

**CHENG UEI PRECISION INDUSTRY CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 20000018

To the Board of Directors and Stockholders of Cheng Uei Precision Industry Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and subsidiaries (the “Group”) as at March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(8), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$20,427,814 thousand and NT\$18,947,556 thousand, constituting 29.16% and 26.76% of the consolidated total assets, and total liabilities of NT\$3,612,736 thousand and NT\$3,204,908 thousand, constituting 8.59% and 7.66% of the consolidated total liabilities as at March 31, 2020 and 2019, and total comprehensive loss of NT (\$147,069) thousand and NT(\$83,334) thousand, constituting 55.59% and (15.44%) of the consolidated total comprehensive (loss) income for the three months then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Emphasis of Matter –significant unresolved litigation involving investments accounted for using equity method

As described in Notes 6(8) and 9(3) to the consolidated financial statements, Central Motion Picture Corporation, an equity method investment of the Group, was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee in its written disposition issued on October 9, 2018. Under Article 16 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations, Central Motion Picture Corporation may file an administrative litigation in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, Central Motion Picture Corporation may

file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court, which ruled to approve the suspension of execution in January 2020. However, the Ill-gotten Party Assets Settlement Committee subsequently filed an appeal against the ruling, and it was dismissed by the High Administrative Court in February 2020. Meanwhile, Central Motion Picture Corporation filed a revocation action with the Taipei High Court, and it was pending approval as of January 14, 2020. As of the financial reporting date, the possible result of this litigation cannot be determined. Therefore, our opinion is not modified in respect of this matter.

Lin, Se-Kai

Liang, Yi-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

May 8, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and review report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

ASSETS	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$ 8,426,693	12	\$ 6,296,729	9	\$ 6,455,362	9
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(3)	121,693	-	129,150	-	277,088	-
1136	Current financial assets at amortised cost	6(4) and 8	1,304,161	2	1,643,178	2	937,512	1
1150	Notes receivable, net		18,508	-	24,547	-	15,150	-
1170	Accounts receivable, net	6(5)	10,980,551	16	15,474,111	21	11,917,243	17
1180	Accounts receivable, net - related parties	7	656,424	1	430,979	1	323,373	1
1200	Other receivables	6(6)	223,841	-	359,717	1	365,841	1
1210	Other receivables - related parties	7	95,519	-	95,825	-	69,989	-
1220	Current income tax assets	6(29)	18,473	-	15,762	-	17,904	-
130X	Inventories, net	6(7)	11,004,256	16	11,218,741	15	12,477,962	18
1410	Prepayments		1,651,583	2	1,726,442	2	1,508,953	2
1470	Other current assets		40,126	-	22,440	-	32,146	-
11XX	TOTAL CURRENT ASSETS		<u>34,541,828</u>	<u>49</u>	<u>37,437,621</u>	<u>51</u>	<u>34,398,523</u>	<u>49</u>
1517	Financial assets at fair value through other comprehensive income-non-current	6(3) and 12(3)	938,379	1	936,755	1	1,059,536	2
1535	Non-current financial assets at amortised cost	6(4) and 8	144,414	-	127,584	-	133,984	-
1550	Investments accounted for under equity method	6(8)	4,505,821	7	4,454,802	6	4,321,314	6
1600	Property, plant and equipment, net	6(9)	23,336,405	33	23,397,983	32	23,247,810	33
1755	Right-of-use assets	6(10) and 7	1,758,383	3	1,831,171	2	1,849,239	3
1760	Investment property, net	6(11)	584,909	1	591,774	1	276,835	-
1780	Intangible assets, net	6(12)	2,261,365	3	2,251,948	3	2,870,124	4
1840	Deferred income tax assets	6(29)	594,379	1	552,815	1	301,212	-
1915	Prepayments for business facilities		971,949	1	1,295,103	2	1,574,428	2
1990	Other non-current assets, others	8	406,485	1	418,848	1	764,705	1
15XX	TOTAL NON-CURRENT ASSETS		<u>35,502,489</u>	<u>51</u>	<u>35,858,783</u>	<u>49</u>	<u>36,399,187</u>	<u>51</u>
1XXX	TOTAL ASSETS		<u>\$ 70,044,317</u>	<u>100</u>	<u>\$ 73,296,404</u>	<u>100</u>	<u>\$ 70,797,710</u>	<u>100</u>

(Continued)

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
2100	6(13)	\$ 3,246,926	5	\$ 2,038,744	3	\$ 3,454,498	5
2110	6(14)						
		273,580	-	374,942	1	219,927	-
2120	6(2) and 12(3)						
		-	-	-	-	28	-
2130	6(23)	885,385	1	787,222	1	644,685	1
2150		240	-	3,273	-	2,527	-
2170		10,231,014	15	14,712,215	20	11,597,032	16
2180	7						
		166,353	-	230,091	-	392,364	1
2200	6(15)	4,651,027	7	5,870,986	8	5,500,383	8
2230	6(29)	287,502	-	372,824	1	123,664	-
2280	7	192,139	-	226,420	-	253,158	-
2365		15,191	-	20,894	-	18,848	-
2399	6(17)	1,920,986	3	1,637,087	2	1,242,613	2
21XX		<u>21,870,343</u>	<u>31</u>	<u>26,274,698</u>	<u>36</u>	<u>23,449,727</u>	<u>33</u>
NON-CURRENT LIABILITIES							
2530	6(16)	2,988,052	4	2,987,655	4	-	-
2540	6(17)	13,445,885	19	12,038,454	16	14,636,491	21
2570	6(29)	773,958	1	795,899	1	988,936	1
2580	7	298,781	1	294,317	-	292,227	-
2600	6(8)(10)(18)	2,682,028	4	2,662,862	4	2,483,825	4
25XX		<u>20,188,704</u>	<u>29</u>	<u>18,779,187</u>	<u>25</u>	<u>18,401,479</u>	<u>26</u>
2XXX		<u>42,059,047</u>	<u>60</u>	<u>45,053,885</u>	<u>61</u>	<u>41,851,206</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
Capital stock							
3110	6(19)	5,123,269	7	5,123,269	7	5,123,269	7
Capital reserve							
3200	6(20)	9,471,572	13	9,471,717	13	9,430,462	13
Retained earnings							
3310	6(21)	2,803,290	4	2,803,290	4	2,742,480	4
3320		1,609,901	2	1,609,901	2	1,508,296	2
3350		6,051,119	9	6,030,302	8	5,077,744	7
Other equity							
3400	6(22)	(2,542,204)	(3)	(2,334,535)	(3)	(1,107,871)	(1)
Treasury shares							
3500	6(19)	(272,066)	-	(272,066)	-	(272,066)	-
31XX		<u>22,244,881</u>	<u>32</u>	<u>22,431,878</u>	<u>31</u>	<u>22,502,314</u>	<u>32</u>
36XX		<u>5,740,389</u>	<u>8</u>	<u>5,810,641</u>	<u>8</u>	<u>6,444,190</u>	<u>9</u>
3XXX		<u>27,985,270</u>	<u>40</u>	<u>28,242,519</u>	<u>39</u>	<u>28,946,504</u>	<u>41</u>
Significant contingent liabilities and unrecognised contract commitments							
Significant events after the balance sheet date							
3X2X	9						
	11						
		<u>\$ 70,044,317</u>	<u>100</u>	<u>\$ 73,296,404</u>	<u>100</u>	<u>\$ 70,797,710</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

	Items	Notes	Three months ended March 31,			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(23) and 7	\$ 16,011,284	100	\$ 19,247,646	100
5000	Operating costs	6(7)(27)(28) and 7	(14,608,176)	(91)	(17,531,502)	(91)
5900	Gross profit		<u>1,403,108</u>	<u>9</u>	<u>1,716,144</u>	<u>9</u>
	Operating expenses	6(27)(28)				
6100	Sales and marketing expenses		(400,084)	(3)	(438,521)	(2)
6200	General and administrative expenses		(694,944)	(4)	(747,412)	(4)
6300	Research and development expenses		(496,937)	(3)	(503,913)	(3)
6450	Expected credit gain (loss)	12(2)	<u>28,905</u>	<u>-</u>	<u>(4,586)</u>	<u>-</u>
6000	Total operating expenses		<u>(1,563,060)</u>	<u>(10)</u>	<u>(1,694,432)</u>	<u>(9)</u>
6900	Operating (loss) income		<u>(159,952)</u>	<u>(1)</u>	<u>21,712</u>	<u>-</u>
	Non-operating income and expenses					
7010	Other income	6(24) and 7	140,854	1	91,184	-
7020	Other gains and losses	6(25)	33,866	-	14,504	-
7050	Finance costs	6(26)	(82,239)	-	(85,631)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	<u>59,820</u>	<u>-</u>	<u>12,031</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>152,301</u>	<u>1</u>	<u>32,088</u>	<u>-</u>
7900	(Loss) income before income tax		(7,651)	-	53,800	-
7950	Income tax expense	6(29)	<u>(36,220)</u>	<u>-</u>	<u>(54,612)</u>	<u>-</u>
8200	Net loss		<u>(\$ 43,871)</u>	<u>-</u>	<u>(\$ 812)</u>	<u>-</u>

(Continued)

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

	Items	Notes	Three months ended March 31,				
			2020		2019		
			AMOUNT	%	AMOUNT	%	
	Other comprehensive (loss) income, net						
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss						
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		\$ -	-	\$ 46,219	-	
8310	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>46,219</u>	<u>-</u>	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences arising on translation of foreign operations		(247,047)	(2)	575,747	3	
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(24,918)	-	30,764	-	
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	<u>51,297</u>	<u>-</u>	<u>(112,228)</u>	<u>-</u>	
8360	Total components of other comprehensive (loss) income that will be reclassified to profit or loss		<u>(220,668)</u>	<u>(2)</u>	<u>494,283</u>	<u>3</u>	
8300	Other comprehensive (loss) income, net		<u>(\$ 220,668)</u>	<u>(2)</u>	<u>\$ 540,502</u>	<u>3</u>	
8500	Total comprehensive (loss) income for the period		<u>(\$ 264,539)</u>	<u>(2)</u>	<u>\$ 539,690</u>	<u>3</u>	
	Net income (loss) attributable to:						
8610	Shareholders of the parent		\$ 20,817	-	\$ 97,560	1	
8620	Non-controlling interests		(64,688)	-	(98,372)	(1)	
	Total		<u>(\$ 43,871)</u>	<u>-</u>	<u>(\$ 812)</u>	<u>-</u>	
	Total comprehensive (loss) income attributable to:						
8710	Shareholders of the parent		(\$ 186,852)	(2)	\$ 599,590	3	
8720	Non-controlling interests		(77,687)	-	(59,900)	-	
	Total		<u>(\$ 264,539)</u>	<u>(2)</u>	<u>\$ 539,690</u>	<u>3</u>	
	Basic earnings per share (in dollars)						
9750	Total basic earnings per share	6(30)	<u>\$ -</u>	<u>0.04</u>	<u>\$ 0.20</u>	<u>0.20</u>	
	Diluted earnings per share (in dollars)						
9850	Total diluted earnings per share	6(30)	<u>\$ -</u>	<u>0.04</u>	<u>\$ 0.20</u>	<u>0.20</u>	

The accompanying notes are an integral part of these consolidated financial statements.

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent									
		Retained earnings					Other equity interest				
Notes	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to shareholders of the parent	Non-controlling interest	Total equity
<u>Three months ended March 31, 2019</u>											
	\$ 5,123,269	\$ 9,430,462	\$ 2,742,480	\$ 1,508,296	\$ 4,980,234	(\$ 1,294,410)	(\$ 315,491)	(\$ 272,066)	\$ 21,902,774	\$ 6,044,460	\$ 27,947,234
	-	-	-	-	97,560	-	-	-	97,560	(98,372)	(812)
6(22)	-	-	-	-	-	455,811	46,219	-	502,030	38,472	540,502
	-	-	-	-	97,560	455,811	46,219	-	599,590	(59,900)	539,690
	-	-	-	-	(50)	-	-	-	(50)	(80)	(130)
	-	-	-	-	-	-	-	-	-	459,710	459,710
	\$ 5,123,269	\$ 9,430,462	\$ 2,742,480	\$ 1,508,296	\$ 5,077,744	(\$ 838,599)	(\$ 269,272)	(\$ 272,066)	\$ 22,502,314	\$ 6,444,190	\$ 28,946,504
<u>Three months ended March 31, 2020</u>											
	\$ 5,123,269	\$ 9,471,717	\$ 2,803,290	\$ 1,609,901	\$ 6,030,302	(\$ 2,079,456)	(\$ 255,079)	(\$ 272,066)	\$ 22,431,878	\$ 5,810,641	\$ 28,242,519
	-	-	-	-	20,817	-	-	-	20,817	(64,688)	(43,871)
6(22)	-	-	-	-	-	(207,669)	-	-	(207,669)	(12,999)	(220,668)
	-	-	-	-	20,817	(207,669)	-	-	(186,852)	(77,687)	(264,539)
6(20)	-	(145)	-	-	-	-	-	-	(145)	(224)	(369)
	-	-	-	-	-	-	-	-	-	7,659	7,659
	\$ 5,123,269	\$ 9,471,572	\$ 2,803,290	\$ 1,609,901	\$ 6,051,119	(\$ 2,287,125)	(\$ 255,079)	(\$ 272,066)	\$ 22,244,881	\$ 5,740,389	\$ 27,985,270

The accompanying notes are an integral part of these consolidated financial statements.

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31,	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 7,651)	\$ 53,800
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on financial assets at fair value through profit or loss	6(2)	(4,686)	(435)
Depreciation (including investment property)	6(9)(10)(11)(27)	809,397	940,470
Amortisation	6(12)(27)	28,526	24,553
Expected credit (gain) loss	12(2)	(28,905)	4,586
Interest expense	6(26)	82,239	85,631
Interest income	6(24)	(25,401)	(28,808)
Share of profit of associates accounted for using the equity method	6(8)	(59,820)	(12,031)
Loss (gain) on disposal of property, plant and equipment	6(25)	9,682	(620)
Gain on disposal of investments	6(25)	(1,025)	(7,812)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		12,143	(277,088)
Notes receivable, net		6,039	9,262
Accounts receivable		4,522,634	759,647
Accounts receivable from related parties		(225,445)	356,644
Other receivables		135,876	338,808
Other receivables from related parties		306	(1,969)
Inventories		209,879	663,518
Prepayments		74,859	197,930
Other current assets		(17,686)	19,837
Other non-current assets		18,622	349,332
Changes in operating liabilities			
Contract liabilities		98,163	15,492
Notes payable		(3,033)	(1,287)
Accounts payable		(4,481,201)	(3,821,295)
Accounts payables to related parties		(63,738)	65,462
Other payables		(1,090,789)	(504,633)
Refund liabilities		(5,703)	836
Other current liabilities		(68,992)	49,944
Other non-current liabilities		19,269	52,131
Cash outflow generated from operations		(56,441)	(668,095)
Interest received		25,401	28,808
Interest paid		(76,913)	(78,673)
Income tax paid		(133,750)	(83,984)
Net cash flows used in operating activities		(241,703)	(801,944)

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CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31,	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost	6(4)	\$ 322,187	(\$ 338,843)
Acquisition of property, plant and equipment	6(33)	(515,271)	(1,313,110)
Proceeds from disposal of property, plant and equipment	6(9)	1,575	38,927
Acquisition of intangible assets	6(12)	(35,019)	(38,302)
Proceeds from disposal of intangible assets	6(12)	-	645
Increase in prepayments for business facilities		(131,423)	(84,655)
Net cash flows used in investing activities		(357,951)	(1,735,338)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(34)	3,791,396	8,056,734
Decrease in short-term borrowings	6(34)	(2,583,214)	(6,065,228)
Decrease in short-term notes payable	6(34)	(101,362)	(274,968)
Increase in long-term borrowings	6(34)	3,018,946	4,134,616
Repayment of long-term borrowings	6(34)	(1,257,465)	(3,539,634)
Repayment of lease liabilities	6(10)(34)	(70,874)	(89,644)
Net cash flows from financing activities		2,797,427	2,221,876
Effect of change in exchange rates		(67,809)	647,917
Net increase in cash and cash equivalents		2,129,964	332,511
Cash and cash equivalents at beginning of period		6,296,729	6,122,851
Cash and cash equivalents at end of period		\$ 8,426,693	\$ 6,455,362

The accompanying notes are an integral part of these consolidated financial statements.

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Unaudited)

1. HISTORY AND ORGANIZATION

Cheng Uei Precision Industry Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986 and has begun operations on July 31, 1986. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on May 6, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as

endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation and additional descriptions that are set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2019. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards 34, “Interim Financial Reporting”.
- B. The consolidated financial statements as of and for the three months ended March 31, 2020 should be read together with the consolidated financial statements as of and for the year ended December 31, 2019.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Financial assets at fair value through other comprehensive income.
 - c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as

endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed 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.
- d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. Conversely, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to

retained earnings when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	100	Note 14,15
The Company	Culink International Ltd. (CULINK)	Reinvestment business	100	100	100	
The Company	Foxlink International Investment Ltd. (FII)	General investments holding	100	100	100	Note 14,15
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	100	Note 14,15
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	100	
The Company	Foxlink Technology Ltd. (FOXLINK TECH)	Holding company	100	100	100	
The Company	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	47.77	
The Company	Suntain Co., Ltd. (Suntain)	Electroplating processing services	100	100	100	
The Company	SINOBEST BROTHERS LIMITED (SINOBEST)	Holding company	100	100	100	Note 2
CU	Fugang Electronic (Dong Guan) Co., Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	100	Note 14,15
CU	New Start Industries Ltd. (NEW START)	Reinvestment business	100	100	100	
CU	Fugang Electric (KunShan) Co., Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	100	Note 14,15
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	Manufacture of electronic telecommunication components	-	-	100	Note 4
CU	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	25	25	25	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
CU	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	83.17	83.17	83.17	Note 14,15
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	49.98	49.98	49.98	
CU	Solteras Limited	General investments holding	100	100	100	
CU	Fu Shi Neng Electronics (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Shi Xiang Research & Development Center (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	72	72	72	
CU	Fugang Electric (YANCHENG) Co., Ltd. (FG YANCHENG)	Manufacture of electronic telecommunication components	80	80	80	
CU	Fuqiang Electric (YANCHENG) Co., Ltd. (FQ YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
CU	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	32.86	32.86	32.86	
CU	Kunshan Fugang Investment Co., Ltd. (Kunshan Fugang Investment)	General investments holding	100	100	100	
CU	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	62.91	78.06	92.59	Note 7
CU	Fugang Electric (XuZhou) Co., Ltd. (FG XuZhou)	Manufacture of electronic telecommunication components	47.06	47.06	100	Note 11,14
NEW START	Foxlink TianJin Co., Ltd. (FTJ)	Manufacture of electronic telecommunication components	100	100	100	
NEW START	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	75	75	75	
NEW START	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	26.64	
NEW START	Changzhou Xinwei Vehicle Energy Venture Capital Co., Ltd. (Xinwei)	General investments holding	50	50	50	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
FTJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	46.93	
FTJ	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	50.02	50.02	50.02	
FTJ	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	28	28	28	
FTJ	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	50.71	50.71	50.71	
FTJ	Changde Fubo Intelligent Technology Co., Ltd (CDFB)	Manufacture and sale of automated equipment	70	85.37	-	Note 2,8
KAFE	Suzhou Keyu Rui Automobile Technology Co., Ltd. (Keyu Rui)	Manufacture	55.56	55.56	55.56	
KAFE	Foxlink Automotive Technology Co., Ltd. (FAT)	Manufacture of electronic telecommunication components	100	100	-	Note 2
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	100	
CULINK	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	37.09	21.94	7.41	Note 7
CULINK	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	0.73	0.73	0.73	
CULINK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORY SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	0.73	0.73	0.73	
CULINK	FUGANG ELECTRIC (XUZHOU) CO., LTD. (FG XUZHOU)	Manufacture of electronic telecommunication components	52.94	52.94	-	Note 2,11,14
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	100	Note 14,15
Kunshan Fugang Investment	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	16.83	16.83	16.83	Note 14,15
Kunshan Fugang Investment	Fuqiang Electric (MAANSHAN) Co., Ltd. (FQ MAANSHAN)	Manufacture of electronic telecommunication components	100	100	100	
Kunshan Fugang Investment	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	16.43	16.43	16.43	
FII	Link Media Co., Ltd. (LM)	Manufacture of electronic telecommunication components	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
FII	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and flexible printed circuit	69.56	69.56	69.56	
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	50.03	
FII	Shin Ke International Co., Ltd. (Shin Ke)	Manufacture of electronic telecommunication components	-	100	100	Note 9
FII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	23.67	23.67	23.67	Note 14,15
WCT	Value Success Limited (VALUE SUCCESS)	Holding company and reinvestment business	100	100	100	
VALUE SUCCESS	Capital Guardian Limited (CAPITAL)	Holding company and reinvestment business	100	100	100	
CAPITAL	World Circuit Technology (Hong Kong) Limited (WCTHK)	Holding company and reinvestment business	100	100	100	
WCTHK	Shanghai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	53.07	
Darts	Benefit Right Ltd. (BENEFIT)	Reinvestment business	100	100	100	
BENEFIT	Power Channel Limited (POWER)	Reinvestment business	64.25	64.25	64.25	
Du Precision	Ce Link International Ltd. (CELINK)	Manufacture of electronic telecommunication components	100	100	100	
SINOBEST	Foxlink Myanmar Company Limited (FOXLINK MYANMAR)	Manufacture of electronic telecommunication components	100	100	100	Note 2,5
SOLTERAS LIMITED	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	25.59	25.59	25.59	
FUII	Studio A Inc. (Studio A)	Manufacture of electronic telecommunication components	51	51	51	
FUII	VA Product Inc. (VA)	Manufacture of electronic telecommunication components	75.63	75.63	75.63	
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.3	1.3	1.3	
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	100	Note 14,15
FUII	Shinfox Co., Ltd. (Shinfox)	Mechanical installation and piping engineering	13.40	13.40	57.17	Note 12
FUII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	5.97	5.97	5.97	Note 14,15

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Zhi De Investment	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	8.55	8.55	8.55	Note 14,15
Shinfox	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	100	100	10.71	Note 12
Shinfox	Shinfox Energy International Inc. (SHINFOX ENERGY)	Energy service management	-	40	40	Note 3,6
Shinfox	Shinfox Natural Gas Co., Ltd. (Shinfox Natural Gas)	Energy service management	100	100	100	Note 10
Shinfox	KUNSHAN JUIWEI INFO TECH CO., LTD. (KUNSHAN 昆侖威爾)	Supply chain finance energy service management	100	100	100	
Shinfox	Foxwell Power Co., Ltd. (Foxwell Power)	Energy service management	100	100	-	Note 2
PROCONN	Advance Electronic Ltd. (Advance Electronic)	General investments holding	100	100	100	
PROCONN	Byford International Ltd. (BYFORD)	General international trade	-	-	100	Note 4
PROCONN	Media Universe Inc. (MEDIA UNIVERSE)	General international trade	-	-	100	Note 4
ADVANCE ELECTRONIC	Proconn Technology Co., Ltd. (PROCONN)	General investments holding	-	-	100	Note 4
ADVANCE ELECTRONIC	Smart Technology International Ltd. (SMART)	General investments holding	100	100	100	
PROCONN	Proconn Electron Technology (Shenzhen) Co., Ltd. (Proconn ShenZhen)	Manufacture of electronic telecommunication components	-	-	100	Note 4
SMART	SUZHOU YUHANG ELECTRONICS TECH. CO., (宇恒)	Manufacture of electronic telecommunication components	100	100	100	
Studio A	Jing Sheng Technology Co., Ltd. (Jing Sheng)	Sale of electronic telecommunication components	100	100	100	
Studio A	Studio A Technology Limited (Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	51	
Studio A	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	100	100	100	
Studio A	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	100	
Studio A Hong Kong	Studio A Macau Limited (Studio A Macau)	Sale of electronic telecommunication components	100	100	100	
FGEKS	Kunshan Fugang Electric Trading Co., Ltd. (KFET)	Sale of electronic telecommunication components	51	51	51	
KFET	Shanghai Fugang Electric Trading Co., Ltd. (SFET)	Sale of electronic telecommunication components	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
KFET	Kunshan Fu Shi Yu Trading Co., Ltd. (KFSY)	Sale of electronic telecommunication components	100	100	100	
KFET	Shanghai Standard Information Technology Co., Ltd. (Shanghai Standard)	Sale of electronic telecommunication components	100	100	-	Note 2
FIT Holding	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	100	100	100	Note 14,15
FIT Holding	Foxlink Image Technology Co., Ltd. (Foxlink Image)	Manufacture and sale of image scanners and multifunction printers	100	100	100	Note 14,15
FIT Holding	Glory Science Co., Ltd. (Glory Science)	Manufacture and sale of optical lens components and other products	100	100	100	Note 14,15
FIT Holding	Shih Fong Power Co., Ltd. (Shih Fong)	Energy service management	100	100	-	Note 2
PQI	Power Quotient International (H.K.) Co., Ltd. (PQI H.K.)	Sale of electronic telecommunication components	100	100	100	
PQI	Pqi Japan Co., Ltd. (PQI JAPAN)	Sale of electronic telecommunication components	100	100	100	
PQI	Syscom Development Co., Ltd. (SYSCOM)	Specialized investments holding	100	100	100	
PQI	Apix Limited (APIX)	Specialized investments holding	100	100	100	Note 14,15
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	100	
PQI	Power Sufficient International Co., Ltd. (PSI)	Sale of medical instruments	100	100	100	
PQI	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	-	-	89.29	Note 12
PQI	Shinfox Co., Ltd. (Shinfox)	Mechanical installation and piping engineering	76.56	76.56	-	Note 12
SYSCOM	Pqi Corporation (PQI USA)	Sale of electronic telecommunication components	100	100	100	
SYSCOM	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	99.27	99.27	99.27	
PQI MOBILITY	Power Quotient Technology (YANCHENG) Co., Ltd. (PQI YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
APIX	Sinocity Industries Limited (Sinocity)	Sale of electronic telecommunication components	100	100	100	Note 5,14,15
APIX	Perennial Ace Limited (Perennial)	Specialized investments holding	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Foxwell Energy	Zhangyuan Wind Power Co., Ltd. (Zhangyuan)	Energy service management	100	100	100	
Foxwell Energy	Beiyuan Wind Power Co., Ltd. (Beiyuan)	Energy service management	100	100	100	
Sinocity Industries	DG LIFESTYLE STORE LIMITED (DG)	Sale of 3C products	100	100	100	Note 5,14,15
Perennial	Studio A Technology Limited (Studio A Hong Kong)	Sale of 3C products	24.5	24.5	24.5	
PQI YANCHENG	Jiangsu Foxlink New Energy Technology Co., Ltd. (Jiangsu Foxlink)	Manufacture of electronic telecommunication components	100	100	100	Note 14,15
Foxlink Image	ACCU-IMAGE TECHNOLOGY LIMITED (AITL)	Manufacture and sale of image scanners and multifunction printers	100	100	100	Note 13,14,15
Foxlink Image	GLOBAL IMAGE TECHNOLOGY LIMITED (GITL)	Reinvestment business	-	-	100	Note 13
Foxlink Image	GLOBAL SMART TECHNOLOGY LIMITED (GSTL)	Reinvestment business	-	-	100	Note 13
GSTL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	-	-	100	Note 13
AITL	GLOBAL OUTLOOK INVESTMENTS LIMITED (GOI)	Reinvestment business	-	-	100	Note 13
AITL	GLOBAL ADVANCE INVESTMENTS CORP. (GAI)	Reinvestment business	-	-	100	Note 4
AITL	POWER CHANNEL LIMITED (POWER)	Reinvestment business	35.75	35.75	35.75	
AITL	Dongguan Fu Wei Electronics Co., Ltd. (Dongguan Fu Wei)	Manufacture and sale of image scanners and multifunction printers	100	100	100	Note 14,15
AITL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	100	100	-	Note 13
AITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	100	100	-	Note 13
AITL	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	100	100	-	Note 13
GITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	-	-	100	Note 13
GOI	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	-	-	100	Note 13

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Glory Science	GLORY TEK CO., LTD. (GLORY TEK)	General investments holding	100	100	100	Note 14,15
GLORY TEK	GLORY OPTICS CO., LTD. (GLORY OPTICS)	Sales agent	100	100	100	Note 14,15
GLORY TEK	GLORY TEK (SAMOA) CO., LTD. (GLORY TEK SAMOA)	General investments holding	100	100	100	Note 14,15
GLORY TEK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORYTEK SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	99.27	99.27	99.27	Note 14,15
GLORY TEK SAMOA	GLORY Photovoltaic (Suzhou) Co., Ltd. (GLORY Suzhou)	Production and processing and sale of optical lens components and other products	100	100	100	Note 14,15
GLORY TEK SAMOA	Glory Optics (Yancheng) Co., Ltd. (Glory Yanchang)	Production and processing and sale of optical lens components and other products	34.88	34.88	40.57	Note 14,15
GLORY OPTICS	Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Production and processing and sale of optical lens components and other products	100	100	100	Note 14,15
Yao Wei	Yancheng Yao Wei Technology Co., Ltd. (YYWT)	Production and processing and sale of optical lens components and other products	100	100	100	Note 14,15
GLORY Suzhou	Glory Optics (Yancheng) Co., Ltd. (GOYC)	Production and processing and sale of optical lens components and other products	65.12	65.12	59.43	Note 14,15

Note 1: Investment or incorporation began in 2020.

Note 2: Investment or incorporation began in 2019.

Note 3: Dissolved or liquidated in 2020.

Note 4: Dissolved or liquidated in 2019.

Note 5: With balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

Note 6: The Group holds 40% of shares in SHINFOX ENERGY. However, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over SHINFOX ENERGY.

Note 7: CULINK has participated in Foxlink India's capital increase on September 15, 2019, January 22, 2020 and February 25, 2020. After the capital increment, Foxlink India became a wholly-owned subsidiary of CULINK and CU with 37.09% and 62.91% ownership, respectively.

Note 8: Changde Kingplus Electronic Technology Co. Ltd. has participated in CDFB's capital increase on January 17, 2020. After the capital increment, the equity shares of CDFB held by FTJ decreased to 70% from 85.37%.

Note 9: Deepwaters Digital Support Inc. and YD Entertainment has participated in Shin Ke's capital increase on March 10, 2020. After the capital increment, the equity shares of Shin Ke held by FII decreased to 15.38% from 100%. As a result, the Group lost its control over Shin Ke but has significant influence over it. Please refer to Note 8.

Note 10: Kinmen Gas Co., Ltd. was renamed to Shinfox Natural Gas Co., Ltd. on June 10, 2019.

Note 11: CULINK invested in FG in December 2019. After the capital increment, FG became a wholly-owned subsidiary of CULINK and CU with 52.94% and 47.06% ownership, respectively.

Note 12: Shinfox conducted a share swap with Foxwell Energy on December 27, 2019, which was classified as a reorganisation of entities under common control. After the share swap, Foxwell Energy became a wholly-owned subsidiary of Shinfox whose 76.56% and 13.40% ownership were held by PQI and FUII, respectively.

Note 13: To simplify the Group's structure, the shareholders at their meeting on December 16, 2019 resolved to merge the subsidiaries of the Group, AITL, GITL, GSTL and GOI, with AITL being the surviving company.

Note 14: The financial statements for the three months ended March 31, 2020 were reviewed by the independent accountants of the company.

Note 15: The financial statements for the three months ended March 31, 2019 were reviewed by the independent accountants of the company.

C. Subsidiaries not included in the consolidated financial statements:

Investor	Subsidiary	Main activity	Ownership(%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Foxlink International Investments Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75	75	75	Note 1
Studio A Inc. (Studio A)	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60	60	60	Note 2
CU	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	50	50	Note 3
Foxlink Image Technology Co., Ltd.	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	50	50	Note 3

Note 1: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on October 5, 2004 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 2: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on July 7, 2010 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 3: On December 28, 2015, the Board of Directors has resolved the liquidation of the company, KLEINE. The liquidation process is still ongoing. Thus, this subsidiary was not included in the consolidated financial statements.

D. Adjustments for subsidiaries with different balance sheet dates:

Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform with the balance sheet date of the Group.

FOXLINK MYANMAR is a subsidiary of SINOBEST in Myanmar with balance sheet date of March 31. For the preparation of consolidated financial statements, SINOBEST had required FOXLINK MYANMAR as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform to the balance sheet date of the consolidated financial statements.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2020, December 31, 2019 and March 31, 2019, the non-controlling interest amounted to \$5,740,389, \$5,810,641 and \$6,444,190, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
FIT Holding	Taiwan	<u>\$ 5,084,399</u>	61.81%	<u>\$ 5,168,619</u>	61.81%	<u>\$ 5,409,075</u>	61.81%

Summarised financial information of the subsidiaries:

Balance sheets

	FIT Holding		
	<u>March 31, 2020</u>	<u>December 31, 2018</u>	<u>March 31, 2019</u>
Current assets	\$ 6,404,658	\$ 6,753,637	\$ 6,704,810
Non-current assets	11,067,005	11,454,281	10,075,379
Current liabilities	(6,316,618)	(5,813,251)	(6,798,815)
Non-current liabilities	(4,851,199)	(5,530,512)	(2,388,141)
Total net assets	<u>\$ 6,303,846</u>	<u>\$ 6,864,155</u>	<u>\$ 7,593,233</u>

Statements of comprehensive income

	FIT Holding	
	Three months ended March 31,	
	2020	2019
Revenue	\$ 1,611,075	\$ 1,984,154
Loss before income tax	(71,368)	(136,821)
Income tax expense	(14,018)	(34,855)
Loss for the period from continuing operations	(82,641)	(161,138)
Equity attributable to former owner of business combination under common control	-	(9,733)
(Loss) profit from non-controlling interest	(2,745)	253
Loss for the period	(85,386)	(160,885)
Other comprehensive (loss) income (loss net of tax)	(474,613)	510,418
Total comprehensive (loss) income for the period	<u>(\$ 559,999)</u>	<u>\$ 349,533</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 3,074)</u>	<u>\$ 289</u>
Equity attributable to former owner of business combination under common control attributable to non-controlling interest	<u>\$ -</u>	<u>(\$ 9,733)</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statements of cash flows

	FIT Holding	
	Three months ended March 31,	
	2020	2019
Net cash (used in) provided by operating activities	(\$ 134,330)	\$ 83,866
Net cash used in investing activities	(59,179)	(791,061)
Net cash provided by financing activities	166,282	515,233
Effect of exchange rates on cash and cash equivalents	75,778	177,816
Increase (decrease) in cash and cash equivalents	48,551	(14,146)
Cash and cash equivalents, beginning of period	1,820,304	2,747,502
Cash and cash equivalents, end of period	<u>\$ 1,868,855</u>	<u>\$ 2,733,356</u>

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

No significant changes during the period, please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 60,304	\$ 44,235	\$ 84,855
Checking accounts and demand deposits	6,038,616	4,892,329	4,638,518
Cash equivalents			
Time deposits	2,303,552	1,360,165	1,672,154
Bonds sold under repurchase agreement	24,221	-	-
Short-term notes and bills	<u>-</u>	<u>-</u>	<u>59,835</u>
Total	<u>\$ 8,426,693</u>	<u>\$ 6,296,729</u>	<u>\$ 6,455,362</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

<u>Assets items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profits or loss			
Non-capital guaranteed floating profit financial instruments	<u>\$ 121,693</u>	<u>\$ 129,150</u>	<u>\$ 277,088</u>
<u>Liabilities items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profits or loss			
Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 4,686</u>	<u>\$ 435</u>

- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative financial instruments	March 31, 2020		
	Contract amount (notional principal) (in thousand)		Contract period
Current items:			
Forward exchange contracts	USD	1,000	2019/3~2019/5
Forward exchange contracts	USD	1,000	2019/3~2019/5
Forward exchange contracts	USD	1,000	2019/3~2019/5

The Group entered into forward foreign exchange contracts to buy USD (sell HKD buy USD) to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- C. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Equity instruments	\$ 1,232,831	\$ 1,231,207	\$ 1,238,034
Unlisted stocks valuation adjustment	(294,452)	(294,452)	(178,498)
	<u>\$ 938,379</u>	<u>\$ 936,755</u>	<u>\$ 1,059,536</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As of March 31, 2020, December 31, 2019 and March 31, 2019, the fair value of such investments amounted to \$938,379, \$936,755 and \$1,059,536, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended March 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ -	\$ -

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Repatriation of capital from Taiwan's offshore companies	\$ 908,291	\$ 896,906	\$ -
Time deposits maturing over three months	165,350	378,524	699,128
Restricted deposits	14,652	8,926	12,805
Pledged time deposits	215,868	358,822	225,579
	\$ 1,304,161	\$ 1,643,178	\$ 937,512
Non-current items:			
Restricted deposits	\$ 2,110	\$ 1,768	\$ 1,164
Pledged time deposits	142,304	125,816	132,820
	\$ 144,414	\$ 127,584	\$ 133,984

Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	\$ 11,110,136	\$ 15,632,770	\$ 12,089,239
Less: Loss allowance	(129,585)	(158,659)	(171,996)
	\$ 10,980,551	\$ 15,474,111	\$ 11,917,243

- A. The information on the Group's ageing analysis of accounts receivable is provided in Note 12(2).
- B. As of March 31, 2020, December 31, 2019 and March 31, 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$12,850,558.
- C. The quality information of accounts receivable is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group's internal credit ranking policy is that the Group's business and management segment assesses periodically whether the credit ranking of existing customers is appropriate and adjusts to obtain the latest information when necessary. Customers' credit ranking assessment is based on industrial operating scale, profitability and ranking assessed by financial insurance institutions.

The Group has insured accounts receivable of certain customers and the Group will receive 80%~90% compensation if bad debts occur.

D. The Group does not hold any collateral as security.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Transfer of financial assets

A. The Group entered into a factoring agreement with the banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

March 31, 2020							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 231,809	\$ 231,809	\$ 4,533,750	\$ 208,627	\$ 4,325,123	2.96%	None
Citibank	329,341	329,341	329,341	329,341	-	2.03%	None
Mega International Commercial Bank	418,786	418,786	1,511,250	376,907	1,134,343	1.90%~2.80%	None

December 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 1,037,950	\$ 1,037,950	\$ 4,497,000	\$ 934,155	\$ 3,562,845	2.54%~2.75%	None
Citibank	743,008	743,008	743,008	743,008	-	2.79%~2.99%	None
Mega International Commercial Bank	711,452	711,452	1,499,000	640,306	858,694	2.52%~2.58%	None

March 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 1,298,277	\$ 1,298,277	\$ 4,623,000	\$ 1,168,449	\$ 3,454,551	2.83%~3.65%	None
Citibank	301,018	301,018	301,018	301,018	-	3.59%~3.74%	None
Mega International Commercial Bank	-	-	1,541,000	-	1,541,000	-	None

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group issued promissory notes to some banks for the factoring agreements signed.

(7) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,823,573	(\$ 151,129)	\$ 4,672,444
Work in progress	1,088,125	(46,889)	1,041,236
Finished goods (including merchandise)	5,633,572	(361,799)	5,271,773
Inventory in transit	18,803	-	18,803
	<u>\$ 11,564,073</u>	<u>(\$ 559,817)</u>	<u>\$ 11,004,256</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,787,055	(\$ 110,259)	\$ 3,676,796
Work in progress	397,850	(7,309)	390,541
Finished goods (including merchandise)	7,473,329	(364,193)	7,109,136
Inventory in transit	42,268	-	42,268
	<u>\$ 11,700,502</u>	<u>(\$ 481,761)</u>	<u>\$ 11,218,741</u>

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,350,727	(\$ 229,344)	\$ 4,121,383
Work in progress	1,181,106	(40,694)	1,140,412
Finished goods (including merchandise)	7,699,374	(500,847)	7,198,527
Inventory in transit	17,640	-	17,640
	<u>\$ 13,248,847</u>	<u>(\$ 770,885)</u>	<u>\$ 12,477,962</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2020	2019
Cost of inventories sold	\$ 14,533,010	\$ 17,551,301
Loss on decline in market value	78,056	17,508
Others (revenue from sale of scraps)	(2,890)	(37,307)
	<u>\$ 14,608,176</u>	<u>\$ 17,531,502</u>

(8) Investments accounted for using the equity method

Investee	March 31, 2020		December 31, 2019	
	Amount	Ownership percentage (%)	Amount	Ownership percentage (%)
Central Motion Picture Corporation	\$ 1,963,855	17.60%	\$ 1,964,129	17.60%
Well Shin Technology Co., Ltd.	1,143,178	18.84%	1,135,667	18.84%
Sharetronic Data Technology Co., Ltd.	750,841	26.58%	719,728	26.58%
Castles Technology Co., Ltd.	215,890	16.14%	207,238	16.14%
Dongguan Banrin Robot Technology Co., Ltd.	119,648	31.03%	124,573	31.03%
CMPC Cultural & Creative Co., Ltd.	123,511	42.86%	123,447	42.86%
Kleine Developments Ltd.	63,680	100.00%	62,969	100.00%
Tegna Electronics Private Limited	36,983	30.00%	38,816	30.00%
Shinke International Co., Ltd.	10,000	15.38%	-	-
Microlink Communications Inc.	(22,117)	21.43%	(22,014)	21.43%
	4,405,469		4,354,553	
Add : Current prepayments for investments				
-JOURN TA BROTHERS LIMITED	78,235		78,235	
Credit balance of long-term equity investments reclassified to other non-current liabilities-others	22,117		22,014	
Total	<u>\$ 4,505,821</u>		<u>\$ 4,454,802</u>	

Investee	March 31, 2019	
	Amount	Ownership percentage (%)
Central Motion Picture Corporation	\$ 1,852,741	17.60%
Well Shin Technology Co., Ltd.	1,174,438	18.84%
Sharetronic Data Technology Co., Ltd.	681,477	26.58%
Castles Technology Co., Ltd.	183,782	16.14%
Dongguan Banrin Robot Technology Co., Ltd.	132,146	31.03%
CMPC Cultural & Creative Co., Ltd.	123,354	42.86%
Kleine Developments Ltd.	133,001	100.00%
Tegna Electronics Private Limited	40,375	30.00%
Wellgen Medical Co., Ltd.	-	-
Microlink Communications Inc.	(22,692)	21.43%
	4,298,622	
Credit balance of long-term equity investments reclassified to other non-current liabilities-others	22,692	
Total	<u>\$ 4,321,314</u>	

A. For the three months ended March 31, 2020 and 2019, except for Well Shin Technology Co., Ltd. and Castles Technology Co., Ltd., which were recognised based on their financial statements reviewed by independent accountants and whose total share of profit and loss amounted to \$23,659 and (\$7,495), respectively, share of the profit or loss of other associates and joint ventures were not reviewed by independent accountants.

B. Associates

(a) The basic information of the associates that are material to the Group is summarised below:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		March 31, 2020	December 31, 2019	March 31, 2019		
Central Motion Picture Corporation	Taiwan	17.60%	17.60%	17.60%	Note	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	18.84%	Note	Equity method

Note : As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corporation and Well Shin Technology Co., Ltd., the Group is assessed to have significant influence.

(b) Summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

	Central Motion Picture Corporation		
	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 440,257	\$ 354,803	\$ 406,022
Non-current assets	17,573,521	17,686,926	16,923,529
Current liabilities	(114,951)	(2,146,489)	(117,103)
Non-current liabilities	(5,258,129)	(3,252,973)	(5,207,049)
Total net assets	<u>\$ 12,640,698</u>	<u>\$ 12,642,267</u>	<u>\$ 12,005,399</u>
Share in associate's net assets	\$ 1,963,855	\$ 1,964,129	\$ 1,852,741
Goodwill	-	-	-
Carrying amount of the associates	<u>\$ 1,963,855</u>	<u>\$ 1,964,129</u>	<u>\$ 1,852,741</u>

	Well Shin Technology Co., Ltd.		
	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 4,522,947	\$ 4,786,552	\$ 5,126,649
Non-current assets	2,932,307	2,945,868	3,043,513
Current liabilities	(1,129,964)	(1,438,795)	(1,681,855)
Non-current liabilities	(452,369)	(460,569)	(462,029)
Total net assets	<u>\$ 5,872,921</u>	<u>\$ 5,833,056</u>	<u>\$ 6,026,278</u>
Share in associate's net assets	\$ 1,106,589	\$ 1,099,078	\$ 1,137,849
Goodwill	36,589	36,589	36,589
Carrying amount of the associates	<u>\$ 1,143,178</u>	<u>\$ 1,135,667</u>	<u>\$ 1,174,438</u>

Statement of comprehensive income

	<u>Central Motion Picture Corporation</u>	
	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 105,804	\$ 132,755
(Loss) profit for the period from continuing operations	(\$ 1,569)	\$ 14,606
Other comprehensive income, net of tax	-	-
Total comprehensive (loss) income	(\$ 1,569)	\$ 14,606
Dividends received from associates	\$ -	\$ -

	<u>Well Shin Technology Co., Ltd.</u>	
	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 897,573	\$ 1,148,293
Profit for the period from continuing operations	\$ 78,005	\$ 79,067
Other comprehensive (loss) income, net of tax	(38,143)	83,011
Total comprehensive income	\$ 39,862	\$ 162,078
Dividends received from associates	\$ -	\$ -

(c) The carrying amount of the Group's interests in all individually immaterial associates (Note) and the Group's share of the operating results are summarised below:

As of March 31, 2020, December 31, 2019 and March 31, 2019, the carrying amount of the Group's individually immaterial associates amounted to \$1,298,436, \$1,254,757 and \$1,271,443, respectively.

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Profit (loss) for the period from continuing operations	\$ 165,969	(\$ 79,657)
Total comprehensive income (loss)	\$ 165,969	(\$ 79,657)

Note: Sharetronic Data, Castles, CMPC Cultural & Creative, Microlink, Shin Ke, Kleine, Banrin and TEGNA.

(d) The fair value of the Group's material associates with quoted market prices is as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Well Shin Technology Co., Ltd.	\$ 910,237	\$ 1,123,034	\$ 1,238,903

C. The Group has signed a stock purchase agreement with an individual on May 15, 2014 to purchase all the Company's shares in CMPC amounting to \$150,000 thousand. As of March 31, 2020, uncollected amount was \$141,000 thousand (shown as 'notes receivable') and accrued impairment loss was \$141,000 thousand.

- D. On December 28, 2015, the Board of Directors has resolved the liquidation of the investee company, KLEINE. The Company had accrued an additional loss amounting to \$170,136 within the scope of legal obligations. As of March 31, 2020, the liquidation process is still ongoing.
- E. Central Motion Picture Corporation is a litigating party contesting the decision No. 107007 rendered by Ill-gotten Party Assets Settlement Committee on October 9, 2018. Please refer to Note 9(3) for details on the lawsuit.
- F. Wellgen Medical Co., Ltd. increased its capital in February 2019. The Group did not acquire shares proportionally to its interest. As a result, the Group lost its significant influence. Subsequently, gains on disposal of the aforementioned investments amounting to \$7,812 were generated from reclassifying the investments to financial assets measured at fair value through other comprehensive income. Details are provided in Notes 6(25) and 12(3).
- G. Deepwaters Digital Support Inc. and YD Entertainment has participated in Shin Ke's capital increase on March 10, 2020. After the capital increment, the equity shares of Shin Ke held by FII decreased to 15.38% from 100%. As a result, the Group lost its control over Shin Ke. However, as the Group's management holds several seats in the Board of Directors of Shin Ke, the Group has significant influence over it.

(9) Property, plant and equipment

	2020						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress	Total
At January 1							
Cost	\$ 412,428	\$ 16,258,559	\$ 11,169,824	\$ 479,338	\$ 6,822,800	\$ 2,438,672	\$ 37,581,621
Accumulated depreciation and impairment	-	(3,201,107)	(5,946,266)	(308,210)	(4,728,055)	-	(14,183,638)
	<u>\$ 412,428</u>	<u>\$ 13,057,452</u>	<u>\$ 5,223,558</u>	<u>\$ 171,128</u>	<u>\$ 2,094,745</u>	<u>\$ 2,438,672</u>	<u>\$ 23,397,983</u>
Opening net book amount	\$ 412,428	\$ 13,057,452	\$ 5,223,558	\$ 171,128	\$ 2,094,745	\$ 2,438,672	\$ 23,397,983
Additions	-	18,743	111,631	4,142	17,233	250,026	401,775
Disposals	-	-	(2,179)	(970)	(8,108)	-	(11,257)
Reclassifications	-	-	185,540	7,804	35,813	230,702	459,859
Depreciation charge	-	(94,413)	(409,778)	(18,785)	(204,406)	-	(727,382)
Net exchange differences	-	(115,450)	(43,566)	(1,726)	(20,131)	(3,700)	(184,573)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 12,866,332</u>	<u>\$ 5,065,206</u>	<u>\$ 161,593</u>	<u>\$ 1,915,146</u>	<u>\$ 2,915,700</u>	<u>\$ 23,336,405</u>
At March 31							
Cost	\$ 412,428	\$ 16,130,636	\$ 12,229,188	\$ 484,378	\$ 6,007,901	\$ 2,915,700	\$ 38,180,231
Accumulated depreciation and impairment	-	(3,264,304)	(7,163,982)	(322,785)	(4,092,755)	-	(14,843,826)
	<u>\$ 412,428</u>	<u>\$ 12,866,332</u>	<u>\$ 5,065,206</u>	<u>\$ 161,593</u>	<u>\$ 1,915,146</u>	<u>\$ 2,915,700</u>	<u>\$ 23,336,405</u>

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress	Total
At January 1							
Cost	\$ 412,428	\$ 15,681,815	\$ 9,383,027	\$ 412,958	\$ 6,549,376	\$ 1,600,789	\$ 34,040,393
Accumulated depreciation and impairment	-	(3,363,878)	(4,467,052)	(239,903)	(4,006,685)	-	(12,077,518)
	<u>\$ 412,428</u>	<u>\$ 12,317,937</u>	<u>\$ 4,915,975</u>	<u>\$ 173,055</u>	<u>\$ 2,542,691</u>	<u>\$ 1,600,789</u>	<u>\$ 21,962,875</u>
Opening net book amount	\$ 412,428	\$ 12,317,937	\$ 4,915,975	\$ 173,055	\$ 2,542,691	\$ 1,600,789	\$ 21,962,875
Additions	-	208,598	552,158	25,776	144,454	280,663	1,211,649
Disposals	-	-	(11,881)	(17,960)	(8,466)	-	(38,307)
Reclassifications	-	233,073	65,113	2,847	-	229,333	530,366
Depreciation charge	-	(103,374)	(466,216)	(18,232)	(258,411)	-	(846,233)
Net exchange differences	-	250,738	90,955	8,086	45,000	32,681	427,460
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 12,906,972</u>	<u>\$ 5,146,104</u>	<u>\$ 173,572</u>	<u>\$ 2,465,268</u>	<u>\$ 2,143,466</u>	<u>\$ 23,247,810</u>
At March 31							
Cost	\$ 412,428	\$ 16,440,410	\$ 10,255,201	\$ 432,926	\$ 6,531,034	\$ 2,143,466	\$ 36,215,465
Accumulated depreciation and impairment	-	(3,533,438)	(5,109,097)	(259,354)	(4,065,766)	-	(12,967,655)
	<u>\$ 412,428</u>	<u>\$ 12,906,972</u>	<u>\$ 5,146,104</u>	<u>\$ 173,572</u>	<u>\$ 2,465,268</u>	<u>\$ 2,143,466</u>	<u>\$ 23,247,810</u>

The Group's property, plant and equipment were pledged to others as collateral, please refer to Note 8 for detailed information.

(10) Leasing arrangements-lessee

- A. The Group leases various assets including land, buildings, transportation equipment. Rental contracts are typically made for periods of 2 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 1,426,501	\$ 1,437,055	\$ 1,406,828
Buildings	330,030	391,864	438,541
Transportation equipment (Business vehicles)	1,845	2,235	3,824
Office equipment (Photocopiers)	7	17	46
	<u>\$ 1,758,383</u>	<u>\$ 1,831,171</u>	<u>\$ 1,849,239</u>

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 13,448	\$ 10,335
Buildings	64,956	81,810
Transportation equipment (Business vehicles)	386	1,125
Office equipment (Photocopiers)	10	17
	<u>\$ 78,800</u>	<u>\$ 93,287</u>

- C. For the three months ended March 31, 2020 and 2019, the additions to right-of-use assets amounted to \$9,815 and \$147,205, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,187	\$ 2,359
Expense on short-term lease contracts	20,130	29,603
Expense on leases of low-value assets	136	199
Expense on variable lease payments	9,990	7,616

- E. For the three months ended March 31, 2020 and 2019, the Group's total cash outflow for leases amounted to \$101,130 and \$127,062, respectively.

F. Variable lease payments

(a) Some of the Group’s lease contracts contain variable lease payment terms that are linked to sales generated from a store or a counter in a department store and sales generated from electricity sold. For aforementioned contracts, up to 9.88% of lease payments are on the basis of variable payment terms and are accrued based on the sales amount. Variable payment terms are used for a variety of reasons and various lease payments that depend on sales are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

(b) A 1% increase in the aggregate sales amount of all stores with such variable lease contracts would increase total lease payments by approximately \$100.

G. On November 9, 2016, the Board of Directors of PQI’s subsidiary, Jiangsu Foxlink New Energy Technology Co., Ltd. (hereinafter referred to as “Jiangsu Foxlink”), resolved to participate in the bid of Ministry of Land and Resources of the People’s Republic of China. On November 17, 2016, the subsidiary acquired the ownership of land for residential/commercial use and industrial use over the lease terms of 40 to 70 years. As of March 31, 2020, Jiangsu Foxlink received government grants to build the plant amounting to RMB 200,601 thousand (shown as ‘other non-current liabilities’).

(11) Investment property

	2020		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 183,076	\$ 445,193	\$ 628,269
Accumulated depreciation and impairment	-	(36,495)	(36,495)
	<u>\$ 183,076</u>	<u>\$ 408,698</u>	<u>\$ 591,774</u>
Opening net book amount	\$ 183,076	\$ 408,698	\$ 591,774
Reclassifications	-	-	-
Depreciation charge	-	(3,215)	(3,215)
Net exchange differences	-	(3,650)	(3,650)
Closing net book amount	<u>\$ 183,076</u>	<u>\$ 401,833</u>	<u>\$ 584,909</u>
At March 31			
Cost	\$ 183,076	\$ 441,453	\$ 624,529
Accumulated depreciation and impairment	-	(39,620)	(39,620)
	<u>\$ 183,076</u>	<u>\$ 401,833</u>	<u>\$ 584,909</u>

	2019		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 183,076	\$ 212,948	\$ 396,024
Accumulated depreciation and impairment	-	(105,532)	(105,532)
	<u>\$ 183,076</u>	<u>\$ 107,416</u>	<u>\$ 290,492</u>
Opening net book amount	\$ 183,076	\$ 107,416	\$ 290,492
Reclassifications	-	(12,707)	(12,707)
Depreciation charge	-	(950)	(950)
Net exchange differences	-	-	-
Closing net book amount	<u>\$ 183,076</u>	<u>\$ 93,759</u>	<u>\$ 276,835</u>
At March 31			
Cost	\$ 183,076	\$ 195,837	\$ 378,913
Accumulated depreciation and impairment	-	(102,078)	(102,078)
	<u>\$ 183,076</u>	<u>\$ 93,759</u>	<u>\$ 276,835</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Three months ended March 31,	
	2020	2019
Rental income from the lease of the investment property	<u>\$ 4,328</u>	<u>\$ 4,359</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 3,215</u>	<u>\$ 950</u>

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at March 31, 2020, December 31, 2019 and March 31, 2019 was \$1,017,614, \$1,023,016 and \$546,199, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby, as Level 2 fair value, market prices did not change significantly.

C. There was no impairment loss on investment property.

D. The investment property was not pledged to others as collateral.

(12) Intangible assets

	2020				
	Trademark				
	Rights	Patent	Goodwill	Others	Total
At January 1					
Cost	\$ 50,068	\$ 451,126	\$ 3,882,120	\$ 303,904	\$ 4,687,218
Accumulated amortisation and impairment	(95)	(44,120)	(2,229,754)	(161,301)	(2,435,270)
	<u>\$ 49,973</u>	<u>\$ 407,006</u>	<u>\$ 1,652,366</u>	<u>\$ 142,603</u>	<u>\$ 2,251,948</u>
Opening net book amount	\$ 49,973	\$ 407,006	\$ 1,652,366	\$ 142,603	\$ 2,251,948
Additions	-	-	-	35,019	35,019
Disposals	-	-	-	-	-
Amortisation charge	(19)	(8,824)	-	(19,683)	(28,526)
Net exchange differences	405	-	4,429	(1,910)	2,924
Closing net book amount	<u>\$ 50,359</u>	<u>\$ 398,182</u>	<u>\$ 1,656,795</u>	<u>\$ 156,029</u>	<u>\$ 2,261,365</u>
At March 31					
Cost	\$ 50,473	\$ 451,126	\$ 3,886,549	\$ 332,110	\$ 4,720,258
Accumulated amortisation and impairment	(114)	(52,944)	(2,229,754)	(176,081)	(2,458,893)
	<u>\$ 50,359</u>	<u>\$ 398,182</u>	<u>\$ 1,656,795</u>	<u>\$ 156,029</u>	<u>\$ 2,261,365</u>
	2019				
	Trademark				
	Rights	Patent	Goodwill	Others	Total
At January 1					
Cost	\$ 51,283	\$ 451,126	\$ 3,920,751	\$ 261,705	\$ 4,684,865
Accumulated amortisation and impairment	(19)	(8,824)	(1,646,853)	(149,991)	(1,805,687)
	<u>\$ 51,264</u>	<u>\$ 442,302</u>	<u>\$ 2,273,898</u>	<u>\$ 111,714</u>	<u>\$ 2,879,178</u>
Opening net book amount	\$ 51,264	\$ 442,302	\$ 2,273,898	\$ 111,714	\$ 2,879,178
Additions	-	-	-	38,302	38,302
Disposals	-	-	-	(645)	(645)
Amortisation charge	(19)	(8,824)	-	(15,710)	(24,553)
Net exchange differences	174	-	(23,688)	1,356	(22,158)
Closing net book amount	<u>\$ 51,419</u>	<u>\$ 433,478</u>	<u>\$ 2,250,210</u>	<u>\$ 135,017</u>	<u>\$ 2,870,124</u>
At March 31					
Cost	\$ 51,457	\$ 451,126	\$ 3,897,063	\$ 295,774	\$ 4,695,420
Accumulated amortisation and impairment	(38)	(17,648)	(1,646,853)	(160,757)	(1,825,296)
	<u>\$ 51,419</u>	<u>\$ 433,478</u>	<u>\$ 2,250,210</u>	<u>\$ 135,017</u>	<u>\$ 2,870,124</u>

A. Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

	March 31, 2020					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 422,764	\$ 715,197	\$ -	\$ 118,258	\$ -	\$ 1,256,219
Hong Kong	-	-	388,969	-	-	388,969
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 422,764</u>	<u>\$ 715,197</u>	<u>\$ 388,969</u>	<u>\$ 118,258</u>	<u>\$ 11,607</u>	<u>\$ 1,656,795</u>

December 31, 2019						
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 422,764	\$ 715,197	\$ -	\$ 118,258	\$ -	\$ 1,256,219
Hong Kong	-	-	384,540	-	-	384,540
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 422,764</u>	<u>\$ 715,197</u>	<u>\$ 384,540</u>	<u>\$ 118,258</u>	<u>\$ 11,607</u>	<u>\$ 1,652,366</u>

March 31, 2019						
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 708,591	\$ 715,197	\$ -	\$ 334,167	\$ -	\$ 1,757,955
Hong Kong	-	-	480,648	-	-	480,648
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 708,591</u>	<u>\$ 715,197</u>	<u>\$ 480,648</u>	<u>\$ 334,167</u>	<u>\$ 11,607</u>	<u>\$ 2,250,210</u>

B. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections and decisions assisted by independent valuation institutions based on financial budgets approved by the management covering a five-year period. For the three months ended March 31, 2020 and 2019, goodwill was not impaired.

C. The intangible assets were not pledged to others as collateral.

(13) Short-term borrowings

Type of borrowings	March 31, 2020	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 3,246,926</u>	0.61%~2.76%	-
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 2,038,744</u>	0.82%~1.9%	-
Type of borrowings	March 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 3,454,498</u>	0.81%~2.1%	-

(14) Short-term notes and bills payable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Commercial paper	\$ 273,800	\$ 375,300	\$ 220,000
Discount amortisation	(220)	(358)	(73)
	<u>\$ 273,580</u>	<u>\$ 374,942</u>	<u>\$ 219,927</u>
Annual interest rate range	<u>0.93%~1.76%</u>	<u>0.95%~1.76%</u>	<u>0.88%~0.98%</u>

(15) Other payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Payables on salary and bonus	\$ 1,342,016	\$ 2,016,126	\$ 1,592,187
Employees' compensation and remuneration for supervisors and directors	351,210	341,874	120,426
Payables on equipment	435,267	548,763	699,924
Others	<u>2,522,534</u>	<u>2,964,223</u>	<u>3,087,846</u>
	<u>\$ 4,651,027</u>	<u>\$ 5,870,986</u>	<u>\$ 5,500,383</u>

(16) Bonds payable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Secured corporate bonds	\$ 3,000,000	\$ 3,000,000	\$ -
Less: Discount on bonds payable	(11,948)	(12,345)	-
	<u>\$ 2,988,052</u>	<u>\$ 2,987,655</u>	<u>\$ -</u>

The main terms of the \$3,000,000 1st secured corporate bonds issued by the Company on June 26, 2019 are as follows:

- A. Total initial issue amount: \$3,000,000.
- B. Issue price: Issue at par value, \$1,000 each.
- C. Issue period: 5 years, from June 26, 2019 to June 26, 2024.
- D. Coupon rate: 0.80% fixed per annum.
- E. Interest payment method: Interest is calculated from the date of issuance at the coupon rate, is a simple interest and is paid yearly.
- F. Principal repayment method: Pay entire amount at the maturity date.
- G. Guarantee method:

The joint guarantor banks including CTBC Bank Co., Ltd. Taiwan Cooperative Bank Co., Ltd., Mega International Commercial Bank Co., Ltd. and Chang Hwa Commercial Bank, Ltd. provide guarantees based on a joint engagement guarantee contract and bond-fulfilling guarantee obligation contract.

H. Commitment:

The company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:

- a. Current assets to current liabilities ratio of at least 1:1;
- b. Liabilities not exceeding 200% of tangible net equity;
- c. Interest coverage of at least 400%; and
- d. Tangible net equity of at least NT\$15,000,000 thousand.

(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	March 31, 2020
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to March 2023; pay entire amount when due	1.20%~1.40%	\$ 2,500,000	\$ 2,000,000
- without covenants	Borrowing period is from December 2017 to July 2024; pay entire amount when due	1.16%~1.40%	1,307,875	3,130,000
FIT Holding	Borrowing period is from October 2019 to April 2021; pay entire amount of principal when due, interest is repayable monthly	1.12%	-	300,000
Foxlink Image	Borrowing period is from September 2019 to December 2022; pay entire amount of principal when due, interest is repayable monthly	1.12%~1.23%	200,000	1,500,000
PQI	Borrowing period is from April 2015 to December 2021; pay principal based on each bank's regulations, interest is repayable monthly	1.31%~1.6%	29,183	352,889
Glory Science	Borrowing period is from December 2018 to July 2024; pay principal when due, interest is calculated monthly	1.14%~1.25%	-	457,000
Shinfox	Borrowing period is from January 2015 to February 2023; pay entire amount in installments	1.96%~2.01%	-	27,148
Foxwell Energy	Borrowing period is from January 2019 to September 2033; pay entire amount in installments	1.75%	306,714	40,728
Zhangyuan	Borrowing period is from May 2019 to October 2035; pay entire amount in installments	1.59%~2.02%	146,368	383,632
Bank's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to December 2034; pay entire amount in installments	1.78%~1.8%	337,386	334,554
Glory Science	Borrowing period is from December 2019 to December 2024; pay entire amount of principal when due, interest is calculated monthly	1.26%	-	95,000
Beiyuan	Borrowing period is from November 2019 to June 2036; pay in installments	1.75%~2.22%	173,636	447,364
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	2,400,000	<u>5,600,000</u>
				14,668,315
Less: Current portion				(<u>1,222,430</u>)
				<u>\$ 13,445,885</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2019
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to May 2022; pay entire amount when due	1.20%~1.40%	\$ 3,300,000	\$ 700,000
- without covenants	Borrowing period is from December 2017 to July 2024; pay entire amount when due	1.16%~1.40%	2,399,300	2,030,000
FIT Holding	Borrowing period is from October 2019 to April 2021; pay entire amount of principal when due, interest is repayable monthly	1.12%	-	300,000
Foxlink Image	Borrowing period is from April 2019 to December 2022; pay entire amount of principal when due, interest is repayable monthly	1.12%~1.23%	-	2,300,000
PQI	Borrowing period is from April 2015 to December 2021; pay principal based on each bank's regulations, interest is repayable monthly	1.48%~1.6%	16,683	387,028
Glory Science	Borrowing period is from December 2018 to July 2024; pay principal when due, interest is calculated monthly	1.14%~1.26%	-	462,000
Shinfox	Borrowing period is from January 2015 to February 2023; pay entire amount in installments	1.97%~2.01%	55,817	33,378
Foxwell Energy	Borrowing period is from January 2019 to September 2033; pay principal monthly	1.75%	306,709	41,487
Zhangyuan	Borrowing period is from May 2019 to October 2035; pay principal monthly	1.59%~2.02%	253,042	276,958
Bank's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to September 2034; pay principal monthly, interest is repayable monthly in the first 18 months	1.75%~1.8%	337,392	340,891
Glory Science	Borrowing period is from December 2019 to December 2024; pay principal monthly, interest is repayable monthly in the first 18 months	1.26%	-	100,000
Beiyuan	Borrowing period is from November 2019 to June 2036; pay principal monthly	1.75%~2.22%	284,749	336,251
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	2,400,000	<u>5,600,000</u>
				12,907,993
Less: Current portion				(<u>869,539</u>)
				<u>\$ 12,038,454</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	March 31, 2019
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period of \$3,500 million is from September 2017 to May 2021; pay entire amount when due	1.20%~1.55%	\$ -	\$ 3,500,000
- without covenants	Borrowing period of \$3,300 million is from December 2017 to November 2023; pay entire amount when due	1.20%~1.50%	1,018,700	3,300,000
Foxlink Image	Borrowing period of \$400 million is from June 2018 to December 2020; pay entire amount in installments	1.12%~1.16%	500,000	400,000
PQI	Borrowing period of \$738,083 thousand is from April 2015 to December 2020; pay the amount monthly	1.48%~1.6%	12,500	738,083
Glory Science	Borrowing period of \$242,540 thousand is from December 2018 to December 2020; pay entire amount in installments	1.04%~3.6%	50,000	242,540
Shinfox	Borrowing period of \$52,615 thousand is from January 2015 to March 2022; pay entire amount in installments	1.96%~2.095%	14,729	52,615
Foxwell Energy	Borrowing period of \$58,086 thousand is from December 2018 to December 2023; pay entire amount in installments	1.75%~1.797%	1,130,586	137,718
Bank's secured borrowings				
Foxwell Energy	Borrowing period of \$219,020 thousand is from May 2018 to November 2019; pay the amount monthly	1.75%~1.85%	1,845,394	81,302
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period of \$7 billion is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,000,000	7,000,000
				15,452,258
Less: Current portion			(815,767)
			\$	<u>14,636,491</u>

A. In March 2017, the Group signed a medium-term syndicated revolving NTD credit facility agreement with the Bank of Taiwan as the lead bank. The terms of agreement are summarised below:

- (a) Duration of loan: The loan period of the agreement was 5 years from the agreement signing date.
- (b) Credit line and draw-down: The credit line was NT\$8,000,000 thousand, which can be drawn down in installments of at least NT\$100,000 thousand per draw-down.

- (c) Principal repayment: The duration of each loan drawn down is either 90 days or 180 days at the Company's option. The Company, if without any default, may submit an application to the banks to draw down a new loan with principal equal to the original loan before its maturity, and the new loan is directly used to repay the original loan. The banks and the Company are not required to make remittances for such draw-down and repayment, which is viewed that the Company has received the new loan on the maturity of original loan.
- (d) Commitment: The Company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:
- i. Current assets to current liabilities ratio of at least 1:1;
 - ii. Liabilities not exceeding 200% of tangible net equity;
 - iii. Interest coverage of at least 400%; and
 - iv. Tangible net equity of at least NT\$15,000,000 thousand.
- (e) The loan period is decided by the borrower. The borrower may choose to early repay the loans during the contract period according to the syndicated loan contract.
- B. The Company entered into the borrowing contracts with O-bank, Bank SinoPac, Taipei Fubon and Far Eastern International Bank, and the total credit line is \$4,500 thousand. As of March 31, 2020, the borrowings that have been used amounted to \$2,000 thousand. In the duration period of these contracts, the financial ratios in the semi-annual consolidated and annual consolidated financial statements shall be as follows:
- (a) Current assets to current liabilities ratio of at least 1:1;
 - (b) Liabilities not exceeding 200% of tangible net equity;
 - (c) Interest coverage of at least 400%; and
 - (d) Tangible net equity of at least NT\$15,000,000 thousand.
- C. As of March 31, 2020, the borrowings that have been used amounted to as follows:

Company	Bank	Credit line	Amount of borrowings used
The Company	Cathay Bank	\$ 500,000	\$ 500,000
The Company	Mizuho Bank	900,000	900,000
The Company	E.Sun Bank	500,000	-
The Company	DBS Bank	USD 35,000,000	900,000
The Company	First Bank	500,000	400,000
The Company	Export-Import Bank of Republic of China	480,000	230,000
The Company	Jih Sun International Bank	500,000	200,000
FIT Holding	Yuanta Commercial Bank	300,000	300,000
FIT Holding	Bank SinoPac	1,650,000	622,800
Foxlink Image	Bank SinoPac	1,000,000	USD 5,700,000
			67,000
Foxlink Image	Hua Nan Commercial Bank	200,000	200,000
Foxlink Image	E.Sun Bank	400,000	260,000

Company	Bank	Credit line	Amount of borrowings used
Foxlink Image	Jih Sun International Bank	\$ 300,000	\$ 300,000
Foxlink Image	KGI Bank	400,000	200,000
Foxlink Image	Mega Commercial Bank	300,000	300,000
Foxlink Image	Taiwan Cooperative Bank	500,000	500,000
Foxlink Image	Export-Import Bank of Republic of China	500,000	500,000
PQI	Chang Hwa Commercial Bank	53,333	8,333
PQI	E.Sun Bank	9,139	9,139
PQI	Yuanta Commercial Bank	300,000	300,000
PQI	Hua Nan Commercial Bank	100,000	35,417
PQI	Mega Commercial Bank	100,000	35,000
PQI	Bank SinoPac	300,000	250,000
PQI	First Bank	90,000	6,000
Glory Science	Export-Import Bank of Republic of China	192,000	192,000
Glory Science	Hua Nan Commercial Bank	100,000	100,000
Glory Science	Jih Sun International Bank	75,000	75,000
Glory Science	Chang Hwa Commercial Bank	200,000	185,000
Glory Science	TSBank	250,000	204,000
Glory Science	Bank SinoPac	200,000	200,000
Glory Science	Taipei Fubon	250,000	250,000
Glory Science	KGI Bank	200,000	107,000
Glory Science	Mega Commercial Bank	100,000	80,000
Glory Science	First Bank	90,000	90,000
Shinfox	Shanghai Commercial & Savings Bank,	22,106	22,106
Shinfox	Chang Hwa Commercial Bank	5,042	5,042
Foxwell Energy	TSBank	95,481	48,168
Foxwell Energy	Mega Commercial Bank	390,108	297,494
Foxwell Energy	Bank SinoPac	593,913	69,620
Foxwell Energy	Jih Sun International Bank	60,000	10,921
Zhangyuan	Bank SinoPac	530,000	383,632
Beiyuan	E. Sun Bank	318,750	310,332
Beiyuan	E. Sun Bank	USD 10,000,000	137,032

(18) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Act, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labour standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee,

under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labour pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

- (b) The pension costs under the abovementioned defined contribution plan for the three months ended March 31, 2020 and 2019 were \$1,178 and \$1,239, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amounts to \$30,000.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a funded defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries (the contribution ratio for the three months ended March 31, 2020 and 2019 is between 10.2%~21%) and wages to an independent fund administered by the government in accordance with the pension regulations. Other than the monthly contributions, the Group has no further obligations.
 - (c) The pension costs under the abovementioned defined contribution pension plan for the three months ended March 31, 2020 and 2019 were \$123,178 and \$209,833, respectively.

(19) Share capital

A. As of March 31, 2020, the Company’s authorised common stock was \$7,000,000 (including 50,000,000 shares reserved for the issuance of employees’ warrants), and the issued and outstanding shares were both 484,823,940 shares.

B. Treasury shares

Before becoming a subsidiary, Foxlink Image Technology Co., Ltd. held the parent’s capital stock for general investment purpose. The company did not purchase more equity instruments after acquiring control over Foxlink Image on October 1, 2018. As of March 31, 2020, December 31, 2019 and March 31, 2019, the detailed information of Foxlink Image’s parent equity shares is as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Thousand shares	27,503	27,503	27,503
Book value	<u>\$ 272,066</u>	<u>\$ 272,066</u>	<u>\$ 272,066</u>

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	<u>2020</u>					
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between proceeds from disposal of subsidiary and book value</u>	<u>Changes in ownership interests in subsidiaries</u>	<u>Change in net equity of associates accounted for under the equity method</u>	<u>Total</u>
At January 1	\$ 9,337,850	\$ 44,320	\$ 7,313	\$ 3,374	\$ 78,860	\$ 9,471,717
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	(145)	(145)
At March 31	<u>\$ 9,337,850</u>	<u>\$ 44,320</u>	<u>\$ 7,313</u>	<u>\$ 3,374</u>	<u>\$ 78,715</u>	<u>\$ 9,471,572</u>
	<u>2019</u>					
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Difference between proceeds from disposal of subsidiary and book value</u>	<u>Changes in ownership interests in subsidiaries</u>	<u>Change in net equity of associates accounted for under the equity method</u>	<u>Total</u>
At January 1	\$ 9,337,850	\$ 3,065	\$ 7,313	\$ 3,374	\$ 78,860	\$ 9,430,462
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	-	-
At March 31	<u>\$ 9,337,850</u>	<u>\$ 3,065</u>	<u>\$ 7,313</u>	<u>\$ 3,374</u>	<u>\$ 78,860</u>	<u>\$ 9,430,462</u>

(21) Retained earnings

- A. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of remainder shall be proposed by the Board of Directors and be resolved by the shareholders.
- B. According to the Company's Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders' bonus and cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year based on future capital expenditures budget and capital requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- (c) As of January 1, 2018, the amounts previously set aside by the Company as special reserve for the initial application of IFRSs amounted to \$665,206. Furthermore, the Company did not reverse special reserve to retained earnings for the three months ended March 31, 2020 and 2019 as a result of the use, disposal or reclassification of related assets. As of March 31, 2020 December 31, 2019 and March 31, 2019, the amount of special reserve set aside for the initial application of IFRSs all amounted to \$665,206.
- E. On March 31, 2020, the Company's Board of Directors proposed the appropriation of 2019's net income as shown below. Details of the appropriation of 2018's net income which was resolved at the stockholders' meeting on June 12, 2019 are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 198,736	\$ -	\$ 60,810	\$ -
Special reserve	724,633	-	101,605	-
Cash dividends	1,280,817	2.5	768,490	1.5
Total	<u>\$ 2,204,186</u>	<u>\$ 2.5</u>	<u>\$ 930,905</u>	<u>\$ 1.5</u>

(22) Other equity items

	2020		
	Financial assets at fair value through other comprehensive income	Translation of foreign financial statements	Total
At January 1	(\$ 255,079)	(\$ 2,079,456)	(\$ 2,334,535)
Valuation adjustment	-	-	-
Currency translation differences:			
- Group	-	(187,735)	(187,735)
- Associates	-	(19,934)	(19,934)
At March 31	<u>(\$ 255,079)</u>	<u>(\$ 2,287,125)</u>	<u>(\$ 2,542,204)</u>
	2019		
	Financial assets at fair value through other comprehensive income	Translation of foreign financial statements	Total
At January 1	(\$ 315,491)	(\$ 1,294,410)	(\$ 1,609,901)
Valuation adjustment	46,219	-	46,219
Currency translation differences:			
- Group	-	442,213	442,213
- Associates	-	13,598	13,598
At March 31	<u>(\$ 269,272)</u>	<u>(\$ 838,599)</u>	<u>(\$ 1,107,871)</u>

(23) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods over time and at a point in time in the following major product lines and generates related revenue in each reportable segment:

	Three months ended March 31,	
	2020	2019
Systems and peripheral products	\$ 6,791,308	\$ 7,601,135
3C component	6,836,771	8,969,155
3C product retail	2,314,842	2,611,093
Others	68,364	66,263
Total	<u>\$ 16,011,285</u>	<u>\$ 19,247,646</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Contract liabilities:			
Contract liabilities-advance sales receipts	\$ 885,385	\$ 787,222	\$ 644,685

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	<u>\$ 251,872</u>	<u>\$ 215,443</u>

(24) Other income

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income		
Interest income from bank deposits	\$ 25,401	\$ 28,808
Rental revenue	4,328	4,359
Other revenue-other	111,125	58,017
	<u>\$ 140,854</u>	<u>\$ 91,184</u>

(25) Other gains and losses

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
(Loss) gain on disposal of property, plant and equipment	(\$ 9,682)	\$ 620
Gain on disposal of investments	1,025	7,812
Net currency exchange gains	45,472	25,792
Other gains and losses	(2,949)	(19,720)
	<u>\$ 33,866</u>	<u>\$ 14,504</u>

(26) Finance costs

	Three months ended March 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 68,519	\$ 83,272
Lease liabilities	2,187	2,359
Corporate bands	11,533	-
	<u>\$ 82,239</u>	<u>\$ 85,631</u>

(27) Expenses by nature

	Three months ended March 31,	
	2020	2019
Employee benefit expense	\$ 2,490,729	\$ 2,958,235
Depreciation expense	809,397	940,470
Amortisation charges on intangible assets	28,526	24,553
Transportation expenses	136,268	133,723
Advertising costs	15,638	13,245
Operating lease payments	30,256	37,418
Manufacture costs and operating expenses	<u>\$ 3,510,814</u>	<u>\$ 4,107,644</u>

(28) Employee benefit expense

	Three months ended March 31,	
	2020	2019
Wages and salaries	\$ 2,172,041	\$ 2,526,274
Labour and health insurance fees	113,779	134,918
Pension costs	124,356	211,122
Other personnel expenses	80,553	85,921
	<u>\$ 2,490,729</u>	<u>\$ 2,958,235</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three months ended March 31, 2020 and 2019, employees' compensation was accrued at \$4,308 and \$6,177, respectively; directors' and supervisors' remuneration was accrued at \$0 and \$415, respectively. The aforementioned amounts were recognised in salary expenses.
- C. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current period for the three months ended March 31, 2020 and percentage as prescribed by the Company's Articles of Incorporation.

- D. Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved at the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2019.
- E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Tax payable incurred in current period	\$ 48,744	(\$ 11,700)
Prior year income tax (over) under estimation	(316)	64
Total current tax	<u>48,428</u>	<u>(11,636)</u>
Deferred tax:		
Origination and reversal of temporary differences	(12,208)	66,248
Impact of change in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>(12,208)</u>	<u>66,248</u>
Income tax expense	<u>\$ 36,220</u>	<u>\$ 54,612</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Currency translation differences	(\$ 51,297)	\$ 112,228
Remeasurement of defined benefit obligations	<u>-</u>	<u>-</u>
	<u>(\$ 51,297)</u>	<u>\$ 112,228</u>

B. The latest year of the Company's and its domestic subsidiaries' income tax returns that have been assessed and approved by the Tax Authority is as follows:

	<u>Status of Assessment</u>
Jing Sheng, Jing Jing, Shinfox	Assessed and approved up to 2018
The Company, FUII, Zhi De Investment, FII, Shin Ke, Shinfox Natural Gas, WCT, DuPrecision, Proconn, Studio A, Link Media, Darts, Foxwell Energy, Suntain, Foxlink Image, Power Sufficient International, Glorly Science, Foxlink Automotive Technology	Assessed and approved up to 2017
VA product, PQI	Assessed and approved up to 2016

(30) Earnings per share

	Three months ended March 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 20,817	484,824	\$ 0.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 20,817	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	147	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 20,817	484,971	\$ 0.04

	Three months ended March 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 97,560	484,824	\$ 0.20
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 97,560	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	164	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 97,560	484,988	\$ 0.20

(31) Business combination

A. On June 14, 2019, the Group acquired 100% of the share capital of Shih Fong Power Co., Ltd. for \$280,000 and obtained the control over Shih Fong Power Co., Ltd., whose main business is hydroelectric power plant development.

The fair values at the acquisition date of the paid consideration, assets acquired and liabilities assumed for acquiring Shih Fong Power Co., Ltd. are as follows:

	<u>June 14, 2019</u>
Purchase consideration	
Cash	\$ 280,000
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	189
Prepayments	3,744
Property, plant and equipment	691,860
Other non-current assets	13,442
Notes payable	(169,252)
Other accounts payable	(167,748)
Total identifiable net assets	<u>372,235</u>
Gain recognised in bargain purchase transaction	<u>(\$ 92,235)</u>

B. Had Shih Fong Power Co., Ltd. been consolidated starting from January 1, 2019, the 2019 consolidated statement of comprehensive income would show operating revenue of \$0 and loss before income tax of (\$608).

(32) Reorganisation

Aiming to integrate the Group's resources, the Group conducted a reorganisation using a share swap transaction on December 27, 2019. According to the share swap agreement, each common share issued by Shinfox was exchanged for 1 common share of Foxwell Energy. After the share swap, Foxwell Energy became a wholly-owned subsidiary of Shinfox whose 76.56% ownership were held by PQI.

(33) Supplemental cash flow information

Investment activities with partial cash payments:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 401,775	\$ 1,211,649
Add: Opening balance of payable on equipment	548,763	801,385
Less: Ending balance of payable on equipment	(435,267)	(699,924)
Cash paid during the period	<u>\$ 515,271</u>	<u>\$ 1,313,110</u>

(34) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Short-term notes and bills payable	Corporate bonds payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities - gross
At January 1	\$ 2,038,744	\$ 374,942	\$ 2,987,655	\$ 12,907,993	\$ 520,737	\$ 18,830,071
Changes in cash flow from financing activities	1,208,182	(101,362)	-	1,761,481	(70,874)	2,797,427
Impact of changes in foreign exchange rate	-	-	-	(1,159)	29,054	27,895
Interest expense	-	-	-	-	2,187	2,187
Changes in other non-cash items	-	-	397	-	9,816	10,213
At March 31	<u>\$ 3,246,926</u>	<u>\$ 273,580</u>	<u>\$ 2,988,052</u>	<u>\$ 14,668,315</u>	<u>\$ 490,920</u>	<u>\$ 21,667,793</u>

	2019					
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities - gross	
At January 1	\$ 1,458,024	\$ 494,895	\$ 14,857,276	\$ 568,819	\$ 17,379,014	
Changes in cash flow from financing activities	1,991,506	(274,968)	594,982	(89,644)	2,221,876	
Impact of changes in foreign exchange rate	4,968	-	-	(83,355)	(78,387)	
Interest expense	-	-	-	2,359	2,359	
Changes in other non-cash items	-	-	-	147,206	147,206	
At March 31	<u>\$ 3,454,498</u>	<u>\$ 219,927</u>	<u>\$ 15,452,258</u>	<u>\$ 545,385</u>	<u>\$ 19,672,068</u>	

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Well Shin Technology Co., Ltd. (Well Shin)	Associates
Sharetronic Data Technology Co., Ltd. (Sharetronic)	Associates
Microlink Communications Inc. (Microlink)	Associates
Central Motion Picture Corporation (Central Motion)	Associates
Deepwaters Digital Support Inc. (Deepwaters)	Associates
HSIN HUNG International Investment Co., Ltd. (HSIN HONG)	Other related parties
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Other related parties
Changde Kingplus Electronic Technology CO., LTD. (Changde Kingplus)	Other related parties
Dongguan Kingplus Precision Electronic Technology Co., Ltd.	Other related parties

(2) Significant related party transactions

A. Operating revenue

	Three months ended March 31,	
	2020	2019
Sales of goods:		
- Associates	\$ 1,723	\$ 2,451
- Other related parties	372,314	268,909
	<u>\$ 374,037</u>	<u>\$ 271,360</u>

All the credit terms on sales to related parties were 120 to 180 days after monthly billings. The credit terms on sales to third parties were 30 to 120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

B. Purchases of goods

	Three months ended March 31,	
	2020	2019
Purchases of goods:		
- Associates	\$ 57,356	\$ 93,388
- Other related parties	145,959	98,931
	<u>\$ 203,315</u>	<u>\$ 192,319</u>

The purchase price in relation to the transaction made with related parties is based on mutual agreement. All purchases from related parties are at arm's-length. Payment period was 60 to 120 days after receipt of goods from suppliers.

C. Non-operating income - Other Income

	Three months ended March 31,	
	2020	2019
Other income:		
- Associates	\$ -	\$ 84

The Group charged technical service compensation, management service fees and rental income from related parties, and collected the net balance after offsetting with payables to related parties and considering the financial situation.

D. Research and development expense - Technical Service Compensation

	Three months ended March 31,	
	2020	2019
Technical service compensation:		
- Associates	\$ 1,153	\$ 14,711

The Group entered into technical service contracts with related parties for providing the Company with research and development services. The payment terms are based on mutual agreement.

E. Receivables from related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable:			
- Associates	\$ 73,417	\$ 73,098	\$ 125,813
- Other related parties	<u>583,007</u>	<u>357,881</u>	<u>197,560</u>
	<u>\$ 656,424</u>	<u>\$ 430,979</u>	<u>\$ 323,373</u>
Other receivables (Financing):			
- Associates			
Microlink	\$ 67,000	\$ 67,000	\$ 66,881
Other receivables (Others):			
- Associates	<u>28,519</u>	<u>28,825</u>	<u>3,108</u>
	<u>\$ 95,519</u>	<u>\$ 95,825</u>	<u>\$ 69,989</u>

Other receivables mainly refer to the rental income received from related parties, and the collection terms are based on mutual agreement.

F. Payables to related parties:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable:			
- Associates	\$ 86,559	\$ 114,850	\$ 355,110
- Other related parties	<u>79,794</u>	<u>115,241</u>	<u>37,254</u>
	<u>\$ 166,353</u>	<u>\$ 230,091</u>	<u>\$ 392,364</u>
Other payables-Receipts under custody:			
- Associates	\$ 16,600	\$ 16,812	\$ 37,159
- Other related parties	<u>-</u>	<u>85</u>	<u>-</u>
	<u>\$ 16,600</u>	<u>\$ 16,897</u>	<u>\$ 37,159</u>

G. Lease transactions - lessee

(a) The Group leases buildings from related parties. Rental contracts are typically made for periods of 3 years. Rents are paid at the end of month.

(b) Acquisition of right-of-use assets

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$30,726.

(c) Lease liability

i. Outstanding balance:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	\$ 3,692	\$ 4,914	\$ 10,399
Other related parties	<u>7,148</u>	<u>9,510</u>	<u>-</u>
	<u>\$ 10,840</u>	<u>\$ 14,424</u>	<u>\$ 10,399</u>

ii. Interest expense

	Three months ended March 31,	
	2020	2019
Associates	\$ 15	\$ 28
Other related parties	38	-
	<u>\$ 53</u>	<u>\$ 28</u>

(3) Key management compensation

	Three months ended March 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 26,023	\$ 19,410
Post-employment benefits	726	440
Total	<u>\$ 26,749</u>	<u>\$ 19,850</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	March 31, 2020	December 31, 2019	March 31, 2019	
Property, plant and equipment	\$ 585,796	\$ 591,778	\$ 645,506	Long-term secured borrowings
Repatriation of capital from Taiwan's offshore companies (shown as financial assets at amortised cost-current)	908,291	953,868	-	Repatriation of capital from Taiwan's offshore companies
Restricted deposits and time deposits-current (shown as financial assets at amortised cost-current)	230,520	367,747	226,784	Customs deposit, guarantee for L/C issued for purchases of materials and government grants and coupon trust
Refundable deposits (Shown as other non-current assets)	187,928	133,992	194,807	Customs deposit and plant deposit
Restricted deposits and time deposits-non-current (shown as financial assets at amortised cost-non-current)	144,414	127,584	2,764	Litigation deposit and collateral for long-term borrowings
	<u>\$ 2,056,949</u>	<u>\$ 2,174,969</u>	<u>\$ 1,069,861</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	<u>\$ 879,600</u>	<u>\$ 1,078,036</u>	<u>\$ 1,949,933</u>

- (2) On March 31, 2020, December 31, 2019 and March 31, 2019, the Group entered into contracts for construction cooperation with non-related parties for contract prices amounting to \$872,143, \$846,361 and \$499,492, respectively. As of March 31, 2020, December 31, 2019 and March 31, 2019, the outstanding construction prices amounted to \$345,973, \$408,514 and \$92,299, respectively.
- (3) Central Motion Picture Corporation (the “Central Motion Picture”), an equity method investment of the Group, was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee (the “Ill-gotten Party”) in its written disposition, Dang-Chan-Chu-Zi No. 107007, issued on October 9, 2018. Under paragraph 1, Articles 5 and 9 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations (the “Act”), properties were held by the Central Motion Picture when the Act was released on August 10, 2016 are considered as unjustly received properties. The presumed ill-gotten party assets as prescribed in the preceding paragraph 1 of Article 5 are prohibited from being transferred or disposed since from the date of promulgation of this Act. However, this limit is not applicable if it is necessary to perform its legal duties or other justifiable reasons. The properties held by the Central Motion Picture are considered as unjustly received properties; however, their existing rights in leases, superficies, mortgage or pawnage are not affected if Ill-gotten Party considers such assets as unjustly received assets and then orders the bona fide third party to transfer such assets to the State, local self-governing bodies, or original owners. Under Article 16, the Central Motion Picture may file an administrative litigation (an action for revocation) in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, the Central Motion Picture may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court, which ruled to approve the suspension of execution in January 2020. However, Ill-gotten Party subsequently filed an appeal against the ruling, and it was dismissed by the High Administrative Court in February 2020. Meanwhile, Central Motion Picture filed a revocation action with the Taipei High Court, and it was pending approval as of January 14, 2020. As of the financial reporting date, the possible result of this litigation cannot be determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a

going concern in order to provide returns for shareholders 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 amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the actual financial condition.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 121,693	\$ 129,150	\$ 277,088
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	938,379	936,755	1,059,536
Financial assets at amortised cost/loans and receivables			
Cash and cash equivalents	8,426,693	6,296,729	6,455,362
Financial assets at amortised cost	1,448,575	1,770,762	1,071,496
Notes receivable	18,508	24,547	15,150
Accounts receivable	11,636,975	15,905,090	12,240,616
Other receivables	319,360	455,542	435,830
Guarantee deposits paid	187,928	133,992	194,807
	<u>\$ 23,098,111</u>	<u>\$ 25,652,567</u>	<u>\$ 21,749,885</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ -	\$ -	\$ 28
Financial liabilities at amortised cost			
Short-term borrowings	3,246,926	2,038,744	3,454,498
Short-term notes and bills payable	273,580	374,942	219,927
Notes payable	240	3,273	2,527
Accounts payable	10,397,367	14,942,306	11,989,396
Other accounts payable	4,651,027	5,870,986	5,500,383
Corporate bonds payables	2,988,052	2,987,655	-
Lease liability	490,920	520,737	545,385
Long-term borrowings (including current portion)	14,668,315	12,907,993	15,452,258
Guarantee deposits received	28,382	33,934	30,230
	<u>\$ 36,744,809</u>	<u>\$ 39,680,570</u>	<u>\$ 37,194,632</u>

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures, please refer to Note 6(2).
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i .The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 335,511	30.23	\$ 10,142,498
RMB : NTD	289,068	4.26	1,231,430
HKD : NTD	3,567	3.90	13,911
EUR : NTD	246	33.24	8,177
JPY : NTD	159,444	0.28	44,644
USD : HKD	4,625	7.75	139,791
USD : RMB	80,470	7.10	2,432,608
<u>Non-monetary items</u>			
RMB : HKD	\$ 204,580	1.09	\$ 870,489
USD : HKD	2,107	7.75	63,680
INR : NTD	92,241	0.40	36,983
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 233,629	30.23	\$ 7,062,605
RMB : NTD	23,558	4.26	100,357
HKD : NTD	10,744	3.90	41,902
EUR : NTD	111	33.24	3,690
JPY : NTD	56,279	0.28	15,758
USD : HKD	3,795	7.75	114,723
RMB : HKD	249,035	1.09	1,060,889
USD : RMB	193,373	7.10	5,845,666

December 31, 2019

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 546,131	29.98	\$ 16,373,007
RMB : NTD	240,382	4.31	1,036,046
HKD : NTD	3,294	3.85	12,682
EUR : NTD	759	33.59	25,495
JPY : NTD	69,996	0.28	19,599
USD : HKD	612	7.79	18,348
USD : RMB	13,343	6.96	400,023
<u>Non-monetary items</u>			
RMB : HKD	\$ 195,894	1.12	\$ 844,302
USD : HKD	2,100	7.79	62,969
INR : NTD	92,419	0.42	38,816
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 336,502	29.98	\$ 10,088,330
RMB : NTD	29,059	4.31	125,244
HKD : NTD	18,904	3.85	72,780
EUR : NTD	6,263	33.59	210,374
JPY : NTD	27,153	0.28	7,603
USD : HKD	980	7.79	29,380
RMB : HKD	130,347	1.12	561,796
USD : RMB	177,229	6.96	5,315,325
HKD : RMB	2,103	0.89	8,097

March 31, 2019

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 355,581	30.82	\$ 10,959,006
RMB : NTD	123,164	4.58	564,091
HKD : NTD	9,369	3.93	36,783
EUR : NTD	1,041	34.60	36,029
JPY : NTD	73,263	0.28	20,389
USD : RMB	8,033	6.71	247,577
<u>Non-monetary items</u>			
RMB : HKD	\$ 177,647	1.17	\$ 813,623
INR : NTD	90,616	0.45	40,375
USD : NTD	4,315	30.82	133,001
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 226,228	30.82	\$ 6,972,347
HKD : NTD	8,446	3.93	33,159
JPY : NTD	68,631	0.28	19,100
USD : HKD	273	7.85	8,414
RMB : HKD	494,724	1.17	2,265,836
USD : RMB	90,707	6.71	2,795,590

- v. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2020 and 2019 amounted to \$45,472 and \$25,792, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2020

Sensitivity Analysis

	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 101,425	\$ -
RMB : NTD	1%	12,314	-
HKD : NTD	1%	139	-
EUR : NTD	1%	82	-
JPY : NTD	1%	446	-
USD : HKD	1%	1,398	-
USD : RMB	1%	24,326	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 70,626	\$ -
RMB : NTD	1%	1,004	-
HKD : NTD	1%	419	-
EUR : NTD	1%	37	-
JPY : NTD	1%	158	-
USD : HKD	1%	1,147	-
RMB : HKD	1%	10,609	-
USD : RMB	1%	58,457	-

Three months ended March 31, 2019

Sensitivity Analysis

	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 109,590	\$ -
RMB : NTD	1%	5,641	-
HKD : NTD	1%	368	-
EUR : NTD	1%	360	-
JPY : NTD	1%	204	-
USD : RMB	1%	2,476	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 69,723	\$ -
HKD : NTD	1%	332	-
EUR : NTD	1%	19	-
JPY : NTD	1%	191	-
USD : HKD	1%	84	-
RMB : HKD	1%	22,658	-
USD : RMB	1%	27,956	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic or foreign listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant. Other components of equity for the three months ended March 31, 2020 and 2019 would have increased (decreased) by \$7,507 and \$8,476, respectively, as a result of gains/losses on equity securities other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's interest rates of borrowings are fixed and floating rate. For the three months ended March 31, 2020 and 2019, the Group's borrowings issued by floating rate are priced in New Taiwan dollars and Euro dollars.
- ii. As of March 31, 2020, December 31, 2019 and March 31, 2019, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the three months ended March 31, 2020 and 2019 would have been \$117,347 and \$123,634 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Group treasury manages credit risk of cash in banks and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only rated banks with an optimal rating and financial institutes with investment grade are accepted.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 120 days.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) A breach of contract.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At March 31, 2020</u>					
Expected loss rate	0.04%	1.34%	9.89%	100%	
Total book value	\$ 9,811,271	\$ 972,430	\$ 230,563	\$ 95,872	\$ 11,110,136
Loss allowance	\$ 3,951	\$ 13,073	\$ 16,689	\$ 95,872	\$ 129,585

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At December 31, 2019</u>					
Expected loss rate	0.04%	2.99%	10.24%	100%	
Total book value	\$ 14,412,991	\$ 818,189	\$ 304,377	\$ 97,213	\$ 15,632,770
Loss allowance	\$ 5,771	\$ 24,502	\$ 31,173	\$ 97,213	\$ 158,659

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At March 31, 2019</u>					
Expected loss rate	0.09%	3.31%	42.1%	100%	
Total book value	\$ 11,080,376	\$ 831,955	\$ 73,195	\$ 103,713	\$ 12,089,239
Loss allowance	\$ 9,946	\$ 27,541	\$ 30,796	\$ 103,713	\$ 171,996

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020	2019
	Accounts receivable	Accounts receivable
At January 1	\$ 158,659	\$ 167,118
(Reversal of) provision for impairment	(28,905)	4,586
Effect of foreign exchange	(169)	292
At March 31	\$ 129,585	\$ 171,996

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. Except that the carrying amounts of notes payable, accounts payable and other payables are approximate to the amounts of contractual undiscounted cash flows and those accounts will expire within a year, the amounts of financial liabilities disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 3 years</u>	Between <u>3 and 5 years</u>	<u>Over 5 years</u>
March 31, 2020					
Short-term borrowings	\$ 3,301,637	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	277,371	-	-	-	-
Lease liabilities	203,844	111,936	49,450	48,330	94,757
Long-term borrowings (including current portion)	1,243,616	2,980,414	8,883,510	630,368	234,977

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 3 years</u>	Between <u>3 and 5 years</u>	<u>Over 5 years</u>
December 31, 2019					
Short-term borrowings	\$ 2,066,471	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	379,539	-	-	-	-
Lease liabilities	238,190	107,317	52,581	57,207	95,801
Long-term borrowings (including current portion)	1,202,890	3,773,751	7,031,249	473,080	749,605

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 3 years</u>	Between <u>3 and 5 years</u>	<u>Over 5 years</u>
March 31, 2019					
Short-term borrowings	\$ 3,504,761	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	222,001	-	-	-	-
Lease liabilities	282,831	151,851	61,272	42,729	53,424
Long-term borrowings (including current portion)	830,005	6,114,749	1,539,429	7,214,512	-

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

- B. Fair value information of investment property at cost is provided in Note 6(10).

- C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	March 31, 2020			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 3,000,000	\$ -	\$ 2,988,052	\$ -
	December 31, 2019			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 3,000,000	\$ -	\$ 2,987,655	\$ -

- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

March 31, 2020	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	\$ -	\$ 121,693	\$ -	\$ 121,693
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	938,379	938,379
	<u>\$ -</u>	<u>\$ 121,693</u>	<u>\$ 938,379</u>	<u>\$ 1,060,072</u>
December 31, 2019				
	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	\$ -	\$ 129,150	\$ -	\$ 129,150
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	936,755	936,755
	<u>\$ -</u>	<u>\$ 129,150</u>	<u>\$ 936,755</u>	<u>\$ 1,065,905</u>
March 31, 2019				
	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	\$ -	\$ 277,088	\$ -	\$ 277,088
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,059,536	1,059,536
	<u>\$ -</u>	<u>\$ 277,088</u>	<u>\$ 1,059,536</u>	<u>\$ 1,336,624</u>
Liabilities :				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 28	\$ -	\$ 28

E. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- F. For the three months ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- G. The following chart is the movement of Level 3 for the three months ended March 31, 2020 and 2019:

	2020		
	Convertible bonds	Equity securities	Total
January 1	\$ -	\$ 936,755	\$ 936,755
Transfers during the current period	-	-	-
Effect of exchange rate changes	-	1,624	1,624
March 31	<u>\$ -</u>	<u>\$ 938,379</u>	<u>\$ 938,379</u>

	2019		
	Convertible bonds	Equity securities	Total
January 1	\$ -	\$ 1,040,342	\$ 1,040,342
Transfers during the current period	-	18,375	18,375
Effect of exchange rate changes	-	819	819
March 31	\$ -	\$ 1,059,536	\$ 1,059,536

H. For the three months ended March 31, 2019, there was transfer into from Level 3, please refer to Note 6(8). For the three months ended March 31, 2020, there was no transfer into or out from Level 3.

I. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 938,379	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 936,755	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at March 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 1,059,536	Market comparable companies	Discount for lack of marketability	20%~31.3%	The higher the discount for lack of marketability, the lower the fair value

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and liabilities categorised within Level 3, there is no significant impact to other comprehensive income on March 31, 2020, December 31, 2019 and March 31, 2019 if the net asset value increase or decrease by 1%.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

For the three months ended March 31, 2020, except for financial statements of CU, FII, FUII, Zhi De Investment, FGEDG, FGEKS, DGFQ, FOXLINK, FIT Holding, PQI, APIX, Sinocity, Jiangsu Foxlink, Glory Science, GLORY TEK, GLORY OPTICS, GLORY TEK (SAMOA), GLORY TEK SCIENCE INDIA, GLORY Suzhou, GOYC, Yao Wei, YYWT, Foxlink Image, AITL, and Dongguan Fu Wei which were reviewed by independent accountants, the financial statements of other subsidiaries were not reviewed.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

14. SEGMENT INFORMATION

(1) General information

The Group has classified the reportable operating segments based on product types. The Company's operations and segmentation are both developed according to the product types. The current main product types are: 3C component, systems and peripheral products, 3C product retail and others.

(2) Measurement of segment information

The Board of Directors of the Group uses operating profit to measure the operating segments and as evaluation basis of the segments' performance.

(3) Segment information

The financial information of reportable segments provided to Chief Operating Decision-Maker is as follows:

Three months ended March 31, 2020

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 6,836,771	\$ 6,791,307	\$ 2,314,842	\$ 68,364	\$ -	\$ 16,011,284
Revenue from Internal Customers	370,107	160,381	-	79	(530,567)	-
Segment Revenue	<u>\$ 7,206,878</u>	<u>\$ 6,951,688</u>	<u>\$ 2,314,842</u>	<u>\$ 68,443</u>	<u>(\$ 530,567)</u>	<u>\$ 16,011,284</u>
Segment (Loss) Profit	<u>(\$ 142,054)</u>	<u>(\$ 53,265)</u>	<u>\$ 50,098</u>	<u>(\$ 14,731)</u>	<u>\$ -</u>	<u>(\$ 159,952)</u>

Three months ended March 31, 2019

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 8,969,155	\$ 7,601,135	\$ 2,611,093	\$ 66,263	\$ -	\$ 19,247,646
Revenue from Internal Customers	428,756	397,950	-	42	(826,748)	-
Segment Revenue	<u>\$ 9,397,911</u>	<u>\$ 7,999,085</u>	<u>\$ 2,611,093</u>	<u>\$ 66,305</u>	<u>(\$ 826,748)</u>	<u>\$ 19,247,646</u>
Segment Profit (Loss)	<u>\$ 4,236</u>	<u>\$ 14,820</u>	<u>\$ 11,624</u>	<u>(\$ 8,968)</u>	<u>\$ -</u>	<u>\$ 21,712</u>

(4) Reconciliation for segment profit (loss)

The external revenue and segment profit (loss) reported to the chief operating decision-maker are measured in a manner consistent with revenue and profit (loss) before tax in the financial statements. Therefore, no reconciliation was needed.

Cheng Uei Precision Industry Co., Ltd.
Loans to others
Three months ended March 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2020	Balance at March 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Fugang Electric (Kunshan) Co., Ltd.	FUQIANG ELECTRIC (YANCHENG) CO., LTD.	Other receivables - related parties	Yes	\$ 34,608	\$ 34,040	\$ 34,040	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 3,492,959	\$ 3,492,959	
1	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	"	Yes	103,824	68,080	68,080	-	2	-	"	-	-	-	3,492,959	3,492,959	
1	Fugang Electric (Kunshan) Co., Ltd.	ShangHai Fugang Electric Trading Co., LTD.	"	Yes	34,040	34,040	34,040	-	2	-	"	-	-	-	3,492,959	3,492,959	
1	Fugang Electric (Kunshan) Co., Ltd.	Fu Shi Xiang Research & Development Center (Kunshan) Co., Ltd.	"	Yes	23,793	23,403	23,403	-	2	-	"	-	-	-	3,492,959	3,492,959	
1	Fugang Electric (Kunshan) Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	Yes	172,200	-	-	-	2	-	"	-	-	-	3,492,959	3,492,959	
2	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	"	Yes	87,928	87,653	87,653	-	2	-	"	-	-	-	111,510	111,510	
3	Culink (Tian Jin) Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	Yes	216,300	212,750	212,750	-	2	-	"	-	-	-	224,724	224,724	
4	Neosonic Energy Technology (Tianjin) Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	Yes	168,714	165,945	165,945	-	2	-	"	-	-	-	168,051	168,051	
5	Foxlink International Investment Ltd.	Microlink Communications Inc.	"	Yes	67,000	67,000	67,000	-	2	-	"	-	-	-	1,391,780	1,391,780	
6	Fu Uei International Investment Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	Yes	235,000	235,000	235,000	-	2	-	"	-	-	-	654,170	654,170	
7	FOXLINK TECHNOLOGY LIMITED	Cheng Uei Precision Industry Co., Ltd.	"	Yes	724,648	722,378	722,378	-	2	-	"	-	-	-	897,288	897,288	
7	FOXLINK TECHNOLOGY LIMITED	CU INTERNATION LTD.	"	Yes	101,661	99,993	99,993	-	2	-	"	-	-	-	897,288	897,288	
8	Foxlink TianJin Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	Yes	95,172	-	-	-	2	-	"	-	-	-	2,318,035	2,318,035	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2020	Balance at March 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
8	Foxlink TianJin Co., Ltd.	FUGANG ELECTRIC (XUZHOU) CO., LTD.	Other receivables - related parties	Yes	\$ 64,890	\$ 63,825	\$ -	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 2,318,035	\$ 2,318,035	
8	Foxlink TianJin Co., Ltd.	Fugang Electronic (Dongguan) Co., Ltd.	"	Yes	389,340	-	-	-	2	-	"	-	-	-	2,318,035	2,318,035	
9	Studio A Inc.	AShop Co., Ltd.	"	Yes	175,856	175,305	111,833	2%	2	-	"	-	-	-	212,139	212,139	
10	Studio A Technology Limited	Studio A Inc.	"	Yes	90,960	90,675	75,563	-	2	-	"	-	-	-	777,702	777,702	
11	Zhi De Investment Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	Yes	100,000	100,000	100,000	-	2	-	Group's capital management	-	-	-	158,382	158,382	
12	Foxlink Automotive Technology (Kunshan) CO., LTD.	Fugang Electronic (Dongguan) Co., Ltd.	"	Yes	172,200	-	-	-	2	-	Operations	-	-	-	150,695	150,695	
13	Foxlink Image Technology Co., Ltd.	Power Quotient International Co., Ltd.	"	Yes	604,750	604,750	604,750	1.23%	2	-	"	-	-	-	711,960	949,280	
13	Foxlink Image Technology Co., Ltd.	Glory Science Co., Ltd.	"	Yes	300,000	300,000	-	0.85%~1.2%	2	-	"	-	-	-	711,960	949,280	
14	Glory Science Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	"	Yes	399,970	399,970	399,970	1.5%	2	-	"	-	-	-	326,328	435,104	
15	GLORY OPTICS (BVI) CO., LTD.	GLORYTEK (YANCHENG) CO., LTD.	"	Yes	93,060	83,754	83,754	3%	2	-	"	-	-	-	1,844,121	2,458,828	
15	GLORY OPTICS (BVI) CO., LTD.	Glory Optics (Yancheng) Co., Ltd.	"	Yes	75,068	-	-	3%	2	-	"	-	-	-	1,844,121	2,458,828	
16	GLORY Photovoltaic (Suzhou) Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	"	Yes	220,910	215,150	171,120	5%	2	-	"	-	-	-	1,844,121	2,458,828	
17	POWER QUOTIET TECHNOLOGY (YANCHENG) CO., LTD.	Jiangsu Foxlink New Energy Technology Co., Ltd.	"	Yes	457,600	457,600	457,600	-	2	-	Group's capital management	-	-	-	1,844,121	2,458,828	
18	Foxwell Energy Corporation Ltd.	Zhangyuan Wind Power Co., Ltd.	"	Yes	50,000	50,000	3,500	Over 1 month, 1.75%	2	-	"	-	-	-	280,117	280,117	
18	Foxwell Energy Corporation Ltd.	Beiyuan Wind Power Co., Ltd.	"	Yes	50,000	50,000	16,000	Over 1 month, 1.75%	2	-	"	-	-	-	280,117	280,117	

Note 1: The numbers as follows represent the nature of loan:

- (1) Business transaction is labelled as "1".
- (2) Short-term financing is labelled as "2".

Note 2: (1) Limit on loans granted to a single party is 20% of the Company's net asset value.

- (2) Limit on loans granted to domestic subsidiaries is 40% of their net asset value.
- (3) Limit on loans granted to direct or indirect holding foreign subsidiaries is 100% of their net asset value.
- (4) Limit on loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.
- (5) Limit on loans granted to FIT Holding Co., Ltd. and its subsidiaries is 30% of FIT Holding Co., Ltd.'s net asset value on recent financial report.
- (6) Limit on loans granted to a single party by Foxlink Image, Glory Science Co., Ltd. and Foxwell Energy is 30% of its net asset value.

Note 3: (1) Ceiling on total loans granted to the company is 40% of the Company's net asset value.

- (2) Ceiling on total loans granted to the company's domestic subsidiaries is 40% of their net asset value.
- (3) Ceiling on total loans granted to the direct or indirect holding subsidiaries is 100% of their net asset value.
- (4) Ceiling on total loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.
- (5) Ceiling on total loans granted to FIT Holding Co., Ltd. and its direct or indirect holding foreign subsidiaries is 40% of their net asset value on recent financial report.
- (6) Ceiling on total loans granted by Foxlink Image, Glory Science Co., Ltd. and Foxwell Energy is 40% of its net asset value.

Cheng Uei Precision Industry Co., Ltd.
Provision of endorsements and guarantees to others
Three months ended March 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2020	Outstanding endorsement/ guarantee amount at March 31, 2020	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 2)	Provision of endorsements /guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	The Company's third-tier subsidiary	\$ 11,035,516	\$ 1,297,800	\$ 1,276,500	\$ 1,276,500	\$ -	5.78	\$ 22,244,881	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	"	8,828,413	454,800	435,375	22,808	-	2.05	22,244,881	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	"	8,828,413	212,240	211,275	70,122	-	0.96	22,244,881	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	The Company's second-tier subsidiary	8,828,413	1,212,800	1,209,000	177,016	-	5.48	22,244,881	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Technology Limited	The Company's third-tier subsidiary	8,828,413	1,455,360	1,450,800	81,305	-	6.57	22,244,881	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	"	8,828,413	1,212,800	1,209,000	79,190	-	5.48	22,244,881	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	FOXLINK INTERNATIONAL INCORPORATION	"	11,035,516	982,368	979,290	161,583	-	4.44	22,244,881	Y	N	N	
1	Studio A Inc.	ASHOP CO., LTD.	Studio A Inc.'s subsidiary	8,828,413	212,240	211,575	70,122	-	0.96	22,244,881	Y	N	N	
2	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Fugang Electric (Kunshan) Co., Ltd.'s other related party	11,035,516	1,187,271	1,167,785	1,167,785	-	5.29	22,244,881	Y	N	Y	
3	FIT Holding Co., Ltd.	Power Quotient International Co., Ltd.	FIT Holding Co., Ltd.'s subsidiary	9,220,605	500,000	500,000	300,000	-	8.13	9,220,605	Y	N	N	
3	FIT Holding Co., Ltd.	Foxwell Energy Corporation Ltd.	"	8,605,898	531,698	531,698	531,698	-	8.65	9,220,605	Y	N	N	
3	FIT Holding Co., Ltd.	Glory Science Co., Ltd.	"	9,220,605	960,000	960,000	-	-	15.62	9,220,605	Y	N	N	
4	Glory Science Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	Glory Science Co., Ltd.'s subsidiary	9,220,605	185,070	-	-	-	0.00	9,220,605	Y	N	Y	
4	Glory Science Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	Glory Science Co., Ltd.'s subsidiary	9,220,605	185,070	-	-	-	0.00	9,220,605	Y	N	Y	
5	Foxwell Energy Corporation Ltd.	Beiyuan Wind Power Co., Ltd.	Foxwell Energy Corporation Ltd.'s subsidiary	8,605,898	621,000	621,000	447,364	-	10.10	9,220,605	Y	N	N	

Note 1: Calculation for limit on endorsements/guarantees provided for a single party is as follows:

- (1) For subsidiaries whose shares are 90% or above held by the Company, ceiling on total amount of endorsements and guarantees provided by the Company is 50% of the Company's net asset value; limit on endorsements and guarantees provided by the Company for a single party is 40% of the Company's net asset value.
- (2) For FIT Holding Co.,Ltd., limit on endorsements and guarantees for a single party is 140% of FIT Holding Co.,Ltd.'s current net asset value and for subsidiary whose equity is no less than 90% held by FIT Holding Co.,Ltd., is 150% of FIT Holding Co.,Ltd.'s net asset value.
- (3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co.,Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co.,Ltd.'s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co.,Ltd. directly or indirectly.

Note 2: Calculation for limit on endorsements/guarantees provided is as follows:

- (1) The Company's and subsidiaries' endorsements and guarantees to others should not exceed 100% of the Company's net asset value.
- (2) FIT Holding Co.,Ltd.'s endorsements and guarantees to others and subsidiaries should not exceed 150% of FIT Holding Co.,Ltd.'s net asset value in the latest financial statements.
- (3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co.,Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co.,Ltd.'s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co.,Ltd. directly or indirectly.