 18, 2019～May 24, 2020	$ 63,682
Secured bank loans	NTD	1.55%～1.7%	December 6, 2025～November 21, 2033	303,000
				366,682
Less: current portion				49,396
Total				$ 317,286
Unused long-term credit lines				$ -

Assets pledged as collateral for long-term borrowings are disclosed in Note 8.

In 2018, Group early repaid the 98,000 thousand of the long –term borrowing that will due in 2031. A 303,000 thousand of long-term borrowing were re-sign and will be use as working capital.

(15) Bonds payable

The details of unsecured convertible bonds of the Company were as follows:

	December 31, 2019	December 31, 2018
The fifth secured domestic convertible bonds-TWD	$ -	24,586
Less: current portion	-	24,586
Total	$ -	-

For the details of conversion of corporate bonds to the share capital of the Group due to the holder's exercise of conversion rights in 2018 and 2019, please refer to Note 6 (21).

The major terms of unsecured domestic convertible bonds issued by Group are as follows:

(continued)

Items	The fifth secured domestic convertible bonds
(a) Total issue amount	200,000 thousand
(b) Issue price	100 thousand
(c) Publish date	2016.3.30
(d) Maturity date	5 years
(e) Interest rate	0%
(f) Conversion price	At the beginning of publish, the conversion price was 13.6 per share; the conversion price shall be the simple arithmetical average closing price of the common shares of the Company for either one, three or five business days before the pricing date (exclusive), multiplied by the premium ratio of 110% (rounded off to the 2nd decimal place). If the ex-dividend and the ex-rights date happens before the pricing date, the closing price which was adopted to calculate the conversion price should be adjusted for the distribution of stock dividends and cash dividends; and if the ex- dividend and the ex-rights date happens between the conversion price determination date and the actual issuance date, the conversion price should be modified by the conversion price adjustment formula. As of December 31, 2018, the conversion price was 12.3 per share.
(g) Conversion period	The bondholder can convert the bonds by conversion price into shares any time between the month after the issuance date and before the maturity day, except the closing period.
(h) Repurchase at the option of the bondholders (put option of the bondholders)	Within 30 days before the day of Group's bonds been published for three years. The bondholders is required in writing to request the company to use the bond face value plus interest compensation debt redemption within 30 days after the company announces that the bondholders have exercised the right to sell back. Redeem it by cash with 103.797% of the bond face value (Real yield 1.25%).
(i) Redemption at the option of the Company (call option of the Company)	(i)If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 30th day after the share issuance date and the 40th day before the maturity date, the Company may redeem all the bonds in their face value with cash. (ii)If the amount outstanding of bonds is less than 10% of the principal amount between the 30th day after the share issuance date and the 40th day before the maturity date, the Company may redeem the outstanding bonds in their face value with cash.
(j) Repaid on the maturity	Except for the bonds that been bought back by the company at the securities firm’s business premises, or those been redeemed, sold back and converted. At maturity, the bond’s face value is added with 6.408% of its face value (the real yield is interest compensation of 1.25%) will be repaid in cash.

(continued)

For the collateral information of Group using asset as collateral for bonds payable, please refer to Note 8.

(16) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2019
Current	$ 17,977
Non-current	$ 110,332

For maturity analysis, please refer to Note 6 (26) Financial Instruments.

The amounts recognized in profit or loss were as follows：

	2019
Interest on lease liabilities	$ 5,745
Expenses relating to short-term leases	$ 2,244
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 680

The amounts recognized in the statement of cash flows for the Group were as follow：

	2019
Total cash outflow for leases	$ 24,612

A. Lease of land, Building and construction

Group leases buildings for its factory and warehouse. The leases typically run for a period of 3 to 8 years. Some leases include an option to renew the lease after the end of the contract term.

B. Other leases

The Group leases transportation and equipment, with lease terms of 3 to 4 years. The Group also leases office and office equipment with contract terms of 1 to 3 years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(17) Other current and non-current liabilities

The details of other current and non-current liabilities were as follows:

	December 31, 2019	December 31, 2018
Advance receipts	$ 5,294	3,304
Guarantee deposit received	3,057	4,210
Provision for warranties	1,243	2,110
Refund liabilities	9,627	13,081
Other	11,731	30,647
	$ 30,952	53,352

(continued)

	December 31, 2019	December 31, 2018
Current	$ 30,414	49,535
Non-Current	538	3,817
	$ 30,952	**53,352**

In addition, the movements in provision for warranties are as follows:

	2019	2018
Balance at January 1	$ 2,110	2,818
Provisions made during the year	1,243	2,110
Provisions used and reversed during the year	(2,110)	(2,818)
Balance at December 31	**$ 1,243**	**2,110**

The provision for warranties relates mainly to home appliance sold during the years ended 31 December 2019 and 2018. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(18) Operating lease

Leases as lessee

Non-cancellable operating lease rentals payable was as follows:

	December 31, 2018
Less than one year	$ 17,054
Between one and five years	21,639
	$ 38,693

A. The Group leases a number of operation facilities and warehouse under operating leases. The leases term end at July 19, 2022.

B. Group obtain the right to use land of Lot 22, Baoqiao Village, Malu Town, Jiading District, Shanghai by assigning contract with Shanghai Municipality Land Administration Bureau (later Planning and Land Resources Administration of Shanghai Municipality).The 50 years lease term started in June, 1993 and will be expire in June, 2043. Rent been paid in a lump and recognized as long-term prepayment for rents, please refers to Note6(12)

During 2018, an amount of 20,210 thousand was recognized as an expense in profit or loss in respect of operating leases.

(19)Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 44,143	38,334
Fair value of plan assets	(16,460)	(14,621)
Net defined benefit liabilities	$ 27,683	23,713

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Group set aside pension funds in accordance with the legislation from the and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Group's labor pension reserve account balance in Bank of Taiwan amounted to $16,460 as of December 31, 2019. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2019	2018
Balance at January 1	$ 38,334	41,617
Current service and interest cost	665	702
Re-measurement of the net defined benefit liability		
－Actuarial loss (gain) arising from experience	1,725	(2,570)
－Actuarial loss (gain) based on demographic assumptions	3,419	3,299
Benefits paid	-	(4,714)
Defined benefit obligations at December 31	$ 44,143	38,334

(continued)

(c) Movements of defined benefit plan assets fair value

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		2019	2018
Fair value of plan assets at January 1	$	14,621	15,044
Interest cost(income)		203	210
Re-measurement of net defined benefit liability			
－Return on plan assets(excluding current interest cost)		508	382
Contributions paid by the employer		1,128	3,699
Benefits paid		-	(4,714)
Fair value of plan assets at December 31	**$**	**16,460**	**14,621**

(d) Cost recognized in profit or loss

The details of Cost recognized in profit or loss were as follows:

		2019	2018
Current service cost	$	139	130
Interest cost on net defined benefit liability		323	362
	$	**462**	**492**
Operating cost	$	115	123
Selling expenses		270	287
General and administrative expenses		77	82
	$	**462**	**492**

(e) Remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income

The remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income was as follow:

		2019	2018
Cumulative amount at January 1	$	9,302	8,955
Recognized during the period		4,636	347
Cumulative amount at December 31	**$**	**13,938**	**9,302**

(continued)

(f) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2019	December 31, 2018
Discount rate at December 31	1.000%	1.375%
Future salary increase rate	3.000%	2.000%

The expected amount of contributions for the following year after the reporting date is $458 thousand. The weighted-average lifetime of the defined benefit obligation is 13.81 years.

(g) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
December 31, 2019	**Increased 0.25%**	**Decreased 0.25%**
Discount rate	$ (1,369)	1,418
Change in future salary	1,359	(1,327)

	Influences of defined benefit obligations	
December 31, 2018	**Increased 0.25%**	**Decreased 0.25%**
Discount rate	$ (1,244)	1,295
Change in future salary	1,263	(1,219)

The above sensitivity analysis analyzing the effects of changes in single assumptions is based on other assumptions remaining unchanged. In actuality, changes in some assumptions may be linked together. The sensitivity analysis and calculation of the net pension liability on the balance sheet were performed using the same approach.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

A. Defined contribution plans

The Company and its subsidiary YEN JIU Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this

(continued)

defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's entities other than those described in the previous paragraph are based on their respective local regulation of defined contribution plans, the accrued expenses should be recognized as current expenses.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to 17,873 thousand and 15,802 thousand for the years ended December 31, 2019 and 2018, respectively.

(20) Income tax

A. Tax expense

The amounts of income tax expense were as follows:

		2019	2018
Current tax expense			
Current	$	24,084	28,744
Adjustment for prior periods		3,334	1,551
		27,418	30,295
Deferred income tax benefit			
Origination and reversal of temporary differences		(1,118)	(512)
Adjustment in tax rate		-	(990)
Change in unrecognized deductible temporary differences		(57)	(746)
		(1,175)	(2,248)
Income tax expense		**26,243**	**28,047**
Income tax expense from continuing operations	$	26,243	28,047
Income tax from discontinued operation		-	-
Income tax on gain on sale of discontinued operation		-	-
	$	**26,243**	**28,047**

The Group did not recognize income tax which under other comprehensive income in 2019 and 2018, nor directly recognized the income tax in equity.

Reconciliation of income tax and profit before tax is as follows:

	2019	2018
Profit before tax from continue operations	$ 76,709	111,221
Loss before tax from discontinue operations	-	(114,725)
Profit (loss) before tax	$ 76,709	(3,504)
Income tax using the Company's domestic tax rate	$ 15,341	(701)
Effect of tax rates in foreign jurisdiction	1,036	(6,434)
Adjustment in tax rate	-	(990)
Non-deductible expenses	4,112	33,416
Change in unrecognized temporary differences	(57)	(746)
Current-year losses for which no deferred tax asset was recognized	5,816	-
Adjustment for prior periods	3,334	1,551
Tax-exempt income	(2,922)	-
Undistributed earnings additional tax	-	1,105
Tax-free income from the sale of domestic securities	-	(295)
Others	(417)	1,141
Total	$ 26,243	28,047

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Employee benefits	$ 27,683	23,713
Over provision of allowance for doubtful accounts	3,097	3,097
Temporary differences- related to investments in subsidiaries	403,184	389,939
Tax losses	29,080	-
Others	5,924	5,545
	$ 468,968	422,294

In December 31, 2019 and 2018, the Group assesses the above temporary differences and tax losses may be very unlikely to be used to deduct taxable income in the future. Therefore, deferred assets won't be recognized.

Taxation loss is based on the provisions of the Income Tax Law, and a amount of ten-year loss that been verified by the taxation collection authority shall be deducted from the net profit of the current year, then the income tax shall be verified and taxed.

The deferred income tax assets of tax losses that did not recognized by Group in December 31, 2019; its deduction period was as follow:

Annual of loss	Loss haven't deduct	Final annual of deduction
YEN JIU TECHNOLOGY CORP.		
2019	**$ 29,080**	**2029**

(b) In December 31, 2019 and 2018, temporary differences that related to subsidiaries investment, due to the Group being able to control the reversal time of temporary differences an believe it is very unlikely to be reversal in the foreseeable future. Therefore, the deferred income tax liabilities that will not be recognize by Group are 86,557 thousand and 46,973 thousand, respectively.

(c) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	Inventory valuation loss	Unrealized sales returns and discounts	Unrealized sales profit	Unrealized foreign exchange loss	Other	Total
Balance at January 1, 2019	$ 6,463	533	181	126	565	7,868
Recognized in profit or loss	(533)	140	(181)	1,930	(54)	1,302
Balance at December 31, 2019	**$ 5,930**	**673**	**-**	**2,056**	**511**	**9,170**
Balance at January 1, 2018	$ 2,405	789	769	1,125	733	5,821
Recognized in profit or loss	4,058	(256)	(588)	(999)	(168)	2,047
Balance at December 31, 2018	**$ 6,463**	**533**	**181**	**126**	**565**	**7,868**

(continued)

Deferred tax liabilities：

	Unrealized exchange gain	Unrealized Gain on valuation of financial asset	Total
Balance at January 1, 2019	$ -	-	-
Recognized in profit or loss	127	-	127
Balance at December 31, 2019	**$ 127**	**-**	**127**
Balance at January 1, 2018	$ 63	138	201
Recognized in profit or loss	(63)	(138)	(201)
Balance at December 31, 2018	**$ -**	**-**	**-**

Group′s income tax returns for all fiscal years up to 2017 have been examined and approved by the tax authority.

(21) Capital and other equity

A. Capital

As of December 31, 2019 and 2018, the numbers of authorized ordinary shares were both 70,000 shares with par value of 10 per share. The total value of authorized ordinary shares was amounted to 700,000. 69,787 thousand and 67,836 thousand of ordinary shares were issued, respectively. All issued shares were paid up upon issuance.

Reconciliation of share outstanding for 2019 and 2018 was as folllows:

(Expressed in thousands of shares)	**2019**	**2018**
Balance at January 1, 2019	67,836	62,582
Conversion of convertible bonds	1,951	5,254
Balance at December 31, 2019	**69,787**	**67,836**

B. Ordinary shares

In 2019 and 2018, convertible bonds issued by the Group amounting to $24,000 thousand and $66,500 thousand, were converted into 1,951 thousand shares and 5,254 thousand shares of common stock, the carrying value of these convertible bonds amounted to $5,032 thousand and $14,241 thousand, respectively. By the time of December 31, 2019 and 2018, there were 0 thousand and 569 thousand of shares of common stock haven't been completed the relevant statutory registration procedures .

C. Capital surplus

Capital surplus was as follows：

	December 31, 2019	December 31, 2018
Premium on conversion of convertible bonds	$ 86,977	81,945
Lapsed option	18,643	18,643
Treasury stock	14,141	14,141
	$ 119,761	114,729

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

D. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to paying any income taxes and offset the prior years' deficits. 10% of the remaining balance is to be appropriated as legal reserve. However, it is not applicable if the statutory surplus reserve has reached our Group’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period and submit to the shareholders meeting for approval.

The dividends policy shall first take into consideration its operating environment, financial plan, Group's sustainable operation and development and the maximum interests of stockholders as follows:
The Company is currently in the stage of active market development. In order to support the growth of the company, the distribution of dividends should consider the continuing operation in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

Distribution ratio of cash dividends and stock dividends:
The distribution of dividends of the company’s shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or distributing cash, and only the portion which excess of 25% of the paid-in capital may be distributed.

(b) Special reserve

During the first-time adoption of the IFRSs endorsed by the FSC, Company choosing to apply exemptions granted under IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The cumulative conversion adjustment (benefit) under the account of shareholders’ equity is zeroed on the conversion date and the amount of retained earnings increased by $3,798 thousand

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders’ equity. And when using, disposing or reclassifying the relevant assets, the surplus may be redistributed according to the proportion of the original special surplus reserve.

Therefore, the amount of special reserve are both $3,798 thousand in December 31, 2019 and 2018.

According to previous paragraph, when the Company distributes distributable earnings, the difference between the net deduction of other shareholders’ equity that occurred in the current year and the special reserve balance mentioned in the previous paragraph. From the current profit and loss and the undistributed earnings in the previous period shall be reclassified as a special reserve; the amount of other shareholders' equity deductions accumulated in the previous period shall be reclassified as a special reserve from the previous undistributed earnings. When there is a reversal in the amount of deductions for other shareholders’ equity afterwards, could distribute the same amount of aforementioned earnings.

(c) Earnings distribution

The appropriation from the retained earnings of 2017, have been approved by the annual shareholders meeting on June 14, 2018. The dividend per share was as follows:

	2017	
	Amount per share	**Total amount**
Dividends distributed to ordinary shareholder:		
Cash(NTD)	$ 0.6	**40,346**

E. Other equity

		Foreign exchange differences arising from foreign operation	Unrealized gains(losses) on financial assets measured at FVOCI	Total
Balance at January 1, 2019	$	11,177	936	12,113
The Group		4,996	37	5,033
Balance at December 31, 2019	**$**	**16,173**	**973**	**17,146**
Balance at January 1, 2018	$	8,631	-	8,631
The Group		2,546	936	3,482
Balance at December 31, 2018	**$**	**11,177**	**936**	**12,113**

(22) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows：

		2019	2018
Basic earnings per share			
Profit of the continued operation for the year	$	50,466	83,174
Loss of the discontinued operation for the year		-	(114,725)
Profit (loss) attributable to ordinary shareholders of the Company	**$**	**50,466**	**(31,551)**
Weighted-average number of common shares at end of year		**69,520**	**67,096**
Earnings per share of continued operation	$	0.73	1.24
Earnings per share of discontinued operation		-	(1.71)
Earnings per share	**$**	**0.73**	**(0.47)**

Diluted earnings per share			
Profit(loss) attributable to ordinary shareholders of the Group	$	50,466	83,174
Effect of potentially dilutive common stock			
Convertible Bonds		21	-
Profit attributable to continued operation for the year (diluted)		50,487	83,174
Loss attributable to discontinued operation for the year		-	(114,725)
Profit(loss) attributable to ordinary shareholders of the Company (diluted)	$	**50,487**	**(31,551)**
Weighted-average number of common shares	$	69,520	67,096
Effect of convertible bonds		267	-
Effect of employee share bonus		74	-
Weighted-average number of common shares	$	**69,861**	**67,096**
Earnings per share of continued operation(Diluted)	$	0.72	1.24
Earnings per share of discontinued operation(Diluted)		-	(1.71)
Earnings per share(Diluted)	$	**0.72**	**(0.47)**

Note: The inclusion of potential ordinary shares will have an anti-dilution effect to the result of 2018, so it is not included in the calculation of diluted earnings per share.

(23) Revenue from contracts with customers

A. Details of revenue

	2019		
	Home appliance	**Electronic cooling**	**Total**
Primary geographical markets:			
Taiwan	$ 658,159	741,595	1,399,754
Mainland China	4,175	177,720	181,895
Europe	-	790,077	790,077
America	31,825	174,585	206,410
Japan	118,363	13,163	131,526
South Korea	-	89,569	89,569
Others	18,098	168,750	186,848
	$ 830,620	**2,155,459**	**2,986,079**

(continued)

	2019		
	Home appliance	**Electronic cooling**	**Total**
Major products：			
Cooling fan	$ -	1,856,045	1,856,045
Home Appliances-Air series	553,253	-	553,253
Home Appliances-Water series	217,613	-	217,613
Heat sink and thermal module	-	276,963	276,963
Other	59,754	22,451	82,205
	$ 830,620	2,155,459	2,986,079

	2018				
	Continued operation			Discontinued operation	
	Home appliance	**Electronic cooling**	**Total**	**China department**	**Total**
Primary geographical markets:					
Taiwan	$ 718,232	607,682	1,325,914	-	1,325,914
Mainland China	10,686	232,392	243,078	21,333	264,411
Europe	-	480,587	480,587	-	480,587
America	34,593	176,351	210,944	-	210,944
Japan	41,889	15,960	57,849	-	57,849
South Korea	-	80,690	80,690	-	80,690
Others	18,328	151,899	170,227	-	170,227
	$ 823,728	1,745,561	2,569,289	21,333	2,590,622
Major products：					
Cooling fan	$ -	1,562,245	1,562,245	-	1,562,245
Home Appliances-Air series	530,925	-	530,925	177	531,102
Home Appliances-Water series	203,622	-	203,622	523	204,145
Heat sink and thermal module	-	171,321	171,321	-	171,321
Other	89,181	11,995	101,176	20,633	121,809
	$ 823,728	1,745,561	2,569,289	21,333	2,590,622

B. **Contract balance**

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable	$ 745,627	706,617	584,865
Less: allowance for impairment	(28,454)	(28,545)	(25,271)
Total	$ 717,173	678,072	559,594
Contract liabilities- unearned sales revenue	$ 5,294	3,304	12,404

Please refer to Note 6(4) for notes and accounts receivable impairment.

The unearned revenue at January 1 of the 2019 and 2018 will be recognized as revenue, which is $3,257 thousand and $12,214 thousand, respectively.

The movement in contract liabilities- unearned sales revenue is mainly due to the difference between the time when the Group transfers the goods to the customer and meets the performance obligations and the time when customer pays. Contract liabilities- unearned sales revenue was under other current liabilities in the consolidated balance sheet.

(24) Employee compensation and directors' and supervisors' remuneration

According to the Company’s articles of association, the Company should contribute 1% to 10% of the profit as employee compensation and a less than 5% as directors’ remuneration when there is profit for the year. However, certain amounts of the profits should be reserved if there is an accumulated deficits from operations in previous years in advance of the appropriation of the employee bonuses. The aforementioned employee bonuses will be distributed in cash or stock to employees who satisfy certain specifications of the Company and its affiliates.

For the 2019 and 2018, the Company accrued the compensation of employees amounted to $1,473 thousand and 0 thousand, respectively and the remuneration of directors' amounted to $737 thousand and 0 thousand, respectively. The compensation of employees, remuneration of directors were estimated as the Company’s net income before tax, excluding compensation of employees and remuneration of directors, multiplied by the appropriate percentage in compliance with the Company’s articles. These expenses recognized under operating costs or operating expenses for the respective period.

The numbers of shares to be distributed were calculated based on the closing price of the Company’s ordinary shares one day before the date of the meeting of Board of Director. Related information would be available at the Market Observation Post System website. (https://mops.twse.com.tw/mops/web/index)

There is no difference between the amount of compensation for employees and directors estimated in the aforementioned consolidated financial report of 2019 and the amount determined by the company's board of directors.

(continued)

(25) Non-operating income and expenses

A. Other income

Details of other income were as follows:

	Continuing operation		Discontinued operation		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Interest income						
Bank deposit	$ 913	1,193	-	16	913	1,209
Other interest income	2,295	626	-	-	2,295	626
Dividend income	-	54	-	-	-	54
Sample income	4,762	5,228	-	-	4,762	5,228
Other	34,685	18,141	-	2,894	34,685	21,035
	$ 42,655	**25,242**	**-**	**2,910**	**42,655**	**28,152**

B. Other gains and losses

Details of other gains and losses were as follows:

	Continuing operation		Discontinued operation		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Net profit on foreign exchange gains	$ (17,959)	2,789	-	(1,403)	(17,959)	1,386
Net profit on disposal of financial assets at fair value through profit or loss	14	538	-	-	14	538
Net loss on disposal of investment property and property, plant and equipment	(1,165)	(8)	-	-	(1,165)	(8)
Impairment loss on intangible assets	-	-	-	(33,590)	-	(33,590)
Other	(1,490)	(1,887)	-	(1,520)	(1,490)	(3,407)
	$ (20,600)	**1,432**	**-**	**(36,513)**	**(20,600)**	**(35,081)**

(continued)

C. Finance costs

Details of finance costs were as follows:

	Continuing operating		Discontinued operation		Total	
	2019	**2018**	**2019**	**2019**	**2018**	**2019**
Interest expenses						
Bank loan	$ (10,375)	(10,662)	-	-	(10,375)	(10,662)
Lease liability	(5,745)	-	-	-	(5,745)	-
Amortization of discount on bonds payable	(35)	(540)	-	-	(35)	(540)
	$ (16,155)	**(11,202)**	**-**	**-**	**(16,155)**	**(11,202)**

(26) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The major customers of the Group are centralized in manufacturing, which is major in similar industry and distributor. To minimize credit risk, the Group continuously evaluates the customer's financial positions and request provide collateral or guarantee if necessary.

In 2019 and 2018, the Group's sales targets were significantly concentrated in a few customers; due to 20.7% and 19.27% of total amount of receivable were respectively from the same customer.

(c) Credit risk of receivable and debt instrument investment

For credit risk exposure of notes and accounts recievable. Please refer to Note 6 (4).Other financial assets measured with amortized cost include other receivables, restricted bank deposits, and guarantee deposit paid.

The following presents whether loss reserves and credit impairments for the above financial assets measured in 12-month expected credit losses (ECL) or lifetime expected credit losses (ECL) were credit-impaired:

	December 31, 2019		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	$ 7,462	-	-
Other receivable	21,149	1,534	22,951
Restricted Deposit	11,203	-	-
Loss allowance	-	-	(22,837)
Amortized cost	$ 39,814	1,534	114
Carrying amount	$ 39,814	1,534	114

	December 31, 2018		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	$ 7,234	-	-
Other receivable	72,654	-	-
Restricted Deposit	42,361	-	-
Loss allowance	-	-	-
Amortized cost	$ 122,249	-	-
Carrying amount	$ 122,249	-	-

The following presents the movement of the provision for impairment with respect to the financial assets measured with amortized cost in 2019:

	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired	Total
Balance at January 1, 2019	$ -	-	-	-
Impairment loss recognized	-	-	22,837	22,837
Balance at December 31, 2019	$ -	-	22,837	22,837

 (continued)

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Long and Short term borrowing (floating rate)	$574,011	605,648	264,377	15,058	44,447	103,661	178,105
Accounts payable(non-interest bearing)	577,675	577,675	577,675	-	-	-	-
Other payables (non-interest bearing)	82,332	82,332	82,332	-	-	-	-
Lease liability (maturity within one year) (fixed interest rate)	128,309	149,930	11,745	11,745	23,248	64,122	39,070
Guarantee deposits (non-interest bearing)	3,057	3,057	-	2,592	465	-	-
	$1,365,384	1,418,642	936,129	29,395	68,160	167,783	217,175
December 31, 2018							
Non-derivative financial liabilities							
Long and Short term borrowing (floating rate)	$705,623	742,437	372,852	22,475	53,403	114,692	179,015
Bonds payable (fixed rate)	24,586	25,538	-	25,538	-	-	-
Accounts payable(non-interest bearing)	442,207	442,207	442,207	-	-	-	-
Other payables (non-interest bearing)	117,517	117,517	117,517	-	-	-	-
Guarantee deposits received (non-interest bearing)	4,210	4,210	-	465	3,745	-	-
	$1,294,143	1,331,909	932,576	48,478	57,148	114,692	179,015

The Group does not expect the cash flows would occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Group's financial assets and liabilities exposed to significant foreign currency risk as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD amount**	**Foreign currency**	**Exchange rate**	**TWD amount**
Financial assets						
Monetary items						
USD	$ 45,363	29.98	1,360,005	37,775	30.715	1,160,253
EUR	545	33.59	18,297	532	35.2	18,723
JPY	517	0.276	143	301	0.2782	84
HKD	521	3.849	2,005	523	3.921	2,050
CNY	37,114	4.305	159,812	35,480	4.472	158,668

	December 31, 2019			December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD amount**	**Foreign currency**	**Exchange rate**	**TWD amount**
Financial liabilities						
Monetary items						
USD	35,115	29.98	1,052,819	30,429	30.715	934,673
EUR	124	33.59	4,182	47	35.2	1,625
HKD	101	3.849	389	92	3.921	360
CNY	27,441	4.305	118,133	24,357	4.472	108,923
TWD	52,756	1	52,756	43,519	1	43,519

(b) Foreign exchange gain and loss on monetary items

The exchange gains and losses (including realized and unrealized) of the currency items of the Group are converted into the functional currency of the company's new Taiwan dollar (the currency of Group's currency) and exchange rate information as follows:

	2019		2018	
	Exchange (loss) gain	Average exchange rate	Exchange (loss) gain	Average exchange rate
TWD	$ (11,838)	-	14,086	-
CNY	(6,121)	4.4686	(12,700)	4.5568
	$ (17,959)		**1,386**	

The exchange rate risk of the Group's monetary items mainly comes from cash and equivalent cash denominated in foreign currencies, accounts receivable (including related parties), other receivables (including related parties), restricted bank deposits, borrowing, accounts payable (including related parties) and other payables (including related parties), etc., generate foreign currency exchange gains and losses during translation.

Following is the current profit and loss amount of 2019 and 2018, when the New Taiwan Dollar appreciated or depreciated by 1% relative to the USD, RMB and Euro, and all other factors remained unchanged:

	Appreciated by 1% relative to the USD	**Depreciated by 1% relative to the USD**
Net profit after tax of 2019	Decrease in profit $2,904 thousand	Increase in profit $2,904 thousand
Net loss after tax of 2018	Increase in loss $2,339 thousand	Decrease in loss$2,339 thousand

D. Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Group’s financial liabilities.

Sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. The method of analysis assumes that the amount of liabilities in circulation on the reporting date is in circulation throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25% and other factors remained unchanged, the Group’s net income would have increased or decreased as follows:

	Interest increase 0.25%	**Interest decrease 0.25%**
Net profit after tax of 2019	Net profit decrease 1,148 thousand	Net profit increase 1,148 thousand
Net loss after tax of 2018	Net loss increase 1,411 thousand	Net loss decrease 1,411 thousand

E. Other price risk

If the equity securities price changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

	2019		2018	
Equity price at reporting date	**Other comprehensive income After tax**	**Net income**	**Other comprehensive income After tax**	**Net income**
Increase 3%	$ 101	-	100	-
Decrease 3%	$ (101)	-	(100)	-

F. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Carrying Amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI					
Unlisted stock	$ 4,204	-	-	4,204	4,204
Financial assets at amortized cost					
Cash and cash equivalent	$ 178,432	-	-	-	-
Notes and accounts receivables	717,173	-	-	-	-
Other Financial assets -current	29,827	-	-	-	-
Other Financial assets -non current	11,635	-	-	-	-
Subtotal	$ 937,067				
Financial liabilities at amortized cost					
Short-term borrowing	$ 224,574	-	-	-	-
Account payable	577,675	-	-	-	-
Other payable	82,332	-	-	-	-
Long- term borrowing (Current	48,691	-	-	-	-

(continued)

	December 31, 2019				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
portion)					
Lease liability－current	17,977	-	-	-	-
Long -term borrowing	300,746	-	-	-	-
Lease liability－non current	110,332	-	-	-	-
Deposits received	3,057	-	-	-	-
Subtotal	$1,365,384				

	December 31, 2018				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Derivative financial assets	$ 62	-	62	-	62
Financial assets at FVOCI					
Unlisted stock	$ 4,167	-	-	4,167	4,167
Financial assets at amortized cost					
Cash and cash equivalent	**$ 140,580**	-	-	-	-
Notes and Account receivables	**678,072**	-	-	-	-
Other Financial assets -current	**93,953**	-	-	-	-
Other Financial assets -non current	**28,296**	-	-	-	-
Subtotal	**$ 940,901**				
Financial liabilities at amortized cost					
Short-term borrowings	**$ 338,941**	-	-	-	-
Account payable	**442,207**	-	-	-	-
Other payable	**117,517**	-	-	-	-
Long- term borrowings (current portion)	**49,396**	-	-	-	-
Convertible bond-debt portion	**24,586**	-	25,058	-	25,058
Long -term borrowing	**317,286**	-	-	-	-
Guarantee deposits received	**4,210**	-	-	-	-
Subtotal	**$1,294,143**				

When merging the Group's statutory assets and the fair value of liabilities, the market-observable input value is used. The level of fair value is based on the input of the evaluation technology and the relative classification is as follows:

Level 1: Public quotation of the same assets or debts in the active market (None been adjust).

Level 2: In addition to the public quotes included in Level 1, the input parameters of assets or liabilities are observable directly (price) or indirectly (derived from price).

Level 3: The input parameters of assets or debts are not based on observable market data (Non-observable parameters).

(b) Valuation techniques for financial instruments not measured at fair value

The methodology and assumptions used by the Company to estimate financial instrument measured at amortized cost, except for convertible bonds payable－liability portion use the discounted cash flows to estimate fair values, because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

(c) Valuation techniques for financial instruments measured at fair value

(i) Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation or reference with counterparty quotations. The fair value can be calculated by reference to the current fair value of other financial instruments with similar replacement conditions and characteristics, discounted cash flow method or other evaluation techniques, including the use of market information available on the balance sheet date.

The equity instruments held by the Group without public quotes are based on the comparable company method to estimate fair value. The main assumptions are based on the net equity value of being-investors and the equity multiplier derived from the market quotes of comparable listed (counter) companies. The estimate has adjusted the discount effect of the lack of market liquidity.

(continued)

(ii) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models..

(d) Transfers between Level 1 and Level 2

In 2019 and 2018, there was no transfer in the fair value grade of financial instruments assessed by the Group.

(e) Reconciliation of Level 3 fair values

Level 3 List of changes of financial assets measured at fair value through other comprehensive income:

	Financial assets measured at fair value through other comprehensive income
	Investment of equity instruments without active market
Balance at January 1, 2019	$ 4,167
Profit or loss	
Recognized in other comprehensive profit or loss	37
Balance at December 31, 2019	$ 4,204
Balance at January 1, 2018	$ -
Adjustments on initial application of IFRS 9	3,231
Balance after adjustment at January 1, 2018	3,231
Profit or loss	
Recognized in other comprehensive profit or loss	936
Balance at December 31, 2018	$ 4,167

The benefits or losses are reported in the unrealized valuation benefits (losses) of financial assets measured at fair value, which is the outcome of assets that still hold by Group in December 31, 2019 and 2018.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's fair value have been classified as Level3 and only contains single significant unobservable inputs. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
Fair value through other comprehensive income-	Comparable listed company approach	• Liquidity discount(43.58% for December 31,2019 and 32.77% for December 31,2019) • Identify comparable company value multiplier (1.32	• Higher the liquidity discount, lower the fair value. • Higher the multiplier,

(continued)

Investment of equity instruments without an active market	for December 31,2019 and 1.04 for December 31,2019) • Stock volatility rate of Identify comparable company (49.86% for December 31,2019 and 42.55% for December 31,2019)	higher the fair value. • Lower the volatility rate, higher the fair value.

(g) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The group measure the fair value of financial instruments is reasonable, but the use of different evaluation models or evaluation parameters may outcome with different results. For level 3 fair value measurements, changing one or more assumptions will have the following effects:

	Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI Favorable	Unfavorable
Balance at December 31, 2019				
Financial assets at fair value through other comprehensive income				
Investment of equity instruments without an active market	Liquidity discount 43.58%	10%	$ 752	(752)
	Value multiplier 1.32	5%	205	(240)
	Volatility rate 49.86%	5%	308	(308)
Balance at December 31, 2018				
Financial assets at fair value through other comprehensive income				
Investment of equity instruments without an active market	Liquidity discount 32.77%	10%	$ 630	(630)
	Value multiplier 1.04	5%	211	(210)
	Volatility rate 42.55%	5%	245	(280)

The Group's favorable and unfavorable changes refer to changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(27)Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

(a) credit risk

(b) liquidity risk

(c) market risk

The following likewise discusses the Group’s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the General administration department, which is responsible for developing and monitoring the Group’s risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group’s financial risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers and investments in debt securities as follows:

(a) Trade and other receivables

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

(b) Deposits

The exposure to credit risk for the bank deposits is monitored by the Group's finance department. The Group only deals with counterparties and financial institutions which with good credit rating. The Group expected counterparty above will not fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(c) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. For details of financial guarantees, please refer to Note 13

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31, 2019 and 2018, the Group's unused credit line were amounted to $615,106 thousand and $790,203 thousand, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Boards.

(continued)

(a) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US Dollar (USD), and China Yuan (RMB). The currencies used in these transactions are same as above. The Group uses forward exchange contracts with a maturity of less than one year from the reporting date to hedge its currency risk. When necessary, forward exchange contracts are rolled over at the maturity date.

Interest is denominated in the currency of the principal. Normally, the currency of Group's borrowing is the same as the currency of the cash flow generated by the operations, which is mainly NTD, US dollar and RMB. This provides an economic hedge without derivatives being entered into, and therefore, hedging accounting has not been adopted.

Regarding monetary assets and liabilities denominated in other foreign currencies, when a short-term unbalance occurs, the merged company purchases or sells foreign currencies at the spot exchange rate to ensure that net risk exposure remains at an acceptable level.

(b) Interest rate risk

The Group adopts a policy of ensuring its exposure with fixed rate or floating rate, by assess with international economic situation or market interest rate. Control interest rate risk with a appropriate combination of fixed rate and floating rate.

(c) Market risk of equity instruments

The main part of the equity securities held by the Group is classified as financial assets measured at fair value through other comprehensive profit and loss. Therefore, such assets are measured at fair value, so the Group will be exposed to the risk of changes of it.

(28) Capital management

The Group meets its objectives in managing its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity.

In 2019, the Company's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting period as at December 31, 2019 and

(continued)

2018 is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 1,500,448	1,446,008
Less: cash and cash equivalents	178,432	140,580
Net debt	$ 1,322,016	1,305,428
Total equity	$ 944,129	868,722
Adjusted t equity	$ 2,266,145	2,174,150
Debt-to-equity ratio	58.33%	60.04%

(29) Investing and financing activities not affecting current cash flow

The reconciliation of liabilities from financing activities is as follows:

			Non-cash changes				
	January 1, 2019	Cash flows	foreign exchange movement	Convert to ordinary share	Interest amortized	Lease liability	December 31, 2019
Short-term loans	$ 338,941	(114,604)	237	-	-	-	224,574
Long-term loans(current portion)	366,682	(17,245)	-	-	-	-	349,437
Bonds payable	24,586	-	-	(24,621)	35	-	-
Lease liability (Current and non-current)	119,208	(15,943)	(4,090)	-	-	29,134	128,309
Guarantee deposits received	4,210	(1,152)	(1)	-	-	-	3,057
Total liabilities from financing activities	$ 853,627	(148,944)	(3,854)	(24,621)	35	29,134	705,377

			Non-cash changes				
	January 1, 2018	Cash flows	foreign exchange movement	Convert to ordinary share	Interest amortized	Lease liability	December 31, 2018
Short-term loans	$ 193,694	144,916	331	-	-	-	338,941
Long-term loans-curret portion	209,924	156,758	-	-	-	-	366,682
Bonds payable	91,143	-	-	(66,782)	540	(315)	24,586
Lease liability (Current and non-current)	19,147	(7,789)	(135)	-	-	(7,013)	4,210
deposits received	$ 513,908	293,885	196	(66,782)	540	(7,328)	734,419

7. Related-party transactions

(1) Compensation of major management staff

The information on major management staff compensation was as follows:

		2019	2018
Short-term employee benefits	$	6,006	4,714
Post-employment benefits		-	-
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payments		-	-
	$	6,006	4,714

The Group provided a car for the use of major management that cost 952 thousand on December 31, 2018.

In addition, on December 31, 2019, a rental car was provided for the use of major management. It cost 1,551 thousand and been recognized as right of use assets of transportation equipment.

(2) Endorsement and guarantee

The Group borrowed from financial institutions on December 31, 2019 and 2018. According to the requirements of some contracts, the major management of the company should provide a joint guarantee.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged Assets	Purpose	December 31, 2019	December 31,2018
Deposit account (Reserve account)	Long-term/short-term borrowing, customs taxes, bonds payable and other repayment accounts	$ 10,203	19,246
Time deposit	Endorsement and guarantee of subsidiary	-	6,757
Time deposit	Guarantee for distributors	1,000	1,000
Time deposit	Guarantee of short-term borrowings	-	15,358
Land	Guarantee of long-term/short-term borrowings	267,535	251,996
Buildings	Guarantee of long-term/short-term borrowings	141,761	9,880
		$ 420,499	304,237

9. Significant Commitments and Contingencies

(1) Unrecognized contingencies of contracts

December 31, 2019	December 31, 2018

(continued)

Acquisition of property, plant and equipment	$ -	14,265

(2) Standby letter of credit：

	December31, 2019	December31, 2018
Purchases of raw materials	$ 48,308	46,071

10. Losses due to major disasters: None

11. Subsequent events

The Company’s Board of Directors made a decision on March 24, 2020 that approved the repurchase of Group's shares as treasury shares. And estimated to repurchase 1,500 thousand shares.

12. Other

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2019			2018		
By item	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salary	231,744	156,984	388,728	217,693	153,828	371,521
Labor and health insurance	14,649	13,628	28,277	10,711	12,265	22,976
Pension expense	11,588	6,747	18,335	9,864	2,430	12,294
Remuneration of directors	-	2,352	2,352	-	1,622	1,622
Other personnel cost	14,604	7,096	21,700	12,060	7,351	19,411
Depreciation	40,005	43,512	83,517	16,055	24,915	40,970
Amortization	-	2,077	2,077	-	4,782	4,782

(2) Seasonality of operation

The operation of Group is not affected by seasonal or periodic factor.

13. Supplementary Disclosures

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group

A. Loans extended to other parties:

Number	Lender	Counter-party	Financial statement account	Related Party	Highest balance for the period (Note3)	Ending balance (Note 3)	Actual usage amount during the period (Note1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Other receivable –related parties	Yes	3,142 (USD 104,798)	-	-	-	The need for short - term financing	-	Working capital	-	-	-	377,652 (Note2)	377,652 (Note2)
0	The Company	Yen Sun Technology (BVI) Corp.	Other receivable –related parties	Yes	44,970 (USD 1,500,000)	44,970 (USD 1,500,000)	44,970 (USD 1,500,000)	-	The need for short - term financing	-	Working capital	-	-	-	377,652 (Note2)	377,652 (Note2)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	long-term accounts－related parties	Yes	138,116 (USD 4,606,943)	129,122 (USD 4,306,943)	128,977 (USD 4,302,111)	-	The need for short - term financing	-	Working capital	-	-	-	377,652 (Note2)	377,652 (Note2)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	long-term accounts － related parties	Yes	25,830 (RMB 6,000,000)	25,830 (RMB 6,000,000)	25,830 (RMB 6,000,000)	-	The need for short - term financing	-	Working capital	-	-	-	377,652 (Note2)	377,652 (Note2)
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	long-term accounts － related parties	Yes	59,409 (USD 1,981,614)	50,415 (USD 1,681,614)	50,415 (USD 1,681,614)	-	The need for short - term financing	-	Working capital	-	-	-	377,652 (Note2)	377,652 (Note2)
3	DARSON ELECTRONICS	SHANGHAI YENSUN	-	Yes	74,606	-	-	-	The need for short - term	-	Working	-	-	-	377,652	377,652

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Number	Lender	Counter-party	Financial statement account	Related Party	Highest balance for the period (Note3)	Ending balance (Note 3)	Actual usage amount during the period (Note1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
	(DONGGUAN) LTD.	ELECTRICAL INDUSTRIAL CO., LTD.			(CNY 17,330,000)	-	-		financing		capital				(Note2)	(Note2)

(Note 1) When preparing this consolidated financial report, it has been eliminated.
(Note 2) If necessary for financing, the loan limit shall not exceed 40% of the company's net equity
(Note 3) The amount of TWD is translated at the exchange rate on the balance sheet date.

B. Provision of endorsements and guarantees to others:

No.	Endorser/ guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note4)	Balance of guarantees and endorsements as of reporting date (Note 4)	Actual usage amount during the period (Note 4)	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Company name	Relationship with the endorser/ guarantor										
0	The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	283,239 (Note1)	137,908 (USD 4,600,000)	92,938 (USD 3,100,000)	17,988 (USD 600,000)	62,958	9.84%	472,065	Y	-	-
0	The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	188,826 (Note2)	65,000	36,000	-	-	3.81%	472,065	Y	-	-

(Note 1) For a single overseas affiliated company, the limit shall not exceed 30% of the company's net equity.
(Note 2) For a single enterprise, the limit is not more than 20% of the company's net equity.

(continued)

(Note 3) Not exceeding 50% of the company's net equity.
(Note 4) The amount of TWD is converted at the exchange rate on the balance sheet date.

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

C. Securities owned as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of security holder	Name of security and type	Relationship with company	Account title	December 31,2019				Highest percentage of ownership during the year	Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value		
Yen Tong Tech International (Samoa) Corp.	SHANGHAI CHANSON WATER CO.,LTD.	-	Financial assets at FVTPL－non-current	-	- (Note)	17.75%	-	17.75%	-
The Company	Y.S. Tech U.S.A Inc. stock	-	Financial assets at FVOCI－non-current	114,000	4,204	19.16%	4,204	19.16%	-

(Note) Impairment has been mentioned.

D. Accumulated trading amount of a single security in excess of $300 million or 20% of paid in capital: None

E. Acquisition of property, plant and equipment that excess of $300 million or 20% of paid in capital: None

F. Disposal of property, plant and equipment in excess of $300 million or 20% of paid in capital: None.

G. Sales to and purchases from related parties in excess of $100 million or 20% of paid in capital was as follows:

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Purchasing (selling) company	Counter party	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	% of notes and accounts receivable (payable)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	651,321	29.12%	6 months	Single supplier	6 month There is no significant difference from the general transaction	63,618 (Note 2)	36.08% (Note 4)	
The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	Purchase	671,442	30.02%	(Note 1)	Single supplier	(Note 1)	(67,201)	16.81%	
The Company	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Purchase	265,660	11.88%	(Note 1)	Single supplier	(Note 1)	36,131 (Note 2)	20.49% (Note 4)	
Yen Sun Technology (BVI) Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Subsidiary of the Company (indirectly hold)	Purchase	655,767	91.72%	(Note 1)	Single supplier	(Note 1)	(52,662)	29.88%	
Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	Subsidiary of the Company (indirectly hold)	Purchase	264,381	76.72%	(Note 1)	Single supplier	(Note 1)	42,570 (Note 2)	100.00% (Note 4)	
YEN JIU TECHNOLOGY CORP.	The Company	Ultimate parent company	Sale	651,321	99.92%	6 months	Single sales object	6 month There is no significant difference from the	(63,618) (Note 2)	100.00% (Note 4)	

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Purchasing (selling) company	Counter party	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	% of notes and accounts receivable (payable)	
								general transaction			
Yen Sun Technology (BVI) Corp.	The Company	Ultimate parent company	Sale	671,442	91.74%	(Note 1)	Single sales object	(Note 1)	67,201	48.35%	
Yen Sun Tech International (Samoa) Corp.	The Company	Ultimate parent company	Sale	265,660	90.58%	(Note 1)	Single sales object	(Note 1)	(36,131) (Note 2)	100.00% (Note 4)	
DARSON ELECTRONICS (DONGGUAN) LTD.	Yen Sun Technology (BVI) Corp.	Subsidiary	Sale	655,767	99.98%	(Note 1)	Single sales object	(Note 1)	52,662	29.88%	
YEN GIANT METAL (DONGGUAN) CO., LTD.	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Sale	264,381	73.32%	(Note 1)	Single sales object	(Note 1)	(42,570) (Note 2)	100.00% (Note 4)	

(Note 1) The accounts receivable (payment) balance offset with other prepayments (advance receipts) arising from purchasing raw materials, monthly

(Note 2) Recognized as account prepayments (advance receipts).

(Note 3) When preparing this consolidated financial report, it was eliminated in the consolidation.

(Note 4) The ratio of prepayments (advance receipts) is calculated based on the proportion of the prepayments (advance receipts)

H. Receivables from related parties in excess of $100 million or 20% of issued share capital were as follows:

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Subsidiary to Sun Company	168,999 (note2)	- (note1)	-	-	-	-	

(Note 1) Principal, interest receivable and overdue receivables of capital finance reclassified as the Receivables.

(Note 2) When editing this consolidated financial report, it was eliminated in the consolidation.

I. Trading in derivative instruments: Please refer to note 6(2).

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

J. Business relationships and significant intercompany transactions: Business relationships:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1	other receivables	13,349	Overdue accounts receivable No comparable terms	0.55%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Endorsement /Guarantee Other receivables －Loans extended to other parties	92,938 44,970	No comparable terms	3.80% 1.84%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Purchase material Procurement of raw materials Prepayment for purchases Accounts payable	671,442 56,924 5,396 67,201	No comparable terms	22.49% 1.91% 0.22% 2.75%
0	The Company	Y.H. Tech International Corp.	1	Purchase material Sales revenue Other receivables	219 1,366 2,726	No comparable terms； The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.01% 0.05% 0.11%

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Yen Sun Tech International (Samoa) Corp.	1	Purchase material	265,660	No comparable terms；	8.90%
				Sales revenue	25,641	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.86%
				Prepayment for purchases	36,131		1.48%
				Accounts receivable	66,217		2.71%
				Other receivables	1,161		0.05%
				Procurement of raw materials	53,703		1.80%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Purchase material	651,321	No comparable terms；	21.81%
				Procurement of raw materials	1,146	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.04%
				Prepayment for purchases	63,618		2.60%
				Rental income	5,040		0.17%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Endorsement/Guarantee	36,000	No comparable terms；	1.47%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Long-term accounts	154,807	Financial intermediation. No interest	6.33%
				Long-term accounts-Interest	13,603		0.56%
No.	Name	Counterparty	Relationship	Details of transaction			

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction: Subject	Amount	Term of trading	% of total consolidated revenue or total asset
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Accounts receivable	589	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.02%
1	Yen Sun Technology (BVI) Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material Procurement of raw materials Accounts payable	655,767 60,484 52,662	No comparable terms； The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	21.96% 2.03% 2.15%
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	3	Other receivables －Loans extended to other parties	50,415	Financial intermediation. No interest	2.06%
2	Y.H. Tech International Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material Accounts receivable	137 2,088	No comparable terms； The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	- 0.09%
2	Y.H. Tech International Corp.	Yen Hung International Corp.	3	Other receivables	512	Entrusted collection No comparable terms；	0.02%

(continued)

			(Note)	Subject	Amount	Term of trading	% of total consolidated revenue or total asset
3	Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material	264,381	No comparable terms；	8.85%
				Sales revenue	27,626	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.93%
				Prepayment for purchases	42,570		1.74%
				Accounts receivable	45,683		1.87%
				Procurement of raw materials	51,931		1.74%
				Other receivables	678		0.03%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material	14,812	No comparable terms；.	0.50%
				Accounts payable	4,343		0.18%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Other payables	427	Entrusted collection，No comparable terms；	0.02%

Note: Relationship notes as follows,

(1) Parent company to subsidiary
(2) Subsidiary to parent company
(3) Subsidiary to subsidiary

(continued)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(2) Information on investees：

Relevant information about investees is as follows: (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Highest percentage owned during the year	Net income (loss) of the investee	Investment income (less) recognized	Remarks
				December 31,2019	December 31,2018	Shares owned	Percentage owned	Carrying value (Note2)				
The Company	Yen Sun Technology (BVI) Corp.	British Virgin Islands	Investment holding	259,842	250,577	500,000	100%	(143,341)	100%	(18,804)	(18,804)	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	(Note1)	(Note1)	(Note1)	100%	(Note1)	100%	-	-	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	118,653	100%	40,148	40,148	Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	94,685	100%	(29,673)	(28,566)	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	113,097	100%	41,111	41,111	Subsidiary of the Company (indirectly hold)
Yen Sun Tech International (Samoa) Corp.	Yen Tong Tech International (Samoa) Corp.	Samoa	Investment holding	1,916	1,916	10,000,000	100%	1	100%	-	-	Subsidiary of the Company (indirectly hold)
Yen Hung International Corp.	Y.H. Tech International Corp.	ST.Kitts and Nevis	Investment holding	30,179	30,179	1,000,000	100%	113,089	100%	41,108	41,108	Subsidiary of the Company (indirectly hold)

(Note 1) No actual capital investment yet.
(Note 2) When editing this consolidated financial report, it was eliminated in the consolidation.

(continued)

(3) Information on investments in Mainland China:

A. Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan.1,2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Dec. 31, 2019	Net income Of investee	The Group's direct or indirect investment ratio	Highest ratio during the year	Investment gain (loss) recognized by the Group	Book value of the investment as of Dec. 31, 2019	Accumulated investment income repatriated to Taiwan as of Dec. 31, 2019
					Remittance	Repatriation							
SHANGHAI YEN SUN ELECTRICAL INDUSTRIAL CO.,LTD.	Manufacturing and sales of Home Appliances, Cooling fan	233,347 (USD7,800,000)	Invest through Yen Sun Technology (BVI) Corp. and then invest in Mainland China.	224,081 (USD7,500,000)	9,265 (USD300,000)	-	233,346 (USD7,800 ,000)	(23,080)	100%	100%	(23,080) (Note1)	(176,070) (Note1)	-
DARSON ELECTRONICS (DONGGUAN) LTD.	Manufacturing of Cooling fan	30,179 (USD1,000,000)	Invest through Y.H. Tech International Corp. and then invest in Mainland China.	30,179 (USD1,000,000)	-	-	30,179 (USD1,000,000)	43,709	100%	100%	43,709 (Note1)	15,385 (Note1)	-
SHANGHAI CHANSON WATER CO.,LTD.	Development and production of water making machine, pure water machine and purification device	20,503 (USD700 ,000)	Invest through Yen Tong Tech International (Samoa) Corp. and then invest in Mainland China.	1,916 (USD60,000)	-	-	1,916 (USD60,000)	-	17.75%	17.75%	-	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Manufacturing of heat sink	6,005 (CNY1,300 ,000)	Other methods (Note3)	-	-	-	-	33,383	100%	100%	33,383 (Note1)	6,021 (Note1)	-

(continued)

B. Limitation of investment amount to Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
265,623 (Note2) (USD8,860 of thousand)	316,589 (Note2) (USD10,560 of thousand)	566,477

(Note 1) Investment gains and losses are recognized in accordance with the financial report audited by the audit firm of the Company.

(Note 2)Translated with the exchange rate of balance sheet date.

(Note 3)Reinvest in Mainland China through DARSON ELECTRONICS (DONGGUAN) LTD..

(Note 4) When prepared this consolidated financial report, it was eliminated in the consolidation.

C. Significant transactions:

The significant inter-company transactions (direct or indirect) with the investees in Mainland China are disclosed in “Information on significant transactions”.

14. Segment Information

(1) General information

The Group has three reportable segments: Taiwan home appliance business segment, Mainland China home appliance business segment, and electronic cooling business segment. Taiwan home appliance business segment produces and sells beverage dispensers, fans, air conditioners, air purifiers, dehumidifiers, tissue machines, ice wine machines, etc. Mainland China home appliance business segment mainly sells induction cookers, pressure cookers, and electronic cookers. Electronic cooling business segment produces and sells cooling fans.

In addition, the Mainland China home appliance business segment was sold in 2018, so it was reclassified as a discontinued operation in 2018. For details, please refer to Note 6(7).

(2) The reportable segments are the Group’s strategic divisions.

Since each strategic business divisions require different technologies, marketing strategies, and set-up functions, it must be managed separately.(b)Information which should be reported includes the segment income, segment assets, and segment liabilities, and their measurement basis and reconciliation information.

The Group uses the internal management report of segment's pre-tax profit and loss (excluding non-recurring gains and losses), which reviewed by the operating decision maker as the basis for management resource allocation and performance assessment. Since income tax and non-recurring gains and losses are managed on a Group basis, the Group does not allocate income tax expenses (interests) and non-recurring gains and losses to the reportable segment.

The amount reported by the Group is consistent with the report used by the operating decision maker, and the accounting policies of the operating segment are the same as the summary of important accounting policies described in Note 4. The group transfers the sales and transfers between segments, and each segments considers its self-performance indicators to measure the cost increase.

Reportable segment information is as follows:

(continued)

	2019				
	Continuing operating		Discontinued operation		
	Home Appliances	Electronics Cooling	Mainland China	Adjustments And elimination	Total
Revenue ：					
Revenue from external customers	$ 830,620	2,155,459	-	-	2,986,079
Interest revenue	275	636	-	2,297	3,208
Total revenue	$ 830,895	2,156,095	-	2,297	2,989,287
Reportable segment income	$ (48,562)	148,422	-	(23,151)	76,709
Interest expenses	$ 3,411	11,773	-	971	16,155
Depreciation and amortization	$ 25,899	59,265	-	430	85,594
Reportable segment assets	$ 948,935	2,366,309	-	(870,667)	2,444,577

	2018				
	Continuing operating		Discontinued operation		
	Home Appliances	Electronics Cooling	Mainland China	Adjustments And elimination	Home Appliances
Revenue ：					
Revenue from external customers	$ 823,729	1,745,560	21,333	(21,333)	2,569,289
Interest revenue	420	790	16	593	1,819
Total revenue	$ 824,149	1,746,350	21,349	(20,740)	2,571,108
Reportable segment income	$ (20,769)	132,930	(101,961)	101,021	111,221
Interest expenses	$ 6,430	4,772	-	-	11,202
Depreciation and amortization	$ 19,029	26,151	881	(881)	45,180
Reportable segment assets	$ 994,485	1,850,698	-	(530,453)	2,314,730

Note: The Mainland China home appliance department business was sold in 2018. Therefore, on December 31, the management has classified it as adjustment and elimination.

(continued)

(3) Sales to customers other than consolidated entities：

Production		**2019**	**2018**
Cooling fan	$	1,856,045	1,562,245
Air series		553,253	530,228
Water series		217,613	204,814
Heat sink and thermal module		276,963	171,006
Other		82,205	122,329
Total	$	2,986,079	2,590,622

(4) Geographic information

The difference information of the Group is as follows. The revenue is classified based on the geographic location of the customer, and the non-current assets are classified according to the geographic location of the asset.

Geographic Area		**2019**	**2018**
Sales to customers other than consolidated entities：			
Taiwan	$	1,399,754	1,325,914
Germany		790,077	480,587
America		206,410	210,944
Mainland China		181,895	264,411
Japan		131,526	57,849
South Korea		89,569	80,690
Others		186,848	170,227
	$	2,986,079	2,590,622
Non-current assets：			
Taiwan	$	598,415	566,701
Mainland China		189,259	51,809
Total	$	787,674	618,510

Non-current assets include property, plant and equipment, right-of-use assets, investment real estate, intangible assets and other non-current assets, but excluding financial instruments, deferred income tax assets and retirement benefits assets.

(5) Major customers' information

		2019	**2018**
Customer A from Electronics Cooling DEP.	$	788,806	479,455
Customer B from Electronics Cooling DEP		351,899	265,281
Customer C from Home Appliances DEP		200,116	262,689
Total	$	1,340,821	1,007,425

(6) Financial difficulties and corporate events encountered by the Company and affiliates in the recent years and up to the date of report that have material impact on the financial status of the Company: None.

7. The review and analysis of the company’s financial position and financial performance as well as assessment of risks

(1) Analysis of Financial Status

Units: NT$ thousands; %

Item \ Year	2019	2018	Variance	
			Amount	Ratio Variance %
Current Assets	1,631,894	1,655,889	(23,995)	(1.4)
Property, plant and equipment	640,924	595,747	45,177	7.58
Investment Property	12,856	6,228	6,628	106.42
Intangible assets	3,702	4,217	(515)	12.21
Other non-current assets	155,201	52,649	102,552	194.78
Total assets	2,444,577	2,314,730	129,847	5.6
Current liabilities	1,061,022	1,101,192	(40,170)	3.64
Non-current liabilities	439,426	344,816	94,610	27.43
Total liabilities	1,500,448	1,446,008	54,440	3.76
Capital stock	697,869	678,357	19,512	2.87
Capital surplus	119,761	114,729	5,032	4.38
Retained earnings	109,353	63,523	45,830	72.14
Other equities	17,146	12,113	5,033	41.55
Total shareholders’ equity	944,129	868,722	75,407	8.68

A. Significant changes in assets, liabilities, and equities in the most recent two years (when the change is over 20 percent), the main reason, the impact, and the Company’s responsive measures:

(a) Increase in property, plant and equipment: Due to construction of new plants and purchase new machine in 2019.
(b) Other non-current assets :The right-of-use assets was adopted in 2019.
(c) Non-current liabilities: the “lease” of IFRS 16 was adopted in 2019.
(d) Retained earnings：Due to the 2019 operating results are net profit after tax.
(e) Other equities：Due to the exchange differences on translation of financial statements of foreign operations.

B. Review and analysis of major capital expenditures and sources of funds

(a) Major capital expenditures and sources of funds: None.
(b) Anticipated benefit: None.

(2) Financial performance

Profit and loss statement of the most recent two years

Units: NT$ thousands; %

Item \ Year	2019 Amount	2018 Amount	Amount Variance	Ratio Variance (%)
Operating revenue	$2,986,079	$2,569,289	$416,790	16.22
Operating cost	2,451,926	2,053,740	398,186	19.38
Gross profit	534,153	515,549	18,604	3.6
Operating expenses	463,344	419,800	43,544	10.37
Operating profit	70,809	95,749	(24,940)	(26.04)
Non-operating revenue and expense	5,900	15,472	(9,572)	**
Profit before tax from continuing operations	76,709	111,221	(34,512)	(31.03)
Income tax expenses	26,243	28,047	(1,804)	(6.43)
Profit from continuing operations	$50,466	$83,174	$(32,708)	(39.32)
Income (losses) from discontinued operations	-	(114,725)	114,725	100.00
Net profit (loss)	$50,466	$(31,551)	$82,017	**

Explanation of reasons for changes in each financial rate in the most recent two years:
(no analysis is necessary when the ratio of change is under 20%)

(a) Changes in Operating income and profit from continuing operations: The main reason was the global shortage of raw materials, resulting in higher costs and affected profits

(b) Income (losses) from discontinued operations：Due to disposal of SUNPENDOWN trademark rights and its related inventory of Mainland China home appliance department in 2018, and recognized related losses of disposal.

(3) Analysis of Cash Flow

A. Illustration on changes of the cash flow in the recent years

Item \ Year	2019	2018	Ratio Variance (%)
Cash flow ratio	21.61	-	-
Cash flow adequacy ratio	47.95	30.83	55.53
Cash flow reinvestment ratio	12.96	(2.39)	642.25

Explanation on increase or decrease of the ratio:

The above-mentioned cash flow-related ratios have increased compared with 2018, mainly due to the growth of sales in 2019, effective digestion of inventories and good collection status, and resulted in the net cash inflow of operating activities in the current period.

B. Plans for improve the lack of liquidity: not applicable.

C. Prediction on cash liquidity in the following year

Units: NT$ thousands

Cash balance – beginning of the period (1)	The estimated cash flow of operating activities throughout the year (2)	The estimated cash flow of investment and financing activities throughout the year (3)	The estimated amount of surplus (shortage) of cash. (1)+(2)+(3)	Responsive measures with cash balance	
				Investment plan	Financing plan
178,432	250,000	220,000	208,432	-	-

(a) Analysis on changes in cash flow in the following year:

(i) Operating activities: It is expected that the revenue growth will be accompanied by an increase in net profit, which will result in a net cash inflow from operating activities;
(ii) Investment activities: It is expected to pay for the purchase of machinery and equipment and the development of new molds, etc.;
(iii) Financing activities:It is expected loan repayment, etc.

(b) Remedial measures for shortage in cash and analysis on the flow: Not applicable.

(4) Major Capital Expenditure Items:

The Company spent NTD132 million in 2016 to purchase land in Guantian District of Tainan City and spent about NTD140 million in 2018 to build a plant, and the construction have been completed in the first quarter of 2019. Another new plant in Dongguan invested approximately NTD24 million in the purchase of related equipment in 2019, and passed automobile industry certification in the fourth quarter of that year. Therefore the Company's overall production capacity increased, which had a positive impact on the business.

(5) The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses generated thereby, the plan for improving re-investment profitability, and investment for the coming year:

Units: NT$ thousands

Desp / Item	Investment gain (loss)	Policy	Main reasons for profits/losses	Improvement plans	Other investment plans in the future
YEN JIU TECHNOLOGY CORP.	(28,566)	In order to improve competitiveness and operating performance, the Company implemented reorganization and work specialization, the relevant business of the Changhua plant of the Company's home appliance business division was split, and the wholly-owned subsidiary was established.	In the first half of 2019, the Guantian plant was opened, and the production yield of the initial run-in stage needs to be improved, and resulting in a decrease in profit.	Continuously improve production efficiency and quality, enhance market competitiveness	None

(6) Risk Management

A. The effect on the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Units: NT$ thousands

Item	Effect on the profits (losses)			Future measures
	Account	2019	2018	
Changes in interest	Interest revenue	3,208	1,835	The increase in interest income was mainly due to the increase in average annual bank deposits (including pledged assets); the increase in interest expenses was mainly due to the expansion of factories and the increase in land construction financing loans, so interest rate fluctuations have little impact on the company.
	Interest expenses	16,155	11,202	
Changes in exchange rate	Exchange gain (loss), net	(17,959)	1,386	The Company will adopt a strategy of balance between accounts receivable and payable to reduce exchange rate risk. In addition, the Company collects foreign exchange market information at any time to keep track of foreign exchange market trends, prepare cash flow forecasts, grasp the supply and demand of foreign currencies, propose appropriate hedging policies and methods, and timely buy and sell foreign currencies to reduce the exchange losses caused by the appreciation of the TWD.
Inflation	-	-	-	The company is less affected by inflation.

B. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transaction; the main reasons for the profits/ losses generated thereby; and response measures to be taken in the future.

The company has not engaged in high-risk and high-leverage investment activities in the most recent year. The capital, loan and endorsement guarantees are handled in accordance with the relevant operating procedures prescribed by the company.

In addition, the company has a " Procedures for Acquisition and Disposal of Assets," that regulates the risk management system for derivative commodity transactions, so there is no significant adverse impact on the company's profit and loss.

C. The plan of R & D and reinvestment in Future

Given that the sustainable development of YEN SUN and the uniqueness of the market, YEN SUN always plans and invests a lot of resources for the investment and development of the future products.

Furthermore, the mechanisms used in the field of electronic cooling are still inseparable from the cooling fans and modules, and their demand has not been reduced, therefore the state-of-the-art fan wing design, effective vibration and initiative/passive vibration suppression、 sound control and optimization, and motor power will continue to develop.

According green energy development, through development of the fan wing and motor power innovation, there is efficiency of energy saving can be effectively improved, as the same time can expand the scope of applicability. At present, the application fields include automotive electronics, medical equipment, 5G network, AI control, etc., all of which have different application and Specification Control. Therefore, YEN SUN organize its own independent technology and becomes the core foundation for future development. In addition to the core technology, independent automatic production technology is also continuously developed in the area of process, which not only improves the production efficiency but also improves the quality requirements, so as to control the consistency of production and exclude the potential risks of human assembly.

In recent years, in addition to actively developing core technologies by YEN SUN, also cooperated with major universities of domestic to not only accumulate technical energy, but also obtain the update and promotion of academic theories, which will provide customers with more effective technical and quality requirements.

Rely on the R & D capabilities of continuous in development research, combined with a high passion and creativity for products, YEN SUN always prioritizes customer's problems, and hope to be the best product development partner to open up innovative market and future with customers, so that it will become the important way of steady growth and foothold on market of YEN SUN.

Abstract of future major R & D plans

Project name	Proposal	schedule
Development of passive specific frequency noise suppression technology	For the whole series of centrifugal fan sound control	2021
Development of stall zone for passive feature suppression	Performance optimization for high speed axial fan	2021

The R&D expenditures of the above plans account for approximately 60% of the total R&D budget in 2020, and the total R&D budget accounts for approximately 5% of the total budget revenue in 2020.

D. Effect on the Company’s financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:None

E. Effect on the Company’s financial operations of developments in science and technology as well as industrial change, and the measures to be taken in response:

(a) The automotive and communication related products are gradually diversifying, so multi-functional products are the focus of research and development. The Company will adjust the product development direction in a timely manner. Under the Company’s existing technology, it will adjust the product development based on customer needs. In addition, the company also continuously strengthens product functions to become the main product in the future.

(b) Risk evaluation of information security：

The company has established operational procedures for treatment of information processing system on the computer and properly implement the policy for internal control and information security.

Aims of the electronic information security policy:

(i) To organize training session and propaganda for information security.
(ii) To protect confidential information of the Company
(iii) To respect intellectual property and protect information of the client and the Company.
(iv) To prevent computer virus attack.

Specific management plans of the electronic information security:

(i) Access control: The system and filesserver can only be accessed by authorized users.
(ii) Information Equipment control: workers are banned from using USB.
(iii) Internet control: downloading files from the cloud storage space is banned, and Internet firewall has been established.
(iv) E-mail Control: A security mechanism is established to control mail delivery.
(v) Antivirus software: The Company adopts legal antivirus software and regularly updates virus code as well as antivirus engine.。

F. Effect on the Company’s crisis management of changes in the Company’s corporate image, and the measure to be taken in response:

For many years, the Company's philosophy on corporate operation are brand image, innovation and sharing. Whether in home appliance products or cooling fan products, the Company maintains a good image in the industry. As of now, nothing happened what would affect the corporate image.

G. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:None

H. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The Company acquired land in Guantian District, Tainan City in July, 2016 to constructed factory. The factory started operation in early 2019. In addition, another new factory in Dongguan has also passed automobile industry certification in November, 2019. The factory’s expected benefits and possible risks are continuously assessed by the management team in accordance with internal control.

I. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

J. The impact and risk brought by changes in directors, supervisors, or top-ten major shareholders possessing over 10 percent of outstanding stocks, transfer or change of a large number of shares and mitigation measures being or to be taken: None.

K. The impact and risk brought by changes in the Company’s management right and mitigation measures being or to be taken: None.

L. Lawsuit events and non-contentious events:：None。

M. Other significant risks and responsive measures:： None 。

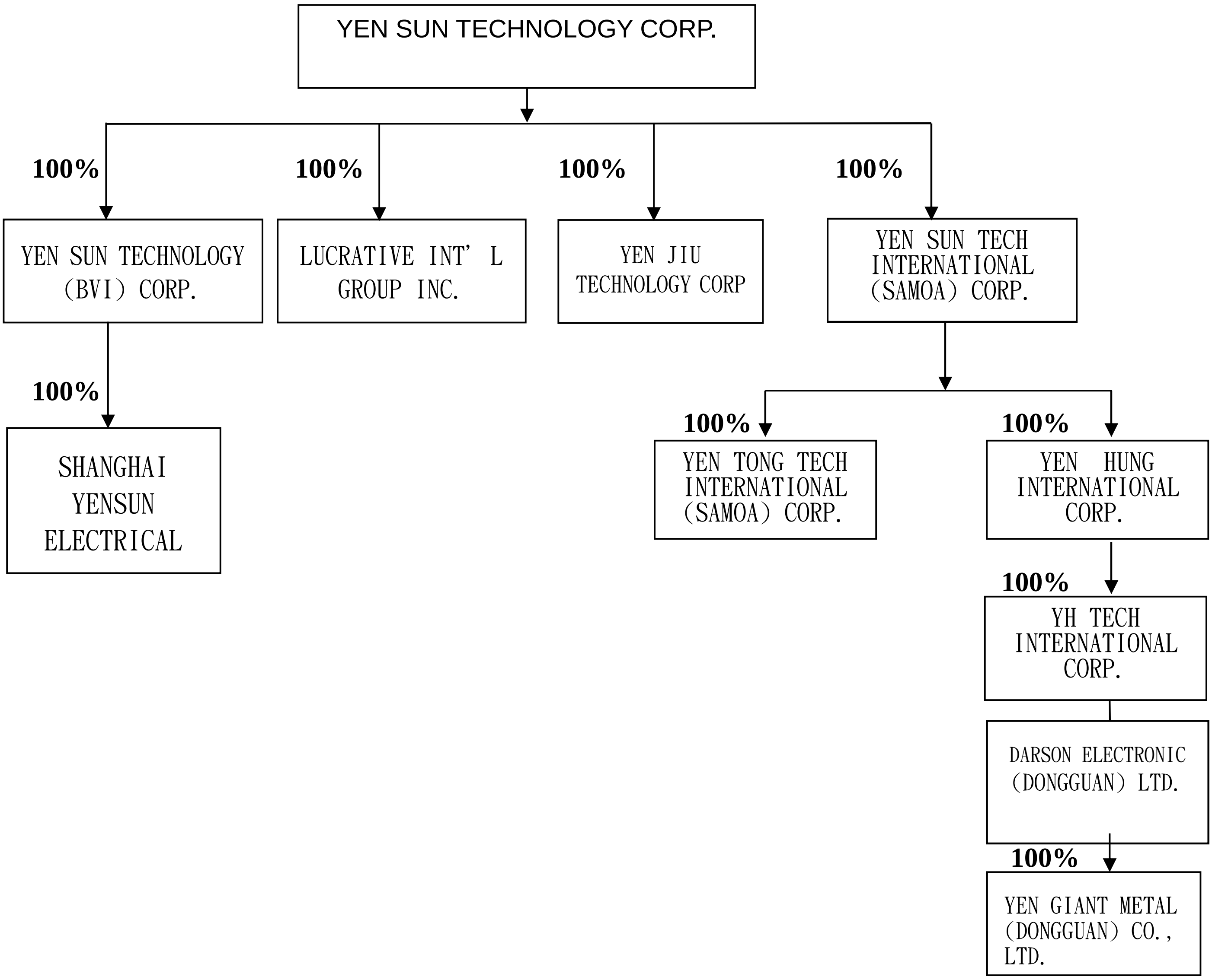
(7) Other notable matters: None.

8. Special Disclosure

(1) Information Regarding Affiliated Companies

A. Consolidated business report of affiliated companies

(a) Organizational chart of the affiliates:



(b) Information of subsidiaries and affiliates

Affiliates	Date of establishment	Address	Actual investment amount of the company	Business Scope
YEN SUN TECHNOLOGY (BVI) CORP.	1998.05.29	Tropic Isle Building, P.O.Box 438, Road Town, Tortola,B.V.I.	US$7,800 of thousand	Investment holding
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1993.09.14	No. 2778 Baoan Road, Malu Town, Jiading District, Shanghai	US$7,800 of thousand	Manufacturing and sales of Home Appliances, Cooling fan
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	2005.07.29	Offshore Chambers,P.O. Box217,Apia,Samoa.	US$1,060 of thousand	Investment holding
YEN HUNG INTERNATIONAL CORP.	2005.08.02	Portcullis TrustNet Chambers,P.O.Box 1225,Apia,samoa	US$1,000 of thousand	Investment holding
YH TECH INTERNATIONAL CORP.	2004.07.05	Springates South Lower Government Rd. CharlestownNevis	US$1,000 of thousand	Investment holding
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	2009.08.04	Level 5,Development Bank of Samoa Building, Beach Road, Apia,Samoa	US$60 of thousand	Investment holding
DARSON ELECTRONIC (DONGGUAN) LTD.	2010.06.10	Xinsi Admin Zone, Heng Li Town,Dongguan City, Guangdong Province 523466,P.R. China	US$1,000 of thousand	Manufacturing of Cooling fan
YEN GIANT METAL (DONGGUAN) CO., LTD.	2012.08.31	No.10, Dongxing W. First Road,Jiaoshe Village, Dongkeng Town, Dongguan, Guangdong Province 523443, P. R. China	CNY$1,300 of thousand	Manufacturing of heat sink
YEN JIU TECHNOLOGY CORP.	2013.05.20	No.421, Guantian,Guantian Dist., Tainan City 72047, Taiwan (R.O.C.)	TWD$110,500 of thousand	Home Appliance OEM Business
LUCRATIVE INT’L GROUP INC.	2017.06.05	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	No actual capital investment yet	Investment holding

(c) Shareholders presumed to have a relationship of control and subordination:None.

(d) The names of the Directors, Supervisors, and president of each affiliate:

April 18,2020;Unit: NT$ thousands

Company name	Position	Name or representative	Number of shares held	
			Number ofshares	Shareholding Percentage
YEN SUN TECHNOLOGY (BVI) CORP.	Chairman	Fang,Jin-Zhong	-	-
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Chairman	Fang,Jin-Zhong	-	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	Chairman	Wu,Wen-Jie	-	-
YEN HUNG INTERNATIONAL CORP.	Chairman	Lin,Shu-Qin	-	-
Y.H. TECH INTERNATIONAL CORP.	Chairman	Fang,Jin-Zhong	-	-
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	Chairman	Chen,Yi-Jun	-	-
DARSON ELECTRONIC (DONGGUAN) LTD.	Chairman	Wu,Wen-Jie	-	-
DARSON ELECTRONIC (DONGGUAN) LTD.	Chairman	Ye,Sheng-Zan	-	-
YEN JIU TECHNOLOGY CORP.	Chairman	CHEN,CHIEN-JUNG	-	-
LUCRATIVE INT’L GROUP INC.	Chairman	Ye,Sheng-Zan	-	-

(e) The overview of the operations of the affiliates:

Unit: NT$ thousand

Company name	Paid-in capital	Total assets	Total liabilities	Net Value	Revenue	Operating profit	Profit after tax	Earnings per share (NT$) (after tax)
YEN SUN TECHNOLOGY (BVI) CORP.	259,842	152,718	296,059	(143,341)	731,926	5,834	(18,804)	—
Yen Sun Tech International (Samoa) Corp	32,098	222,320	103,667	118,653	293,286	(1,012)	40,148	—
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	233,346	16,088	192,158	(176,070)	0	(28,529)	(23,080)	—
Yen Hung International Corp.	30,179	113,609	512	113,097	0	0	41,111	—
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	1,916	1,184	0	1,184	0	0	0	—
Y.H. Tech International Corp.	30,179	193,342	80,253	113,089	1,900	(54)	41,108	—
DARSON ELECTRONIC (DONGGUAN) LTD.	30,179	347,372	331,987	15,385	655,905	17,110	43,709	—
YEN GIANT METAL (DONGGUAN) CO., LTD.	6,005	234,490	228,469	6,021	360,569	37,834	33,383	—
YEN JIU TECHNOLOGY CORP.	110,500	295,460	200,775	94,685	651,841	(30,219)	(29,673)	—
LUCRATIVE INT'L GROUP INC.	0	0	0	0	0	0	0	—

B. Consolidated Financial Statements of Affiliated Companies: Please refer to Page141 to page 220

C. Declaration of Consolidated Financial Statements of Affiliated Companies: Please refer to page141

(2) A private placement of securities during the most recent year or during the current fiscal year up to the date of publication of the annual report: None.

(3) Possession or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

(4) Other matters that require additional description: None.

(5) Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Excahnge Act, which might materially affect shareholders equity or the price of the company's securities which has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report shall be listed one by one: None.

YEN SUN TECHNOLOGY CORP.

Chairman：*CHEN,CHIEN-JUNG*