

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3189

Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
As of March 31, 2020 and 2019
And For The Three-month Periods Then Ended

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese

**Consolidated Financial Statements
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English Translation of Financial Statements and a Report Originally Issued in Chinese

REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
Kinsus Interconnect Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. (the “Company”) and its subsidiaries as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. 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 Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of 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 conducted in accordance with auditing standards generally accepted in the Republic of China 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.

(To be continued)

(Continued)

Basis for Qualified Conclusion

As explained in Note 6.(8), the financial statements of the associate and joint venture accounted for under the equity method was not reviewed by independent auditors. The carrying values of the associate and joint venture under equity method amounted to NT\$506,943 thousand and NT\$633,694 thousand as of March 31, 2020 and 2019, respectively. The related shares of profits from the associate and joint venture under the equity method amounted to NT\$(33,108) thousand and NT\$(102,690) thousand, and the related shares of other comprehensive income from the associate and joint venture under the equity method amounted to NT\$1,792 thousand and NT\$1,109 thousand for the three-month periods then ended, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of the associate and joint venture accounted for using equity method been reviewed by independent auditors described in the preceding paragraph, 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 Company and its subsidiaries as of March 31, 2020 and 2019, and their consolidated financial performance and cash flows for the three-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Hong, Mao-Yi

Cheng, Ching-Piao

Hong, Mao-Yi
Cheng, Ching-Piao.

Ernst & Young
Taiwan, R.O.C.
April 27th, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and 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, Ernst & Young 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Assets | | | As of March 31, 2020 | | As of December 31, 2019 | | As of March 31, 2019 | |
|--------|---|-----------|----------------------|-----|-------------------------|-----|----------------------|-----|
| Code | Accounts | Notes | Amount | % | Amount | % | Amount | % |
| | Current assets | | | | | | | |
| 1100 | Cash and cash equivalents | 4,6(1) | \$10,295,646 | 26 | \$10,712,103 | 26 | \$10,086,488 | 24 |
| 1110 | Financial assets at fair value through profit or loss | 4,6(2) | 1,229,442 | 3 | 1,338,832 | 3 | 1,018,469 | 2 |
| 1136 | Financial assets carried at amortized cost | 4,6(3) | 914,861 | 2 | 423,057 | 1 | 498,596 | 1 |
| 1150 | Notes receivable, net | 4,6(5) | - | - | 4,918 | - | 126 | - |
| 1170 | Accounts receivable, net | 4,6(6) | 3,820,104 | 9 | 3,609,565 | 9 | 2,508,226 | 6 |
| 1180 | Accounts receivable - related parties, net | 6(6),7 | 86,417 | - | 111,323 | - | 280,553 | 1 |
| 1200 | Other receivables | | 119,254 | - | 332,623 | 1 | 329,450 | 1 |
| 1210 | Other receivables - related parties | 7 | 5,618 | - | 5,901 | - | 5,584 | - |
| 130x | Inventories, net | 4,6(7) | 2,524,729 | 6 | 2,452,975 | 6 | 3,022,284 | 7 |
| 1410 | Prepayments | | 180,275 | 1 | 150,538 | - | 171,582 | 1 |
| 1470 | Other current assets | | 161,470 | - | 198,672 | 1 | 160,914 | - |
| 11xx | Total current assets | | 19,337,816 | 47 | 19,340,507 | 47 | 18,082,272 | 43 |
| | Non-current assets | | | | | | | |
| 1517 | Financial asset at fair value through OCI | 4,6(4) | 50,000 | - | 50,000 | - | 50,000 | - |
| 1550 | Investment accounted for under equity method | 4,6(8) | 506,943 | 1 | 538,259 | 1 | 633,694 | 1 |
| 1600 | Property, plant and equipment, net | 4,6(9),8 | 19,094,257 | 47 | 19,675,900 | 47 | 21,386,589 | 51 |
| 1755 | Right-of-use asset | 4,6(23) | 361,034 | 1 | 382,091 | 1 | 474,034 | 1 |
| 1780 | Intangible assets | 4,6(10) | 23,964 | - | 30,753 | - | 36,821 | - |
| 1840 | Deferred income tax assets | 4 | 19,980 | - | 13,800 | - | 13,095 | - |
| 1900 | Other non-current assets | 6(11),7,8 | 91,431 | - | 88,069 | - | 91,139 | - |
| 1915 | Prepayment for acquiring machinery | 6(9), 9 | 1,449,663 | 4 | 1,583,966 | 4 | 1,563,601 | 4 |
| 15xx | Total non-current assets | | 21,597,272 | 53 | 22,362,838 | 53 | 24,248,973 | 57 |
| 1xxx | Total Assets | | \$40,935,088 | 100 | \$41,703,345 | 100 | \$42,331,245 | 100 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of March 31, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | As of March 31, 2020 | | As of December 31, 2019 | | As of March 31, 2019 | |
|------------------------|---|---------|----------------------|-----|-------------------------|-----|----------------------|-----|
| Code | Accounts | Notes | Amount | % | Amount | % | Amount | % |
| | Current liabilities | | | | | | | |
| 2100 | Short-term loans | 6(12) | \$3,575,520 | 9 | \$4,096,101 | 10 | \$3,014,827 | 7 |
| 2130 | Contract liability | 4,6(21) | 109,707 | - | 72,626 | - | 89,772 | - |
| 2150 | Notes payable | | 39,159 | - | 37,176 | - | 81,122 | - |
| 2170 | Accounts payable | | 2,048,804 | 5 | 2,224,571 | 5 | 2,017,386 | 5 |
| 2200 | Other payables | 6(13),7 | 3,072,290 | 8 | 2,804,217 | 7 | 2,970,533 | 7 |
| 2230 | Current income tax liabilities | 4 | 200,868 | - | 179,575 | 1 | 377,995 | 1 |
| 2280 | Lease liability | 4,6(23) | 89,902 | 1 | 113,937 | - | 132,076 | 1 |
| 2300 | Other current liabilities | 6(14) | 1,255,888 | 3 | 1,238,150 | 3 | 1,232,763 | 3 |
| 2365 | Refund liability | 4,6(15) | 76,878 | - | 74,865 | - | 93,503 | - |
| 21xx | Total current liabilities | | 10,469,016 | 26 | 10,841,218 | 26 | 10,009,977 | 24 |
| | Non-current liabilities | | | | | | | |
| 2540 | Long-term loans | 6(16),8 | 1,961,447 | 5 | 1,888,054 | 5 | 3,034,037 | 7 |
| 2570 | Deferred income tax liabilities | 4 | 16,137 | - | 8,623 | - | 6,225 | - |
| 2580 | Lease liability | 4,6(23) | 60,351 | - | 58,143 | - | 109,543 | - |
| 2600 | Other non-current liabilities | 4,6(17) | 80,468 | - | 69,607 | - | 67,088 | - |
| 25xx | Total non-current liabilities | | 2,118,403 | 5 | 2,024,427 | 5 | 3,216,893 | 7 |
| 2xxx | Total liabilities | | 12,587,419 | 31 | 12,865,645 | 31 | 13,226,870 | 31 |
| | | | | | | | | |
| 31xx | Equity attributable to shareholders of the parent | | | | | | | |
| 3100 | Capital | 6(19) | | | | | | |
| 3110 | Common stock | | 4,510,390 | 11 | 4,510,738 | 11 | 4,513,609 | 11 |
| 3200 | Capital surplus | 6(19) | 6,632,824 | 16 | 6,637,742 | 16 | 6,158,061 | 14 |
| 3300 | Retained earnings | 6(19) | | | | | | |
| 3310 | Legal reserve | | 3,647,505 | 9 | 3,647,505 | 9 | 3,612,556 | 9 |
| 3320 | Special reserve | | 100,384 | - | 100,384 | - | 77,677 | - |
| 3350 | Unappropriated earnings | | 10,510,785 | 26 | 10,882,980 | 26 | 12,902,149 | 30 |
| 3400 | Other components of equity | | (205,611) | (1) | (211,996) | (1) | (136,721) | - |
| 3500 | Treasury Stock | 6(19) | (960) | - | (332) | - | (528) | - |
| 36xx | Non-controlling interests | 6(19) | 3,152,352 | 8 | 3,270,679 | 8 | 1,977,572 | 5 |
| 3xxx | Total equity | | 28,347,669 | 69 | 28,837,700 | 69 | 29,104,375 | 69 |
| | Total liabilities and equity | | \$40,935,088 | 100 | \$41,703,345 | 100 | \$42,331,245 | 100 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2020 and 2019 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code | Accounts | Notes | For the 3-month period ended March 31, | | | |
|------|---|-----------|--|------|-------------|------|
| | | | 2020 | | 2019 | |
| | | | Amount | % | Amount | % |
| 4000 | Operating revenues | 4,6(21),7 | \$5,892,333 | 100 | \$4,919,071 | 100 |
| 5000 | Operating costs | | (4,840,716) | (82) | (4,632,210) | (94) |
| 5900 | Gross profit | | 1,051,617 | 18 | 286,861 | 6 |
| 6000 | Operating expenses | 7 | | | | |
| 6100 | Sales and marketing | | (167,223) | (3) | (171,809) | (3) |
| 6200 | General and administrative | | (293,308) | (5) | (296,843) | (6) |
| 6300 | Research and development | | (505,868) | (9) | (456,133) | (9) |
| 6450 | Expected credit gains (losses) | 4,6(22) | 397 | - | 9,544 | - |
| | Total operating expenses | | (966,002) | (17) | (915,241) | (18) |
| 6900 | Operating income(loss) | | 85,615 | 1 | (628,380) | (12) |
| 7000 | Non-operating incomes and expenses | | | | | |
| 7010 | Other incomes | 6(25),7 | 78,378 | 1 | 39,641 | 1 |
| 7020 | Other gains and losses | 6(25) | 12,474 | - | 10,605 | - |
| 7050 | Finance costs | 6(25) | (28,400) | - | (37,203) | (1) |
| 7060 | Share of profit or loss of associates and joint ventures | 6(8) | (33,108) | (1) | (102,690) | (2) |
| | Total non-operating incomes and expenses | | 29,344 | - | (89,647) | (2) |
| 7900 | Income (loss) before income tax | | 114,959 | 1 | (718,027) | (14) |
| 7950 | Income tax expense | 4,6(27) | (36,024) | - | (31,149) | (1) |
| 8200 | Net income (loss) | | 78,935 | 1 | (749,176) | (15) |
| 8300 | Other comprehensive income (loss) | 6(26) | | | | |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange differences on translation of foreign operations | | (3,209) | - | 63,879 | 1 |
| 8370 | Share of the other comprehensive profit or loss of joint ventures | | 1,792 | - | 1,109 | - |
| | Total other comprehensive income, net of tax | | (1,417) | - | 64,988 | 1 |
| 8500 | Total comprehensive income (loss) | | \$77,518 | 1 | \$(684,188) | (14) |
| 8600 | Net income (loss) attributable to: | | | | | |
| 8610 | Shareholders of the parent | | \$78,844 | 1 | \$(744,510) | (15) |
| 8620 | Non-controlling interests | | 91 | - | (4,666) | - |
| | | | \$78,935 | 1 | \$(749,176) | (15) |
| 8700 | Comprehensive income (loss) attributable to: | | | | | |
| 8710 | Shareholders of the parent | | \$73,929 | 1 | \$(695,388) | (14) |
| 8720 | Non-controlling interests | | 3,589 | - | 11,200 | - |
| | | | \$77,518 | 1 | \$(684,188) | (14) |
| 9750 | Earnings (losses) per share-basic (in NTD) | 6(28) | \$0.18 | | \$(1.67) | |
| 9850 | Earnings (losses) per share-diluted (in NTD) | 6(28) | \$0.17 | | \$(1.67) | |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2020 and 2019 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Code | Items | Equity Attributable to Shareholders of the Parent | | | | | | | | | Non-controlling Interests | Total Equity |
|------|--|---|--------------------|--------------------|------------------|-------------------------|---|---------------------------|----------------|---------------------|---------------------------|---------------------|
| | | Common Stock | Capital Surplus | Retained Earnings | | | Others | | Treasury Stock | Total | | |
| | | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange differences arising on translation of foreign operations | Unearned Employee Benefit | | | | |
| | | | | | | | | | | | | |
| 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3490 | 3500 | 31XX | 36XX | 3XXX | | |
| A1 | Balance as of January 1, 2019 | \$4,508,410 | \$6,140,942 | \$3,612,556 | \$77,677 | \$13,646,659 | \$(100,383) | \$(102,973) | \$(738) | \$27,782,150 | \$1,966,372 | \$29,748,522 |
| D1 | Net loss for the three-month period ended March 31, 2019 | | | | | (744,510) | | | | (744,510) | (4,666) | (749,176) |
| D3 | Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2019 | | | | | | 49,122 | | | 49,122 | 15,866 | 64,988 |
| D5 | Total comprehensive income (loss) | - | - | - | - | (744,510) | 49,122 | - | - | (695,388) | 11,200 | (684,188) |
| T1 | Employee restricted shares for cancellation and others | 5,199 | 17,119 | | | | | 17,513 | 210 | 40,041 | | 40,041 |
| Z1 | Balance as of March 31, 2019 | <u>\$4,513,609</u> | <u>\$6,158,061</u> | <u>\$3,612,556</u> | <u>\$77,677</u> | <u>\$12,902,149</u> | <u>\$(51,261)</u> | <u>\$(85,460)</u> | <u>\$(528)</u> | <u>\$27,126,803</u> | <u>\$1,977,572</u> | <u>\$29,104,375</u> |
| A1 | Balance as of January 1, 2020 | \$4,510,738 | \$6,637,742 | \$3,647,505 | \$100,384 | \$10,882,980 | \$(183,404) | \$(28,592) | \$(332) | \$25,567,021 | \$3,270,679 | \$28,837,700 |
| | Appropriation and distribution of 2019 earnings | | | | | | | | | | | |
| B5 | Cash dividends-common shares | | | | | (451,039) | | | | (451,039) | | (451,039) |
| D1 | Net income for the three-month period ended March 31, 2020 | | | | | 78,844 | | | | 78,844 | 91 | 78,935 |
| D3 | Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2020 | | | | | | (4,915) | | | (4,915) | 3,498 | (1,417) |
| D5 | Total comprehensive income (loss) | - | - | - | - | 78,844 | (4,915) | - | - | 73,929 | 3,589 | 77,518 |
| O1 | Non-controlling interests | | | | | | | | | | (121,916) | (121,916) |
| T1 | Employee restricted shares for cancellation and others | (348) | (4,918) | | | | | 11,300 | (628) | 5,406 | | 5,406 |
| Z1 | Balance as of March 31, 2020 | <u>\$4,510,390</u> | <u>\$6,632,824</u> | <u>\$3,647,505</u> | <u>\$100,384</u> | <u>\$10,510,785</u> | <u>\$(188,319)</u> | <u>\$(17,292)</u> | <u>\$(960)</u> | <u>\$25,195,317</u> | <u>\$3,152,352</u> | <u>\$28,347,669</u> |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2020 and 2019 (Reviewed but unaudited)
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Items | For the three-month periods ended March 31 | | Code | Items | For the three-month periods ended March 31 | |
|--------|--|--|-------------|--------|--|--|--------------|
| | | 2020 | 2019 | | | 2020 | 2019 |
| AAAA | Cash flows from operating activities: | | | BBBB | Cash flows from investing activities: | | |
| A10000 | Income (loss) before income tax | \$114,959 | \$(718,027) | B00040 | Acquisition of financial assets measured at amortized cost | (491,804) | (258) |
| A20000 | Adjustments: | | | B02700 | Acquisition of property, plant and equipment | (442,115) | (1,711,597) |
| A20010 | Income and expense adjustments: | | | B02800 | Proceeds from disposal of property, plant and equipment | 24 | 177,229 |
| A20100 | Depreciation | 1,116,167 | 1,141,267 | B03800 | Decrease (increase) in refundable deposits | (3,362) | 918 |
| A20200 | Amortization | 12,681 | 5,966 | B04500 | Acquisition of intangible assets | (5,875) | (28,091) |
| A20300 | Expected credit losses (gain on recovery) | (397) | (9,544) | BBBB | Net cash provided by (used in) investing activities | (943,132) | (1,561,799) |
| A20400 | Net gain of financial assets at fair value through P/L | (1,610) | (1,374) | | | | |
| A20900 | Interest expense | 28,400 | 37,203 | CCCC | Cash flows from financing activities: | | |
| A21200 | Interest income | (13,628) | (15,635) | C00100 | Increase in (repayment of) short-term loans | (520,581) | (325,656) |
| A21900 | Cost of share based payment | 6,621 | 34,781 | C01600 | Increase in long-term loans | 505,000 | 1,000,000 |
| A22300 | Share of profit or loss of associates and joint ventures | 33,108 | 102,690 | C01700 | Repayments of long-term loans | (394,414) | (264,375) |
| A22500 | Gain on disposal of property, plant and equipment | 1,911 | (8,658) | C03000 | Increase (decrease) in deposits received | (7,791) | (1,749) |
| A23700 | Impairment loss on non financial assets | - | 11,943 | C04020 | Cash payments for the principal portion of the lease liability | (37,348) | (33,899) |
| A29900 | Loss (gain) on lease modification | (55) | (180) | C04600 | Issuance of common stock for cash | - | 5,985 |
| A29900 | Loss (gain) on government grants | (585) | - | CCCC | Net cash provided by (used in) financing activities | (455,134) | 380,306 |
| A30000 | Changes in operating assets and liabilities: | | | | | | |
| A31110 | Financial assets at fair value through P/L | 111,000 | - | DDDD | Effect of exchange rate changes | (6,366) | (23,053) |
| A31130 | Notes receivable | 4,918 | 115 | | | | |
| A31150 | Accounts receivable | (210,136) | 974,196 | EEEE | Increase (decrease) in cash and cash equivalents | (416,457) | 17,819 |
| A31160 | Accounts receivable - related parties | 24,906 | 68,762 | E00100 | Cash and cash equivalents at beginning of period | 10,712,103 | 10,068,669 |
| A31180 | Other receivables | 212,630 | (63,690) | E00200 | Cash and cash equivalents at end of period | \$10,295,646 | \$10,086,488 |
| A31190 | Other receivables - related parties | 283 | 197 | | | | |
| A31200 | Inventories | (71,754) | 247,033 | | | | |
| A31220 | Prepayments | (29,737) | (19,192) | | | | |
| A31240 | Other current assets | 37,202 | 28,845 | | | | |
| A32125 | Contract liabilities | 37,081 | (45,028) | | | | |
| A32130 | Notes payable | 1,983 | 41,617 | | | | |
| A32150 | Accounts payable | (175,767) | (216,223) | | | | |
| A32180 | Other payables | (223,646) | (379,765) | | | | |
| A32230 | Other current liabilities | (749) | (2,356) | | | | |
| A32240 | Net defined benefit liability | (1,041) | (1,027) | | | | |
| A32990 | Refund liability | 2,013 | 45,764 | | | | |
| A33000 | Cash generated from (used in) operations | 1,016,758 | 1,259,680 | | | | |
| A33100 | Interest received | 14,367 | 14,662 | | | | |
| A33300 | Interest paid | (29,560) | (37,488) | | | | |
| A33500 | Income tax paid | (13,390) | (14,489) | | | | |
| AAAA | Net cash provided by (used in) operating activities | 988,175 | 1,222,365 | | | | |

(The accompanying notes are an integral part of the consolidated financial statements.)

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to “the Company”) was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company’s stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004. The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on April 27, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which have not yet endorsed by FSC and have not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|--|-------------------------------|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | 1 January 2021 |
| c | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2022 |

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the

total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides

- (1) A specific adaptation for contracts with direct participation features (the Variable Fee Approach) and
- (2) A simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses that there will be no significant impact on the Group's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the three-month periods ended March 31, 2020 and 2019 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," by the FSC of the Republic of China.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars (“NT\$”) unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company’s voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;
- (e) Recognizes any surplus or deficit in profit or loss; and
- (f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main business | Percentage of Ownership (%), as of | | |
|-------------|--------------------------------------|---|------------------------------------|------------------|------------------|
| | | | Mar. 31, 2020 | Dec. 31, 2019 | Mar. 31, 2019 |
| The Company | KINSUS CORP. (USA) | Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology | 100.00% | 100.00% | 100.00% |
| The Company | KINSUS HOLDING (SAMOA) LIMITED | Investing activities | 100.00% | 100.00% | 100.00% |
| The Company | KINSUS INVESTMENT CO., LTD. | Investing activities | 100.00% | 100.00% | 100.00% |

| | | | | | |
|---------------------------------------|--|--|------------------|------------------|------------------|
| KINSUS HOLDING (SAMOA) LIMITED | KINSUS HOLDING (CAYMAN) LIMITED | Investing activities | 100.00% | 100.00% | 100.00% |
| KINSUS HOLDING (SAMOA) LIMITED | PIOTEK HOLDINGS LTD. (CAYMAN) | Investing activities | 51.00% | 51.00% | 51.00% |
| KINSUS INVESTMENT CO., LTD. | PEGAVISION CORPORATION | Manufacture of medical equipment | 30.33% (Note) | 30.33% (Note) | 36.81% (Note) |
| KINSUS HOLDING (CAYMAN) LIMITED | KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP. | Manufacturing and selling printed circuit board (PCB) (not high- density fine-line) | 100.00% | 100.00% | 100.00% |
| KINSUS HOLDING (CAYMAN) LIMITED | XIANG-SHOU (SUZHOU) TRADING LIMITED | Trading of PCB related products and materials (not high- density fine-line) | 100.00% | 100.00% | 100.00% |
| PIOTEK HOLDINGS LTD. (CAYMAN) | PIOTEK HOLDING LIMITED | Investing activities | 100.00% | 100.00% | 100.00% |
| PIOTEK HOLDINGS LIMITED | PIOTEK COMPUTER (SUZHOU) CO., LTD. | Researching, developing, producing and selling electronic components, PCBs and related products and providing after- sale services | 100.00% | 100.00% | 100.00% |
| PIOTEK HOLDINGS LIMITED | PIOTEK (H.K.) TRADING LIMITED | Trading activities | 100.00% | 100.00% | 100.00% |

| | | | | | |
|--|--|---------------------------|---------|---------|---------|
| PEGAVISION CORPORATION | PEGAVISION HOLDINGS CORPORATION | Investing activities | 100.00% | 100.00% | 100.00% |
| PEGAVISION CORPORATION | PEGAVISION JAPAN INC. | Selling medical equipment | 100.00% | 100.00% | 100.00% |
| PEGAVISION HOLDINGS CORPORATION | PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION | Selling medical equipment | 100.00% | 100.00% | 100.00% |
| PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION | GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED | Selling medical equipment | 100.00% | 100.00% | 100.00% |

Note: The Group owned a compound 30.33%, 30.33% and 36.81% of ownership of Pegavision Corporation as of March 31, 2020, December 31, 2019 and March 31, 2019. The management decided to include Pegavision Corporation as a consolidated entity because the Group, in substance, possessed the control over this entity.

PEGAVISION CORPORATION increased its common capital in amount of NT\$100,000 thousand, divided into 10,000 thousand shares, each share at par of NT\$10 for the purpose of initial listing on a stock exchange. Kinsus Investment Co., Ltd. not only surrendered its preempted right on the offering but also sold 855 thousand shares of Pegavision Corporation. As a result, Kinsus Investment Co., Ltd.'s ownership interest on Pegavision Corporation reduced from 36.81% to 30.33%.

(4) Foreign currency transactions

The Company's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. The Group's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress -

Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

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

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value

of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|------------------|----------------|
| Buildings | 10 to 25 years |
| Machinery | 2 to 10 years |
| Vehicle | 2 to 6 years |
| Office equipment | 3 to 6 years |
| Other equipment | 1 to 25 years |

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leasing

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's accounting policies for intangible assets are as follows:

| | Cost of Computer Software |
|---|---|
| Useful economic life | 1 to 5 years |
| Amortization method | Straight-line method during the contract term |
| Internally generated or acquired externally | Acquired externally |

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or

may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(17) Revenue recognition

The Group's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is substrate and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an

asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(20) Post-employment benefits

All regular employees of Kinsus and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with Kinsus and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, Kinsus and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(21) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

A. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Accounts receivables-estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

C. Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

D. Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level.

E. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

F. Revenue recognition - sale returns and allowances

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences

against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | As of | | |
|---------------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Cash and petty cash | 3,266 | 2,797 | 4,418 |
| Checking and saving | 2,289,710 | 2,550,937 | 2,331,874 |
| Time deposit | 8,002,670 | 8,158,369 | 7,750,196 |
| Total | 10,295,646 | 10,712,103 | 10,086,488 |

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

| | As of | | |
|--|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Mandatorily measured at fair value through profit or loss: | | | |
| Money market fund | 1,185,235 | 1,296,114 | 980,063 |
| Valuation adjustment | 44,207 | 42,718 | 38,386 |
| Forward exchange contract | - | - | 20 |
| Total | 1,229,442 | 1,338,832 | 1,018,469 |
| Current | 1,229,442 | 1,338,832 | 1,018,469 |
| Non-current | - | - | - |

No financial asset at fair value through profit or loss was pledged as collateral.

(3) Financial assets measured at amortized cost

| | As of | | |
|---------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Time deposits | 914,861 | 423,057 | 498,596 |
| Current | 914,861 | 423,057 | 498,596 |
| Non-current | - | - | - |

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

No financial asset measured at amortized cost was pledged as collateral.

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

| | As of | | |
|---|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Equity instruments investments measured at fair value through other comprehensive income – Non-current: | | | |
| Unlisted company stocks | 50,000 | 50,000 | 50,000 |

No financial assets at fair value through other comprehensive income was pledged by the Group as collateral.

(5) Notes receivable

| | As of | | |
|--|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Notes receivable arising from operating activities | - | 4,918 | 126 |
| Less: loss allowance | - | - | - |
| Total | - | 4,918 | 126 |

Notes receivables were not pledged.

The Group follows the requirement of IFRS9 to assess the impairment. Please refer to Note 6(22) for more details on loss allowance and Note 12 for details on credit risk.

(6)Accounts receivable and accounts receivable - related parties, net

A.Accounts receivable, net

| | As of | | |
|--|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Accounts receivable, gross | 3,845,845 | 3,635,709 | 2,529,236 |
| Less: allowance against doubtful accounts | (25,741) | (26,144) | (21,010) |
| Net of allowances | 3,820,104 | 3,609,565 | 2,508,226 |
| Accounts receivable - related parties, gross | 86,417 | 111,323 | 280,553 |
| Less: allowance against doubtful accounts | - | - | - |
| Net of allowances | 86,417 | 111,323 | 280,553 |
| Total accounts receivable, net | 3,906,521 | 3,720,888 | 2,788,779 |

B. Account receivables were not pledged.

C. The Group entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse.Details of the agreed credit limits and accounts receivables transferred were as follows:

| | | Accounts receivable de-recognized | Interest Rate | Advance received | Collateral | Credit Limit |
|-----------|--|---|------------------|---------------------|------------|-----------------|
| | Financial Institution | (NT\$'000) | | (NT\$'000) | | |
| 3/31/2020 | Mega International Commercial Bank - LanYa Branch | 307,749 | 1.86%~ 2.41% | 272,187 | None | Note |

| | | | | | | |
|------------|--|---------|-------|--------|------|------|
| 12/31/2019 | Mega International Commercial Bank - LanYa Branch | 286,663 | 2.17% | 14,990 | None | Note |
| 3/31/2019 | Mega International Commercial Bank - LanYa Branch | 208,314 | - | - | None | Note |

Note: The credit limits were US\$30,000 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019.

D. Accounts receivable are generally on 30-90 day terms. The total carrying amount for periods ended March 31, 2020, December 31, 2019 and March 31, 2019, are NT\$3,932,262, NT\$3,747,032 and NT\$2,809,789, respectively. Please refer to Note 6 (22) for more details on loss allowance of accounts receivable for the periods ended March 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(7)Inventories

A. Details of inventory:

| | As of | | |
|-----------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Raw material | 548,369 | 463,604 | 459,776 |
| Supplies | 45,581 | 38,110 | 41,593 |
| Work in process | 1,316,624 | 1,312,907 | 1,242,886 |
| Finished goods | 500,363 | 554,116 | 1,248,079 |
| Merchandises | 113,792 | 84,238 | 29,950 |
| Total | 2,524,729 | 2,452,975 | 3,022,284 |

B. For the three-month periods ended March 31, 2020 and 2019 the Group recognized NT\$4,840,716 thousand and NT\$4,632,210 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

| Item | For the three-month ended March 31, | |
|--|-------------------------------------|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Loss from inventory market decline | 13,280 | 69,037 |
| Loss from physical | 2,109 | 1,533 |
| Loss in inventory write-off obsolescence | 602,355 | 623,123 |
| Total | 617,744 | 693,693 |

C. The inventories were not pledged.

(8) Investments accounted for under the equity method

| | As of | | | | | |
|----------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | 3/31/2020 | | 12/31/2019 | | 3/31/2019 | |
| Investees | Carrying amount (NT\$'000) | Percentage of ownership (%) | Carrying amount (NT\$'000) | Percentage of ownership (%) | Carrying amount (NT\$'000) | Percentage of ownership (%) |
| Investments in associates: | | | | | | |
| FuYang Technology Corp. | <u>506,943</u> | 35.65% | <u>538,259</u> | 35.65% | <u>633,694</u> | 35.65% |

A. The Company invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Company's ability to exercise its significant influence.

In May 2017, the Company participated in FuYang's cash offering by unproportionately investing NT\$479,422 thousand for 19,176,872 shares of FuYang and, therefore, recognized a capital surplus amounting to NT\$7,484 thousand. As a result of the offering, the Company's share interest on FuYang decreased to 35.65%.

B. Investments in associates

As of March 31, 2020, December 31, 2019 and March 31, 2019, the aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT\$506,943 thousand, NT\$538,259 thousand, NT\$633,694 thousand, respectively. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

| | For the three-month period ended March 31, | |
|---|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Profit or loss from continuing operations | (33,108) | (102,690) |
| Other comprehensive income (post-tax) | 1,792 | 1,109 |
| Total comprehensive income | (31,316) | (101,581) |

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of March 31, 2020, December 31, 2019 and March 31, 2019. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group's investment accounted for under equity method as of March 31, 2020 and 2019 amounted to NT\$506,943 thousand and NT\$633,694 thousand, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amount to NT\$(33,108) thousand and NT\$(102,690) thousand for the three-month periods ended March 31, 2020 and 2019, respectively. The share of other comprehensive income of these associates and joint ventures accounted for using the equity method amount to NT\$1,792 thousand and NT\$1,109 thousand for the three-month periods ended March 31, 2020 and 2019, respectively. They were measured based on the un-reviewed financial statements of the investee.

D. No investment accounted for under equity method was pledged as collateral as of March 31, 2020, December 31, 2019 and March 31, 2019.

(9) Property, plant and equipment

| | As of | | |
|--|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Owner occupied property, plant and equipment | 19,094,257 | 19,675,900 | 21,386,589 |

A. Property, plant and equipment for own-use

| | | | | | | | Construction in progress and equipment awaiting inspection (including prepaid equipment) | |
|-------------------------------------|------------------|------------------|-------------------|---------------------|---------------|--------------------|---|-------------------|
| | Land | Buildings | Machinery | Office Equipment | Vehicle | Other Equipment | | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Cost: | | | | | | | | |
| As of 1/1/2020 | 2,979,392 | 8,703,739 | 25,976,638 | 241,294 | 17,922 | 7,348,928 | 1,745,970 | 47,013,883 |
| Addition | - | - | 54 | 72 | - | 34,245 | 327,538 | 361,909 |
| Disposals | - | - | (10,068) | (6,267) | - | (22,137) | - | (38,472) |
| Effect of EX rate | - | 9,921 | 20,108 | (145) | (66) | (2,198) | (409) | 27,211 |
| Reclassification | - | 1,973 | 383,017 | 4,189 | 422 | 48,905 | (438,506) | - |
| As of 3/31/2020 | <u>2,979,392</u> | <u>8,715,633</u> | <u>26,369,749</u> | <u>239,143</u> | <u>18,278</u> | <u>7,407,743</u> | <u>1,634,593</u> | <u>47,364,531</u> |
| Depreciation and impairment: | | | | | | | | |
| As of 1/1/2020 | - | 2,757,524 | 18,364,210 | 190,436 | 14,447 | 4,427,400 | - | 25,754,017 |
| Depreciation | - | 93,564 | 742,710 | 8,160 | 363 | 234,740 | - | 1,079,537 |
| Impairment loss | - | - | - | - | - | - | - | - |
| Disposal | - | - | (8,133) | (6,267) | - | (22,137) | - | (36,537) |
| Effect of EX rate | - | 5,977 | 20,196 | (175) | (61) | (2,343) | - | 23,594 |
| Reclassification | - | - | - | - | - | - | - | - |
| As of 3/31/2020 | <u>-</u> | <u>2,857,065</u> | <u>19,118,983</u> | <u>192,154</u> | <u>14,749</u> | <u>4,637,660</u> | <u>-</u> | <u>26,820,611</u> |

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| | Land | Buildings | Machinery | Office Equipment | Vehicle | Other Equipment | Construction in progress and equipment awaiting inspection (including prepaid equipment) | Total |
|-------------------------------------|------------|------------|------------|---------------------|------------|--------------------|---|------------|
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Cost: | | | | | | | | |
| As of 1/1/2019 | 1,609,729 | 6,268,452 | 24,923,303 | 208,304 | 18,806 | 6,603,444 | 4,869,355 | 44,501,393 |
| Addition | - | - | 1,780 | 620 | - | 259,964 | 1,688,986 | 1,951,350 |
| Disposals | - | - | (205,468) | - | - | (53,894) | - | (259,362) |
| Effect of EX rate | - | 60,228 | 142,850 | 1,363 | 228 | 30,651 | 19,601 | 254,921 |
| Reclassification | 1,317,564 | 2,504,884 | 887,819 | 2,173 | - | 160,342 | (4,872,782) | - |
| As of 3/31/2019 | 2,927,293 | 8,833,564 | 25,750,284 | 212,460 | 19,034 | 7,000,507 | 1,705,160 | 46,448,302 |
| Depreciation and impairment: | | | | | | | | |
| As of 1/1/2019 | - | 2,458,270 | 15,899,486 | 161,066 | 14,031 | 3,767,724 | - | 22,300,577 |
| Depreciation | - | 71,160 | 787,384 | 8,310 | 390 | 236,826 | - | 1,104,070 |
| Impairment loss | - | - | 11,230 | - | - | 713 | - | 11,943 |
| Disposal | - | - | (36,897) | - | - | (53,894) | - | (90,791) |
| Effect of EX rate | - | 24,973 | 121,251 | 1,236 | 200 | 24,653 | - | 172,313 |
| Reclassification | - | - | (17) | - | - | 17 | - | - |
| As of 3/31/2019 | - | 2,554,403 | 16,782,437 | 170,612 | 14,621 | 3,976,039 | - | 23,498,112 |
| Net carrying amount: | | | | | | | | |
| As of 3/31/2020 | 2,979,392 | 5,858,568 | 7,250,766 | 46,989 | 3,529 | 2,770,083 | 1,634,593 | 20,543,920 |
| As of 12/31/2019 | 2,979,392 | 5,946,215 | 7,612,428 | 50,858 | 3,475 | 2,921,528 | 1,745,970 | 21,259,866 |
| As of 3/31/2019 | 2,927,293 | 6,279,161 | 8,967,847 | 41,848 | 4,413 | 3,024,468 | 1,705,160 | 22,950,190 |

B. “Significant components” of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 10 to 25 years.

C. Details of property, plant & equipment and prepayment for machinery is as follows:

| | As of | | |
|------------------------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Property, plant and equipment | 19,094,257 | 19,675,900 | 21,386,589 |
| Prepayment for acquiring machinery | 1,449,663 | 1,583,966 | 1,563,601 |
| Total | 20,543,920 | 21,259,866 | 22,950,190 |

D. The Group recognized an impairment loss amounting to NT\$11,943 thousand on certain real estate to an extent of the recoverable value in the first quarter of 2019. These impairment loss or gain from recovery has been recorded in the Group's statements of comprehensive incomes. The recoverable value is measured at usage values by the identified individual asset.

E. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

F. The Company purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(10) Intangible assets

| | Computer software (NT\$'000) |
|-------------------------------------|---------------------------------|
| <u>Cost:</u> | |
| As of 1/1/2020 | 82,532 |
| Additions – acquired separately | 5,875 |
| Derecognized upon retirement | (26,949) |
| Reclassification | - |
| Effect of exchange rate changes | 86 |
| As of 3/31/2020 | 61,544 |
| As of 1/1/2019 | 41,461 |
| Additions – acquired separately | 28,091 |
| Derecognized upon retirement | (4,695) |
| Reclassification | - |
| Effect of exchange rate changes | 383 |
| As of 3/31/2019 | 65,240 |
| <u>Amortization and Impairment:</u> | |
| As of 1/1/2020 | 51,779 |
| Amortization | 12,681 |
| Derecognized upon retirement | (26,949) |
| Reclassification | - |
| Effect of exchange rate changes | 69 |
| As of 3/31/2020 | 37,580 |
| As of 1/1/2019 | 26,932 |
| Amortization | 5,966 |
| Derecognized upon retirement | (4,695) |
| Reclassification | - |
| Effect of exchange rate changes | 216 |
| As of 3/31/2019 | 28,419 |
| <u>Carrying amount, net:</u> | |
| As of 3/31/2020 | 23,964 |
| As of 12/31/2019 | 30,753 |
| As of 3/31/2019 | 36,821 |

Amounts of amortization recognized for intangible assets are as follows:

| | For the three-month period ended March 31, | |
|----------------------------|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Cost of goods sold | 7 | 36 |
| Selling | 11 | 11 |
| General and administrative | 12,576 | 5,861 |
| Research and development | 87 | 58 |
| Total | 12,681 | 5,966 |

(11) Other non-current assets

| | As of | | |
|---------------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Refundable deposits | 91,431 | 88,069 | 91,139 |

(12) Short-term loans

| | Interest interval (%) | As of | | |
|----------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Unsecured bank loans | 0.68%~3.2% | 3,575,520 | 4,096,101 | 3,014,827 |

As of March 31, 2020, December 31, 2019 and March 31, 2019, the line of unused short-term loan credit for the Group amounted to NT\$6,583,249 thousand, NT\$5,010,891 thousand and NT\$4,895,733 thousand, respectively.

(13) Other payable

| | As of | | |
|------------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Accrued expense | 2,146,647 | 2,247,162 | 1,994,463 |
| Dividend Payable | 451,039 | - | - |

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| | | | |
|-------------------|-----------|-----------|-----------|
| Equipment payable | 470,122 | 550,328 | 966,550 |
| Accrued interest | 4,482 | 6,727 | 9,520 |
| Total | 3,072,290 | 2,804,217 | 2,970,533 |

(14)Other current liabilities

| | As of | | |
|------------------------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Other current liabilities | 78,905 | 79,654 | 76,613 |
| Current portion of long-term loans | 1,174,206 | 1,158,496 | 1,156,150 |
| Deferred revenue | 2,777 | - | - |
| Total | 1,255,888 | 1,238,150 | 1,232,763 |

(15)Refund liability

| | As of | | |
|------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Refund liability | 76,878 | 74,865 | 93,503 |

(16)Long-term loans

Details of long-term loans were as follows:

| Debtor | Type of Loan | Maturity | Loan Balance | Repayment |
|--|--------------|---------------------------|-------------------------------|---------------|
| | | | As of 3/31/2020 (NT\$'000) | |
| Mega International Commercial Bank – LanYa Branch | Credit loan | 2020.04.02- 2026.12.31 | 954,662 | Notes 1 and 5 |
| The Shanghai Commercial & Savings Bank – ZhongLi Branch | Credit loan | 2021.04.23- 2027.03.15 | 1,059,520 | Notes 2 and 3 |

| | | | | |
|--|-------------|---------------------------|-------------|---------|
| Standard Chartered Bank –Xinwu Branch | Credit loan | 2021.09.28 | 450,000 | Notes 4 |
| Chang Hwa Commercial Bank –Beitou Branch | Credit loan | 2025.03.15 | 4,901 | Notes 9 |
| The Bank of Taiwan – Peitou Branch | Credit loan | 2026.11.04- 2026.12.31 | 666,570 | Notes 6 |
| Total | | | 3,135,653 | |
| Less: current portion | | | (1,174,206) | |
| Non-current portion | | | 1,961,447 | |

| | | | Loan Balance | |
|--|--------------|---------------------------|------------------|---------------|
| | | | As of 12/31/2019 | |
| Debtor | Type of Loan | Maturity | (NT\$'000) | Repayment |
| Mega International Commercial Bank – LanYa Branch | Credit loan | 2020.04.02- 2026.12.31 | 1,115,550 | Note 1 and 5 |
| The Shanghai Commercial & Savings Bank – ZhongLi Branch | Credit loan | 2021.04.23- 2026.12.31 | 650,000 | Notes 2 and 3 |
| Standard Chartered Bank –Xinwu Branch | Credit loan | 2021.09.28 | 600,000 | Note 4 |
| The Bank of Taiwan – Peitou Branch | Credit loan | 2026.11.04- 2026.12.31 | 681,000 | Note 6 |
| Total | | | 3,046,550 | |
| Less: current portion | | | (1,158,496) | |
| Non-current portion | | | 1,888,054 | |

| Debtor | Type of Loan | Maturity | Loan Balance | Repayment |
|--|----------------------|---------------------------|-------------------------------|---------------|
| | | | As of 3/31/2019 (NT\$'000) | |
| Mega International Commercial Bank – LanYa Branch | Credit loan | 2020.04.02- 2024.02.25 | 1,790,187 | Notes 1 |
| The Shanghai Commercial & Savings Bank – ZhongLi Branch | Secured bank loan | 2034.01.08 | 900,000 | Notes 7 |
| The Shanghai Commercial & Savings Bank – ZhongLi Branch | Credit loan | 2021.03.31- 2021.04.23 | 800,000 | Notes 2 and 8 |
| Standard Chartered Bank –Xinwu Branch | Credit loan | 2021.09.28 | 600,000 | Notes 4 |
| Chang Hwa Commercial Bank –Beitou Branch | Credit loan | 2023.10.09 | 100,000 | Notes 1 |
| Total | | | 4,190,187 | |
| Less: current portion | | | (1,156,150) | |
| Non-current portion | | | 3,034,037 | |

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3 months. The rest is repayable in installments of equal amount for 16 terms.

Note 2: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 8 terms.

Note 3: A term is defined as every month starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount for 84 terms.

Note 4: Grace period is 18 months from the initial draw-down date. 18 months after the initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 4 terms.

- Note 5: Grace period is 3 years from the initial draw-down date. A term is defined as every month since the forth year. The principal and interest are repayable in installments of equal amount for 48 terms.
- Note 6: Grace period is 2 years from the initial draw-down date. A term is defined as every month since the third year. The principal and interest are repayable in installments of equal amount for 60 terms.
- Note 7: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 52 terms.
- Note 8: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 6 terms.
- Note 9: A term is defined as every month starting from the initial draw-down date. Grace period is 3 years (36 terms). The rest is repayable in installments of equal amount for 24 terms.

A. Please refer to Note 8 for details on assets pledged as collaterals.

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, the interest rate intervals for long-term loans were 0.6%~2.81%, 0.6%~3% and 1.074%~3.703%, respectively.

The Group obtained from the Ministry of Economy a low-interest government loan amounting NT\$1,441,000 thousands with a term of 5~7 years and annual interest rates of 0.5~0.9% and monthly interest payment on the 15th of each month. The loan was recorded under the caption of other liabilities-deferred government grants income. The Group shall recognize the government grant income when it is reasonably assured that the Group satisfy all the terms of the government grant agreement.

(17) Other non-current liabilities

(a) Details of other non-current liabilities were as follows:

| | As of | | |
|-------------------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Net defined benefit liability | 24,730 | 25,771 | 24,129 |
| Deposits received | 36,045 | 43,836 | 42,959 |

| | | | |
|------------------|--------|--------|--------|
| Deferred revenue | 19,693 | - | - |
| Total | 80,468 | 69,607 | 67,088 |

(b) The details of the deferred government grants income for the three-month period ended March 31, 2020 are as follows:

| | |
|--|---|
| | For the three-month ended March 31, 2020 (NT\$'000) |
| Beginning balance | - |
| Received during the period | 23,055 |
| Released to the statement of comprehensive income | (585) |
| Ending Balance | 22,470 |
| Current | 2,777 |
| Non-current | 19,693 |

(c) Please refer to Note 6(16) for details on interest rate of deferred government grants income.

(18) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2020 and 2019 were NT\$36,109 thousand and NT\$36,321 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2020 and 2019 were NT\$65 thousand and NT\$90 thousand, respectively.

(19)Equity

A. Common shares

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company's authorized capital were NT\$6,000,000 thousand, NT\$6,000,000 thousand and NT\$5,500,000 thousand, respectively, each share at par value of NT\$10, divided into 600,000 thousand shares, 600,000 thousand shares and 550,000 thousand shares, respectively. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company's paid-in capital were NT\$4,510,390 thousand, NT\$4,510,738 thousand and NT\$4,513,609 thousand, respectively, divided into 451,039 thousand shares, 451,074 thousand shares and 451,361 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On January 29, 2018 and May 29, 2018, the Company's board of directors and shareholders' meetings resolved to increase the capital through an issuance of new 5,500,000 shares of restricted stock for employees. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1070324628 issued on July 10, 2018. The measurement date was at August 28, 2018, and issued 4,841 thousand shares of restricted stock for employees.

On February 18, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$786 thousand. The measurement date was at March 17, 2019.

On April 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$600 thousand. The measurement date was at May 2, 2019.

On July 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$1,395 thousand. The measurement date was at August 1, 2019.

On October 28, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$876 thousand. The measurement date was at October 30, 2019.

On February 10, 2020, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$348 thousand. The measurement date was at February 12, 2020.

In addition, on February 18, 2019, the board of directors resolved to issue 659,000 shares of restricted stock. The measurement date was at March 18, 2019 and issued 598,500 shares of restricted stock.

As of March 31, 2020, the restricted stocks plan has expired while there were 96 thousand shares to be cancelled yet.

B. Capital surplus

| | As of | | |
|---|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Additional paid-in capital | 5,959,846 | 5,959,846 | 5,887,857 |
| Differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries | 50,925 | 50,925 | 50,925 |
| All changes in interests in subsidiaries | 529,959 | 529,959 | 38,894 |
| Change in joint ventures accounted for using equity method | 7,484 | 7,484 | 7,484 |
| Shared-Based Payment | 8,371 | 8,371 | 8,371 |
| Restricted stocks for employees | 76,239 | 81,157 | 164,530 |
| Total | 6,632,824 | 6,637,742 | 6,158,061 |

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

Treasury stock amounted to NT\$960 thousand, NT\$332 thousand and NT\$528 thousand, respectively, divided into 96 thousand shares, 33 thousand shares and 53 thousand shares, respectively, as of March 31, 2020, December 31, 2019 and March 31, 2019.

| Purpose of repurchase | Beginning balance | Addition | Decrease | Ending balance |
|--|----------------------|----------|----------|-------------------|
| <u>For the three-month period ended March 31, 2020</u> | | | | |
| Recover failed restricted stocks | 33 | 98 | 35 | 96 |
| <u>For the three-month period ended March 31, 2019</u> | | | | |
| Recover failed restricted stocks | 74 | 58 | 79 | 53 |

According to the Securities and Exchange Law of the R.O.C., total treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of March 31, 2020 were 45,104 thousand shares, with the maximum payments of NT\$20,118,136 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- Payment of all taxes and dues;
- Offset prior years' operation losses;
- Set aside 10% of the remaining amount as legal reserve.
- Set aside or reverse special reserve in accordance with law and regulations; and
- The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

If the above-mentioned dividends are distributed to shareholders in the form of cash, the Board of Directors have been authorized to approve by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and report to the shareholder's meeting.

(b)Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Dividends to be distributed in cash for each year shall not be less than 10% of the total dividends paid.

(c)Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d)Special reserve

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set

aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

- (e) The appropriations of earnings and dividend per share for the Year 2019 and 2018 were approved and resolved through the Board of Directors' meetings held on February 10, 2020, April 13, 2020 and shareholders' meetings held on May 29, 2019, respectively. The details of the distributions are as follows:

| | Appropriation of earnings | | Dividend per share (in NT\$) | |
|----------------------|---------------------------|--------------------|---------------------------------|------|
| | 2019 (NT\$'000) | 2018 (NT\$'000) | 2019 | 2018 |
| Legal reserve | - | 34,949 | | |
| Special reserve | 83,021 | 22,707 | | |
| Cash dividend (Note) | 451,039 | 676,261 | 1.00 | 1.50 |
| Total | 534,060 | 733,917 | | |

Note: The dividends per share, were approved through the Board of Directors' meetings held on February 10, 2020.

Please refer to Note 6(24) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

| | For the three-month period ended March 31, | |
|---|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Beginning balance | 3,270,679 | 1,966,372 |
| Net loss attributable to NCIs | 91 | (4,666) |
| Other comprehensive income attributable to NCIs: | | |
| Exchange differences arising on translation of foreign operations | 3,498 | 15,866 |

| | | |
|---|-----------|-----------|
| Non-controlling interests increase/(decrease) | (121,916) | - |
| Ending balance | 3,152,352 | 1,977,572 |

(20) Share-based payment plans

Restricted stocks plan for employees

A. On May 29, 2018, the shareholders' meetings resolved to issue of 5,500 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On July 30, 2018, the board of directors resolved to issue 4,947 thousand shares. The measurement date was at August 28, 2018 and total shares issued were 4,841 thousand. The unit market price as of the granted date was NT\$49.1.

On February 18, 2019, the board of directors resolved to issue 659 thousand shares. The measurement date was at March 18, 2019, while total shares issued 599 thousand shares. The unit market price as of the granted date was NT\$43.45.

The employees who acquire the above shares can subscribe shares at the price of NT\$10 per shares while the vesting conditions are as below.

| Vesting conditions | Proportion of vested shares |
|--|-----------------------------|
| Within one month starting the granted date | 20% |
| April 25, 2019 | 20% |
| September 25, 2019 | 15% |
| April 25, 2020 | 15% |
| September 25, 2020 | 15% |
| April 25, 2021 | 15% |

Restriction on employee's right after granted but before vested:

- (a) The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted stocks before achieving the vesting conditions.

(b)After new shares of restricted stock are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted stock in any other reasons or ways before achieving the vesting conditions.

(c)The restricted stock for employees can participate in receiving dividends during the vesting period.

(d)The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

On August 28, 2018, the issuance of 4,841 thousand restricted shares for employees resulted in the increase of capital reserve—employee stock option amounting to NT\$184,530 thousand. The restricted stocks plan was invalidated as of March 31, 2020 and 469 thousand shares were recalled. As a result, capital reserve increased by NT\$4,690 thousand and the unearned employee compensation was NT\$15,119 thousand.

On March 18, 2019, the issuance of 599 thousand restricted shares for employees resulted in the increase of capital reserve—employee stock option amounting to NT\$19,396 thousand. The restricted stocks plan was invalidated as of March 31, 2020 and 28 thousand shares were recalled. As a result, capital reserve increased by NT\$275 thousand and the unearned employee compensation was NT\$2,173 thousand.

B. The expense recognized for employee services received is shown in the following table.

| | For the three-month ended March 31, 2020 (NT\$'000) | For the three-month ended March 31, 2019 (NT\$'000) |
|---|---|---|
| Total expense arising from equity- settled share-based payment transactions | 6,621 | 34,781 |

C. The Company did not modify the share-based payment plan for the three-month ended March 31, 2020 and 2019.

(21)Sale

| | For the three-month period ended March 31, | |
|---------------------------------------|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Revenue from contracts with customers | | |
| Sale of goods | 5,833,655 | - 4,873,428 |
| Other operating revenue | 58,678 | 45,643 |
| Total | 5,892,333 | 4,919,071 |

Analysis of revenue from contracts with customers during the three-month periods ended March 31, 2020 and 2019 are as follows:

A. Disaggregation of revenue

| | For the three-month period ended March 31, 2020 | | | |
|---------------|---|-------------------|----------------------|---------------------|
| | IC Substrate (NT\$'000) | PCB (NT\$'000) | Optics (NT\$'000) | Total (NT\$'000) |
| Sale of goods | 4,787,960 | 324,249 | 721,446 | 5,833,655 |
| Other | 58,678 | - | - | 58,678 |
| Total | 4,846,638 | 324,249 | 721,446 | 5,892,333 |

The timing for revenue recognition:

| | | | | |
|--------------------|-----------|---------|---------|-----------|
| At a point in time | 4,846,638 | 324,249 | 721,446 | 5,892,333 |
|--------------------|-----------|---------|---------|-----------|

| | For the three-month period ended March 31, 2019 | | | |
|---------------|---|-------------------|----------------------|---------------------|
| | IC Substrate (NT\$'000) | PCB (NT\$'000) | Optics (NT\$'000) | Total (NT\$'000) |
| Sale of goods | 3,407,056 | 706,753 | 759,619 | 4,873,428 |
| Other | 45,643 | - | - | 45,643 |
| Total | 3,452,699 | 706,753 | 759,619 | 4,919,071 |

The timing for revenue recognition:

| | | | | |
|--------------------|-----------|---------|---------|-----------|
| At a point in time | 3,452,699 | 706,753 | 759,619 | 4,919,071 |
|--------------------|-----------|---------|---------|-----------|

B. Contract balances

(a) Contract liabilities

| | As of | | |
|---------------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Sales of goods | 93,529 | 57,778 | 80,606 |
| Customer loyalty programs | 16,178 | 14,848 | 9,166 |
| Total | 109,707 | 72,626 | 89,772 |

During the first quarter of 2020, contract liabilities increased because certain performance obligations included in the beginning contract liability balance were not satisfied and therefore recognized for contract liabilities.

(22) Expected credit losses/ (gains)

| | For the three-month period ended March 31, | |
|---|---|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Operating expenses – Expected credit losses/(gains) | | |
| Account receivables | (397) | (9,544) |

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance are as follow:

A. The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow.

As of March 31, 2020,

| Group 1 | Neither past due | | Past due | | | | |
|--------------------------------------|------------------|------------|------------|------------|-------------|--------------|------------|
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | 121-150 days | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Gross carrying amount | 3,261,368 | 401,264 | 14,585 | 252 | - | 498 | 3,677,967 |
| Loss ratio | 0.01% | 5% | 15% | 30% | 50% | 75% | |
| Lifetime expected credit losses | (350) | (20,063) | (2,188) | (76) | - | (374) | (23,051) |
| Subtotal | 3,261,018 | 381,201 | 12,397 | 176 | - | 124 | 3,654,916 |
| | | | | | | | |
| Group 2 | Neither past due | | Past due | | | | |
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | 121-150 days | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Gross carrying amount | 209,738 | 38,761 | 5,796 | - | - | - | 254,295 |
| Loss ratio | 0.96% | 1% | 5% | -% | -% | -% | |
| Lifetime expected credit losses | (2,013) | (387) | (290) | - | - | - | (2,690) |
| Subtotal | 207,725 | 38,374 | 5,506 | - | - | - | 251,605 |
| Carrying amount of trade receivables | 3,468,743 | 419,575 | 17,903 | 176 | - | 124 | 3,906,521 |

As of December 31, 2019,

| Group 1 | Neither past due | | Past due | | | |
|---------------------------------|------------------|------------|------------|------------|-------------|------------|
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Gross carrying amount | 3,086,221 | 377,160 | 32,915 | - | - | 3,496,296 |
| Loss ratio | -% | 5% | 15% | 30% | 50% | |
| Lifetime expected credit losses | - | (18,858) | (4,937) | - | - | (23,795) |
| Subtotal | 3,086,221 | 358,302 | 27,978 | - | - | 3,472,501 |
| | | | | | | |
| Group 2 | Neither past due | | Past due | | | |
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Gross carrying amount | 225,693 | 29,961 | - | - | - | 255,654 |
| Loss ratio | 0.92% | -% | -% | -% | -% | |
| Lifetime expected credit losses | (2,049) | (300) | - | - | - | (2,349) |

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| | | | | | | |
|--------------------------------------|-----------|---------|--------|---|---|-----------|
| Subtotal | 223,644 | 29,661 | - | - | - | 253,305 |
| Carrying amount of trade receivables | 3,309,865 | 387,963 | 27,978 | - | - | 3,725,806 |

As of March 31, 2019,

| Group 1 | Neither past due | Past due | | | | |
|---------------------------------|------------------|------------|------------|------------|-------------|------------|
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Gross carrying amount | 2,261,720 | 294,755 | 13,615 | 1,505 | 15 | 2,571,610 |
| Loss ratio | -% | 5% | 15% | 30% | 50% | |
| Lifetime expected credit losses | - | (14,738) | (2,043) | (451) | (7) | (17,239) |
| Subtotal | 2,261,720 | 280,017 | 11,572 | 1,054 | 8 | 2,554,371 |

| Group 2 | Neither past due | Past due | | | | |
|--------------------------------------|------------------|------------|------------|------------|-------------|------------|
| | (Note) | <=30 days | 31-60 days | 61-90 days | 91-120 days | Total |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Gross carrying amount | 238,305 | - | - | - | - | 238,305 |
| Loss ratio | 1.58% | -% | -% | -% | -% | |
| Lifetime expected credit losses | (3,771) | - | - | - | - | (3,771) |
| Subtotal | 234,534 | - | - | - | - | 234,534 |
| Carrying amount of trade receivables | 2,496,254 | 280,017 | 11,572 | 1,054 | 8 | 2,788,905 |

Note: all the Group's note receivables were not past due.

B. The movement in the provision for impairment of note receivables and trade receivables during the three-month periods ended March 31, 2020 and 2019 is as follows:

| | Note receivables (NT\$'000) | Account receivables (NT\$'000) |
|--|--------------------------------|-----------------------------------|
| Beginning balance as of January 1, 2020 | - | 26,144 |
| Addition/(reversal) for the current period | - | (397) |
| Effect of exchange rate | - | (6) |
| Ending balance as of March 31, 2020 | - | 25,741 |

| | Note receivables (NT\$'000) | Account receivables (NT\$'000) |
|--|--------------------------------|-----------------------------------|
| Beginning balance as of January 1, 2019 | - | 30,553 |
| Addition/(reversal) for the current period | - | (9,544) |
| Effect of exchange rate | - | 1 |
| Ending balance as of March 31, 2019 | - | 21,010 |

(23) Leases

A. Group as a lessee

The Group leases various property (land and buildings), machinery and equipment, transportation equipment. These leases have terms of between 1 and 50 years. The Group may not allow to privately lend, sublease, sell, use by others in other disguised form, or transfer the lease to another person.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

(a) Amounts recognized in the balance sheet

a. Right-of-use asset

| | Land | Buildings | Machinery and equipment | Transportation equipment | Total |
|-------------------|---------|-----------|----------------------------|-----------------------------|---------|
| <u>Cost:</u> | | | | | |
| As of 1/1/2020 | 285,201 | 276,415 | 17,793 | 2,490 | 581,899 |
| Addition | - | 18,300 | - | - | 18,300 |
| Disposals | - | (5,774) | - | - | (5,774) |
| Transfer | - | - | - | - | - |
| Effect of EX rate | 701 | (84) | - | - | 617 |
| As of 3/31/2020 | 285,902 | 288,857 | 17,793 | 2,490 | 595,042 |

| | Land | Buildings | Machinery and equipment | Transportation equipment | Total |
|-------------------------------------|---------|-----------|----------------------------|-----------------------------|----------|
| <u>Cost:</u> | | | | | |
| As of 1/1/2019 | 295,189 | 292,541 | 17,793 | 1,330 | 606,853 |
| Addition | - | 3,942 | - | - | 3,942 |
| Disposals | - | (42,834) | - | - | (42,834) |
| Transfer | - | - | - | - | - |
| Effect of EX rate | 6,714 | 371 | - | - | 7,085 |
| As of 3/31/2019 | 301,903 | 254,020 | 17,793 | 1,330 | 575,046 |
| <u>Depreciation and impairment:</u> | | | | | |
| As of 1/1/2020 | 68,656 | 123,449 | 6,888 | 815 | 199,808 |
| Depreciation | 1,742 | 32,910 | 1,722 | 256 | 36,630 |
| Disposals | - | (2,610) | - | - | (2,610) |
| Transfer | - | - | - | - | - |
| Effect of EX rate | 195 | (15) | - | - | 180 |
| As of 3/31/2020 | 70,593 | 153,734 | 8,610 | 1,071 | 234,008 |
| <u>Depreciation and impairment:</u> | | | | | |
| As of 1/1/2019 | 64,892 | - | - | - | 64,892 |
| Depreciation | 1,531 | 33,785 | 1,722 | 159 | 37,197 |
| Disposals | - | (2,555) | - | - | (2,555) |
| Transfer | - | - | - | - | - |
| Effect of EX rate | 1,479 | (1) | - | - | 1,478 |
| As of 3/31/2019 | 67,902 | 31,229 | 1,722 | 159 | 101,012 |
| <u>Net carrying amount:</u> | | | | | |
| As of 3/31/2020 | 215,309 | 135,123 | 9,183 | 1,419 | 361,034 |
| As of 12/31/2019 | 216,545 | 152,966 | 10,905 | 1,675 | 382,091 |
| As of 3/31/2019 | 234,001 | 222,791 | 16,071 | 1,171 | 474,034 |

b. Lease liability

| | As of | | |
|-----------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Lease liability | 150,253 | 172,080 | 241,619 |
| Current | 89,902 | 113,937 | 132,076 |
| Non-current | 60,351 | 58,143 | 109,543 |
| Total | 150,253 | 172,080 | 241,619 |

Please refer to Note 6(25) (C) for the interest on lease liability recognized during the three-month period ended March 31, 2020 and 2019 and refer to Note 12(5) for the maturity analysis for lease liabilities.

(b) Income and costs relating to leasing activities

| | For the three-month period ended March 31, | |
|---|---|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| The expense relating to short-term leases (rent expenses) | (5,749) | (5,101) |
| The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets) | (5,946) | (7,437) |
| Income from subleasing right-of-use assets | 307 | 39 |

The portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT\$0.

(c) Cash outflow relating to leasing activities

During the three-month period ended March 31, 2020 and 2019, the Group's total cash outflow for leases amounting to NT\$49,043 thousand and NT\$47,481 thousand, respectively.

B. Group as a lessor

The Group has entered leases on plants. These leases have terms of between one and three years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

| | For the three-month period ended March 31, | |
|---|---|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Lease income for operating leases | | |
| Income relating to fixed lease payments | 12,557 | 12,965 |

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of March 31, 2020, December 31, 2019 and March 31, 2019 are as follow:

| | As of | | |
|---|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Less than one year | 43,055 | 42,379 | 26,860 |
| More than one year but less than five years | 67,100 | 77,694 | - |
| Total | 110,155 | 120,073 | 26,860 |

(24) Summary statement of employee benefits, depreciation and amortization by function is as follows:

| Function Nature | For the three-month period ended March 31, 2020 (NT\$'000) | | | For the three-month period ended March 31, 2019 (NT\$'000) | | |
|----------------------------|--|----------------------|-----------|--|----------------------|-----------|
| | Cost of goods sold | Operating expense | Total | Cost of goods sold | Operating expense | Total |
| Employee benefit | | | | | | |
| Salaries & wages | 928,048 | 234,355 | 1,162,403 | 914,196 | 246,968 | 1,161,164 |
| Labor and health insurance | 69,044 | 18,099 | 87,143 | 71,922 | 16,135 | 88,057 |
| Pension | 26,419 | 9,755 | 36,174 | 27,853 | 8,558 | 36,411 |

| | | | | | | |
|------------------------|-----------|--------|-----------|-----------|--------|-----------|
| Other employee benefit | 46,002 | 11,798 | 57,800 | 43,649 | 12,036 | 55,685 |
| Depreciation | 1,034,291 | 81,876 | 1,116,167 | 1,063,418 | 77,849 | 1,141,267 |
| Amortization | 7 | 12,674 | 12,681 | 36 | 5,930 | 5,966 |

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the three-month period ended March 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2020 to be not lower than 10% and not higher than 1% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2020 amount to NT\$10,206 thousand and NT\$621 thousand, respectively.

For the three-month period ended March 31, 2019, the Company incurred accumulated loss and therefore did not to accrue the employees' compensation and remuneration to directors and supervisors.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2018.

(25) Non-operating incomes and expenses

A. Other incomes

| | For the three-month period ended March 31, | |
|---|---|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Interest income | | |
| Financial assets measured at amortized cost | 13,628 | 15,635 |
| Government grants | 585 | - |
| Other income—others | 64,165 | 24,006 |
| Total | 78,378 | 39,641 |

B. Other gains and losses

| | For the three-month period ended March 31, | |
|--|---|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Gain (losses) from disposal of property, plant and equipment | (1,911) | 8,658 |
| Foreign exchange gains, net | 15,105 | 20,607 |
| Lease modification gains | 55 | 180 |
| Financial assets at fair value through profit | 1,610 | 1,374 |
| Impairment losses – Property, plant and equipment | - | (11,943) |
| Other expenses | (2,385) | (8,271) |
| Total | 12,474 | 10,605 |

C. Finance costs

| | For the three-month period ended March 31, | |
|--------------------------------|---|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Interests on bank loans | 27,893 | 36,339 |
| Interests on lease liabilities | 507 | 864 |
| Total | 28,400 | 37,203 |

(26) Components of other comprehensive income (OCI)

For the three-month period ended March 31, 2020

| | Arising during the period (NT\$'000) | Reclassification during the period (NT\$'000) | Subtotal (NT\$'000) | Income tax benefit (expense) (NT\$'000) | OCI, Net of tax (NT\$'000) |
|---|--|--|------------------------|--|----------------------------------|
| <u>To be reclassified to profit or loss in subsequent period:</u> | | | | | |
| Exchange differences arising on translation of foreign operations | (3,209) | - | (3,209) | - | (3,209) |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 1,792 | - | 1,792 | - | 1,792 |
| Total OCI | (1,417) | - | (1,417) | - | (1,417) |

For the three-month period ended March 31, 2019

| | Arising during the period (NT\$'000) | Reclassification during the period (NT\$'000) | Subtotal (NT\$'000) | Income tax benefit (expense) (NT\$'000) | OCI, Net of tax (NT\$'000) |
|---|--|--|------------------------|--|----------------------------------|
| <u>To be reclassified to profit or loss in subsequent period:</u> | | | | | |
| Exchange differences arising on translation of foreign operations | 63,879 | - | 63,879 | - | 63,879 |
| Unrealized valuation gain (loss) on available-for-sale financial assets | 1,109 | - | 1,109 | - | 1,109 |
| Total OCI | <u>64,988</u> | <u>-</u> | <u>64,988</u> | <u>-</u> | <u>64,988</u> |

(27) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

| | For the three-month period ended March 31, | |
|--|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Current income tax expense (benefit): | | |
| Current income tax expense | 34,849 | 34,313 |
| Adjustments in respect of current income tax of prior periods | (166) | (3,142) |
| Deferred tax expense (benefit): | | |
| Deferred tax expense (benefit) relating to origination and reversal of temporary differences | 1,341 | (22) |
| Total income tax expense | <u>36,024</u> | <u>31,149</u> |

B. The assessment of income tax return

As of March 31, 2020, the assessment status of income tax returns of the Company and subsidiaries was as follows:

| | <u>The assessment of income tax returns</u> |
|--|---|
| The Company | Assessed and approved up to 2017 |
| Subsidiary - Pegavision Corporation | Assessed and approved up to 2016 |
| Subsidiary - Kinsus Investment Co., Ltd. | Assessed and approved up to 2017 |

(28) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

| | <u>For the three-month period ended March 31,</u> | |
|--|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Net income (loss) available to common shareholders of the parent (in NT\$'000) | <u>78,844</u> | <u>(744,510)</u> |
| Weighted average number of common shares outstanding (in thousand shares) | <u>448,857</u> | <u>446,968</u> |
| Basic earnings (loss) per share (in NT\$) | <u>0.18</u> | <u>(1.67)</u> |

B. Diluted earnings per share

| | For the three-month period ended March 31, | |
|---|--|-----------|
| | 2020 | 2019 |
| Net income (loss) available to common shareholders of the parent (in NT\$'000) | 78,844 | (744,510) |
| Net income (loss) available to common shareholders of the parent after dilution (in NT\$'000) | 78,844 | (744,510) |
| Weighted average number of common shares outstanding (in thousand shares) | 448,857 | 446,968 |
| Effect of dilution: | | |
| Employee bonus – stock (in thousand shares) | 252 | (Note) |
| Restricted stocks (in thousand shares) | 1,656 | (Note) |
| Weighted average number of common shares outstanding after dilution (in thousand shares) | 450,765 | 446,968 |
| Diluted earnings (loss) per share (in NT\$) | 0.17 | (1.67) |

Note: It is not applicable due to anti-dilutive effect.

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period after reporting date and up to the approval date of financial statements.

(29) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

| Name | Country | As of | | |
|---|---------|-----------|------------|-----------|
| | | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| Piotek Holdings Ltd. and its subsidiary | China | 49.00% | 49.00% | 49.00% |
| Pegavision Corporation and its subsidiary | Taiwan | 69.67% | 69.67% | 63.19% |

Accumulated balances of material non-controlling interest:

| | As of | | |
|---|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Piotek Holdings Ltd. and its subsidiary | 386,979 | 446,621 | 642,716 |
| Pegavision Corporation and its subsidiary | 2,765,373 | 2,824,058 | 1,334,856 |

Profit (loss) allocated to material non-controlling interest:

| | For the three-month period ended March 31, | |
|---|--|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Piotek Holdings Ltd. and its subsidiary | (63,451) | (69,998) |
| Pegavision Corporation and its subsidiary | 63,542 | 65,332 |

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized Piotek Holdings Ltd. and its subsidiary information of profit or loss is as follows:

| | For the three-month period ended March 31, | |
|---|--|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Operating revenue | 324,270 | 706,777 |
| Profit/loss from continuing operation | (129,478) | (142,868) |
| Total comprehensive income for the period | (121,717) | (112,218) |

Summarized Pegavision Corporation and its subsidiary information of profit or loss is as follows:

| | For the three-month period ended March 31, | |
|---|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Operating revenue | 721,446 | 759,619 |
| Profit/loss from continuing operation | 91,210 | 103,398 |
| Total comprehensive income for the period | 90,764 | 104,759 |

Summarized Pirotek Holdings Ltd. and its subsidiary information of financial position is as follows:

| | As of | | |
|-------------------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Current assets | 946,213 | 1,296,006 | 1,370,842 |
| Non-current assets | 1,327,426 | 1,386,815 | 1,695,623 |
| Current liabilities | 1,391,753 | 1,615,833 | 1,424,963 |
| Non-current liabilities | 92,121 | 155,506 | 329,834 |

Summarized Pegavision Corporation and its subsidiary information of financial position is as follows:

| | As of | | |
|-------------------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Current assets | 2,047,823 | 1,987,183 | 1,680,809 |
| Non-current assets | 3,247,439 | 3,322,522 | 3,675,069 |
| Current liabilities | 1,247,017 | 1,188,472 | 1,818,601 |
| Non-current liabilities | 78,776 | 67,528 | 1,424,676 |

Summarized Piotek Holdings Ltd. and its subsidiary cash flows information is as follows:

| | For the three-month period ended | |
|--|----------------------------------|------------|
| | March 31, | |
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Operating activities | (26,880) | 47,744 |
| Investing activities | (6,555) | (20,006) |
| Financing activities | 4,728 | 1,528 |
| Net increase/(decrease) in cash and cash equivalents | (32,970) | 21,274 |

Summarized Pegavision Corporation and its subsidiary cash flows information is as follows:

| | For the three-month period ended | |
|--|----------------------------------|-------------|
| | March 31, | |
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Operating activities | 268,559 | 98,429 |
| Investing activities | (540,423) | (1,069,546) |
| Financing activities | (54,334) | 1,044,128 |
| Net increase/(decrease) in cash and cash equivalents | (326,644) | 74,390 |

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and Relationship

| Related parties | Relationship |
|--|-----------------------|
| Pegatron Corporation | Parent company |
| FuYang Technology Corp. | Associate |
| AzureWave Technologies, Inc | Other related parties |
| AzureWave Technologies (Shanghai) Inc. | Other related parties |
| PEGATRON JAPAN INC | Other related parties |
| PEGATRON CZECH S.R.O | Other related parties |
| Maintek Computer (Suzhou) Co., Ltd | Other related parties |
| GNDC Co., Ltd. | Other related parties |

| | |
|-------------------------------------|-----------------------|
| DIGITEK (CHONGQING) LIMITED | Other related parties |
| COTEK ELECTRONICS(SUZHOU) CO., LTD. | Other related parties |

(2) Significant transactions with related parties

A. Sales to

| | For the three-month period ended March 31, | |
|-----------------------|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Parent company | 1,422 | 128,491 |
| Other related parties | 68,976 | 137,199 |
| Total | 70,398 | 265,690 |

Selling prices and collection terms to related parties are similar to those to third party customers for the three-month periods ended March 31, 2020 and 2019. The collection terms are 30 to 90 days from the end of delivery month by telegraphic transfer.

B. Lease-related parties

(a) Right-of-use asset

| Related parties | Nature | As of | | |
|-----------------------|-----------|-------------------------|--------------------------|-------------------------|
| | | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Parent company | Buildings | 37,222 | 59,555 | 126,553 |
| Other related parties | Buildings | - | - | 5,577 |
| Total | | 37,222 | 59,555 | 132,130 |

(b) Lease liability

| Related parties | As of | | |
|-----------------------|-------------------------|--------------------------|-------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) |
| Parent company | 40,945 | 65,406 | 128,124 |
| Other related parties | - | - | 5,586 |
| Total | 40,945 | 65,406 | 133,710 |

(c) Lease payment

| Related parties | Nature of lease | For the three-month period ended March 31, | |
|-----------------|--------------------|--|--------------------|
| | | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Parent company | Various Facilities | 234 | 280 |

(d) Interest expense

| Related parties | For the three-month period ended March 31, | |
|-----------------------|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| Parent company | 159 | 492 |
| Other related parties | 5 | 16 |
| Total | 164 | 508 |

C. For the three-month periods ended March 31, 2020 and 2019, the Group recognized operating expenses of NT\$708 thousand and NT\$775 thousand, respectively, for services provided by other related parties.

Moreover, for the three-month periods ended March 31, 2020 and 2019, the Group recognized operating expenses of NT\$113 thousand and NT\$150 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the three-month periods ended March 31, 2020 and 2019, the Group incurred operating expenses of NT\$22,547 thousand and NT\$22,852 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

For the three-month period ended March 31, 2020 and 2019, the Group recognized operating expense of NT\$643 thousand and NT\$651 thousand, respectively, due to subcontracting maintenance and repair on factories to its associate.

D. For the three-month periods ended March 31, 2020 and 2019, the Group recognized rent income of NT\$214 thousand and NT\$358 thousand, respectively, for plants leased to other related parties.

For the three-month periods ended March 31, 2020 and 2019, the Group recognized rent income of NT\$10,904 thousand and NT\$10,923 thousand, respectively, for plants leased to the associate.

E. For the three-month period ended March 31, 2020 and 2019, the Group recognized other income in amount of NT\$4,598 thousand and NT\$4,487 thousand, respectively, due to paying utilities on behalf of associate.

For the three-month period ended March 31, 2019, the Group recognized other income of NT\$9 thousand for providing services to other related parties.

F. Accounts receivable - related parties

| | As of | | |
|---------------------------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Parent company | 538 | 5,972 | 144,890 |
| Other related parties | 85,879 | 105,351 | 135,663 |
| Total | 86,417 | 111,323 | 280,553 |
| Less: allowance for doubtful accounts | - | - | - |
| Net | 86,417 | 111,323 | 280,553 |

G. Other receivables

| | As of | | |
|-----------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Associate | 5,396 | 5,672 | 5,208 |
| Other related parties | 222 | 229 | 376 |
| Total | 5,618 | 5,901 | 5,584 |

H. Refundable deposits

| | As of | | |
|----------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Parent company | 10,000 | 10,000 | 10,000 |

I. Accrued expenses

| | As of | | |
|-----------------------|------------|------------|------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Parent company | 16,384 | 16,660 | 13,401 |
| Associate | 450 | 446 | 458 |
| Other related parties | 559 | 614 | 586 |
| Total | 17,393 | 17,720 | 14,445 |

L. Salaries and rewards to key management of the Group

| | For the three-month period ended March 31, | |
|------------------------------|--|------------|
| | 2020 | 2019 |
| | (NT\$'000) | (NT\$'000) |
| Short-term employee benefits | 15,225 | 11,865 |
| Post-employee benefits | 216 | 189 |
| Total | 15,441 | 12,054 |

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

| Item | Carrying Amount As of | | | Purpose |
|---|-------------------------|--------------------------|-------------------------|--------------------------------------|
| | 3/31/2020 (NT\$'000) | 12/31/2019 (NT\$'000) | 3/31/2019 (NT\$'000) | |
| Property, plant and equipment – land | 1,317,565 | 1,317,565 | 1,317,564 | Long-term secured loans |
| Property, plant and equipment – buildings (carrying amount) | 64,417 | 65,473 | - | Long-term secured loans |
| Refundable deposits | 2,000 | 2,000 | 2,000 | Security deposit to custom authority |
| Total | <u>1,383,982</u> | <u>1,385,038</u> | <u>1,319,564</u> | |

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of March 31, 2020 were as follows:

| Currency | LC Amount (in thousand) | | Security (in thousand) |
|----------|-------------------------|---------|------------------------|
| JPY | JPY | 732,340 | - |
| USD | USD | 3,029 | - |
| EUR | EUR | 3 | - |

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of March 31, 2020 were as follows:

| Nature of Contract | Contract Amount (NT\$'000) | Amount Paid (NT\$'000) | Outstanding Balance (NT\$'000) |
|--------------------------------------|-------------------------------|---------------------------|-----------------------------------|
| Machinery and construction contracts | <u>3,101,863</u> | <u>1,224,987</u> | <u>1,876,876</u> |

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

| | As of | | |
|--|-------------------|-------------------|-------------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Financial assets at fair value through profit or loss: | | | |
| Mandatorily measured at fair value through P/L | 1,229,442 | 1,338,832 | 1,018,469 |
| Financial assets at fair value through OCI | 50,000 | 50,000 | 50,000 |
| Financial assets measured at amortized cost | 15,241,900 | 15,199,490 | 13,709,023 |
| Total | <u>16,521,342</u> | <u>16,588,322</u> | <u>14,777,492</u> |

Financial liabilities

| | As of | | |
|---|-------------------|-------------------|-------------------|
| | 3/31/2020 | 12/31/2019 | 3/31/2019 |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| Financial liabilities at amortized cost: | | | |
| Short-term borrowings | 3,575,520 | 4,096,101 | 3,014,827 |
| Trade and other payables | 5,160,253 | 5,065,964 | 5,069,041 |
| Long-term borrowings (including current portion with maturity less than 1 year) | 3,135,653 | 3,046,550 | 4,190,187 |
| Lease liabilities (including current portion with maturity less than 1 year) | 150,253 | 172,080 | 241,619 |
| Total | <u>12,021,679</u> | <u>12,380,695</u> | <u>12,515,674</u> |

(2) Objectives and policies of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies always.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations. The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the three-month periods ended March 31, 2020 and 2019 would increase/decrease by NT\$121 thousand and NT\$2,188 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The Group manages its interest rate risk by having a balances portfolio of fixed and variable loans and borrowings and entering interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the three-month periods ended March 31, 2020 and 2019 would decrease/increase by NT\$4,457 thousand and decrease/increase by NT\$5,081 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of March 31, 2020, December 31, 2019 and March 31, 2019, receivables from the top ten customers were accounted for 52.57%, 47.67% and 36.03% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

| | Less than | | | | | | More than | |
|-----------------------------|------------|--------------|--------------|--------------|--------------|------------|------------|------------|
| | 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | 5 years | Total | |
| | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000) |
| <u>As of March 31, 2020</u> | | | | | | | | |
| Loans | 4,846,053 | 698,047 | 354,863 | 252,598 | 253,497 | 443,100 | 6,848,158 | |
| Payables | 5,160,253 | - | - | - | - | - | 5,160,253 | |
| Lease liabilities | 91,038 | 31,064 | 16,354 | 6,529 | 2,156 | 5,331 | 152,472 | |

As of December 31, 2019

| | | | | | | | |
|-------------------|-----------|---------|---------|---------|---------|---------|-----------|
| Loans | 5,369,808 | 874,317 | 335,420 | 170,614 | 182,134 | 360,718 | 7,293,011 |
| Payables | 5,065,964 | - | - | - | - | - | 5,065,964 |
| Lease liabilities | 115,220 | 34,160 | 18,082 | 4,411 | 1,425 | 794 | 174,092 |

As of March 31, 2019

| | | | | | | | |
|-------------------|-----------|-----------|---------|---------|---------|---------|-----------|
| Loans | 4,304,447 | 1,296,937 | 717,589 | 275,930 | 200,795 | 630,554 | 7,426,252 |
| Payables | 5,069,041 | - | - | - | - | - | 5,069,041 |
| Lease liabilities | 132,496 | 80,595 | 20,213 | 9,680 | 848 | 1,200 | 245,032 |

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the 3-month period ended March 31, 2020:

| | Short-term borrowings (NT\$'000) | Long-term borrowings (NT\$'000) | Refundable deposits (NT\$'000) | Leases liabilities (NT\$'000) | Total liabilities from financing activities (NT\$'000) |
|--------------------------------|--|---------------------------------------|--------------------------------------|-------------------------------------|---|
| As of January 1, 2020 | 4,096,101 | 3,046,550 | 43,836 | 172,080 | 7,358,567 |
| Cash flows | (520,581) | 110,586 | (7,791) | (37,348) | (455,134) |
| Non-cash changes | | | | | |
| Lease range changes | - | - | - | 15,081 | 15,081 |
| Interests on lease liabilities | - | - | - | 507 | 507 |
| Other | - | (22,470) | - | - | (22,470) |
| Currency rate change | - | 987 | - | (67) | 920 |
| As of March 31, 2020 | 3,575,520 | 3,135,653 | 36,045 | 150,253 | 6,897,471 |

Movement schedule of liabilities for the 3-month period ended March 31, 2019:

| | Short-term borrowings (NT\$'000) | Long-term borrowings (NT\$'000) | Refundable deposits (NT\$'000) | Leases liabilities (Note) (NT\$'000) | Total liabilities from financing activities (NT\$'000) |
|-----------------------|--|---------------------------------------|--------------------------------------|---|---|
| As of January 1, 2019 | 3,340,483 | 3,453,578 | 44,708 | 311,664 | 7,150,433 |
| Cash flows | (325,656) | 735,625 | (1,749) | (34,079) | 374,141 |

| | | | | | |
|----------------------|------------------|------------------|---------------|----------------|------------------|
| Non-cash changes | | | | | |
| Lease range changes | - | - | - | (36,340) | (36,340) |
| Currency rate change | - | 984 | - | 374 | 1,358 |
| As of March 31, 2019 | <u>3,014,827</u> | <u>4,190,187</u> | <u>42,959</u> | <u>241,619</u> | <u>7,489,592</u> |

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures etc.) at the report date.
- (c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant information (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.
- (d) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instrument

As of December 31, 2019 and March 31, 2020, no derivative financial instruments was held by the Group. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of March 31, 2019 were as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts: (In Thousands)

| <u>Items (by contract)</u> | <u>Notional Amount</u> | <u>Contract Period</u> |
|----------------------------|------------------------|------------------------|
| As of March 31, 2019 | | |
| Forward currency contract | USD 2,800 | 2019/03/27~2019/05/31 |

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of March 31, 2020

| | Level 1 (NT\$'000) | Level 2 (NT\$'000) | Level 3 (NT\$'000) | Total (NT\$'000) |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | 1,229,442 | - | - | 1,229,442 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | - | - | 50,000 | 50,000 |
| <u>Financial liabilities:</u> | | | | |
| None | | | | |

As of December 31, 2019

| | Level 1 (NT\$'000) | Level 2 (NT\$'000) | Level 3 (NT\$'000) | Total (NT\$'000) |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | 1,338,832 | - | - | 1,338,832 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | - | - | 50,000 | 50,000 |

Financial liabilities:

None

As of March 31, 2019

| | Level 1 (NT\$'000) | Level 2 (NT\$'000) | Level 3 (NT\$'000) | Total (NT\$'000) |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | 1,018,449 | - | - | 1,018,449 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | - | - | 50,000 | 50,000 |
| Financial assets at fair value through profit or loss | | | | |
| Forward currency contract | - | 20 | - | 20 |

Financial liabilities:

None

Transfers between Level 1 and Level 2 during the period

For the three-month periods ended March 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliations for fair value measurement on a recurring basis in Level 3 hierarchy

For the three-month periods ended March 31, 2020 and 2019, there were not movement of fair value measurements.

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

| | As of | | | | | |
|------------------------------|-----------------------------|---------------|----------------|-----------------------------|---------------|----------------|
| | 3/31/2020 | | | 12/31/2019 | | |
| | Foreign Currencies (\$'000) | Exchange Rate | NTD (NT\$'000) | Foreign Currencies (\$'000) | Exchange Rate | NTD (NT\$'000) |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | 143,009 | 30.233 | 4,323,596 | 146,438 | 29.98 | 4,390,238 |
| CNY | 89,540 | 4.2685 | 382,205 | 111,912 | 4.2975 | 480,940 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | 138,366 | 30.243 | 4,184,588 | 132,149 | 29.98 | 3,961,816 |
| CNY | 139,120 | 4.2685 | 593,836 | 220,426 | 4.2975 | 947,275 |

| | As of | | |
|------------------------------|-----------------------------------|------------------|-------------------|
| | 3/31/2019 | | |
| | Foreign Currencies (\$'000) | Exchange Rate | NTD (NT\$'000) |
| <u>Financial assets</u> | | | |
| Monetary items: | | | |
| USD | 119,411 | 30.82 | 3,680,249 |
| CNY | 75,590 | 4.5771 | 345,982 |
| <u>Financial liabilities</u> | | | |
| Monetary items: | | | |
| USD | 107,098 | 30.82 | 3,300,768 |
| CNY | 130,836 | 4.5771 | 598,853 |

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

| Foreign currency resulting in exchange gain or loss | For the three-month period ended March 31, | |
|--|--|--------------------|
| | 2020 (NT\$'000) | 2019 (NT\$'000) |
| USD | 15,947 | 13,631 |
| Other | (842) | 6,976 |

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: Please refer to attachment 1.
- C. Marketable securities held as of March 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.
- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: Please refer to attachment 3.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2020: Please refer to attachment 4.
- I. Derivative instrument transactions: None.
- J. Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2020: Please refer to attachment 10.

(2) Information on investees

- A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of March 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 6.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: Please refer to attachment 7.

(e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.

(f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: None.

(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2020: Please refer to attachment 8.

(h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2020: Please refer to attachment 9.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

| Name of Investee in China | Main Business | Paid-in Capital (NT\$'000) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2020 (NT\$'000) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of Mar. 31, 2020 (NT\$'000) | Profit/ Loss of Investee (NT\$'000) | Percentage of Ownership (Direct or Indirect Investment) | Share of Profit/Loss (NT\$'000) | Carrying Amount as of Mar. 31, 2020 (NT\$'000) | Accumulated Inward Remittance of Earnings as of Mar. 31, 2020 (NT\$'000) | Accumulated Outflow of Investment from Taiwan to Mainland China as of Mar. 31, 2020 (NT\$'000) | Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000) | Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000) |
|---|--|----------------------------|----------------------|---|--------------------|-------------------|--|-------------------------------------|---|-------------------------------------|--|--|--|---|--|
| | | | | | Outflow (NT\$'000) | Inflow (NT\$'000) | | | | | | | | | |
| Kinsus Interconnect Technology Suzhou Corp. | Manufacturing and selling PCB (not high-density fine-line) | 2,117,010 (Note 2) | (Note 1) | 2,117,010 (Note 2) | - | - | 2,117,010 (Note 2) | 104,319 (Note 2 and Note 5) | 100% | 104,319 (Note 2, Note 5 and Note 8) | 1,437,868 (Note 2, Note 5 and Note 8) | - | 2,117,010 (Note 2) | 2,117,010 (Note 2) | No upper limit (Note 6) |

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

| | | | | | | | | | | | | | | | |
|--|---|-----------------------|----------|-----------------------|---|---|-----------------------|----------------------------------|--------|---|--|---|-----------------------|-----------------------|-----------------------|
| Piotek Computer (Suzhou) Co., Ltd. | Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services | 5,041,508 (Note 2) | (Note 1) | 2,850,515 (Note 2) | - | - | 2,850,515 (Note 2) | (128,713) (Note 2 and Note 5) | 51% | (65,644) (Note 2, Note 5 and Note 8) | 362,300 (Note 2, Note 4 and Note 8) | - | 2,850,515 (Note 2) | 2,850,515 (Note 2) | |
| Xiang-Shuo (Suzhou) Trading Limited | Trading of PCB (not high-density fine-line) and material for related products | 60,486 (Note 2) | (Note 1) | 60,486 (Note 2) | - | - | 60,486 (Note 2) | (250) (Note 2 and Note 5) | 100% | (250) (Note 2, Note 5 and Note 8) | 59,082 (Note 2, Note 5 and Note 8) | - | 60,486 (Note 2) | 60,486 (Note 2) | |
| Pegavision Contact Lenses (Shanghai) Corporation | Selling medical equipment | 112,559 (Note 3) | (Note 1) | 112,559 | - | - | 112,559 | 5,311 (Note 2 and Note 5) | 30.33% | 1,611 (Note 2, Note 5 and Note 8) | 31,499 (Note 2, Note 5 and Note 8) | - | 112,559 | 112,559 | |
| | | | | | | | | | | | | | | | 2,381,681 (Note 7) |

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese
Kinsus Interconnect Technology Corp.
Notes to Consolidated Financial Statements (Continued)

| | | | | | | | | | | | | | | | |
|--|------------------------------|--------------------------------------|----------|---|---|---|---|--|--------|--|---|---|---|---|--|
| Gemvisoon Technology (Zhejiang) Limited | Selling medical equipment | 43,886 (Note 2 and Note 4) | (Note 1) | - | - | - | - | 5,419 (Note 2, Note 5 and Note 9) | 30.33% | 1,644 (Note 2, Note 5, Note 8 and Note 9) | 13,047 (Note 2, Note 5, Note 8 and Note 9) | - | - | - | |
|--|------------------------------|--------------------------------------|----------|---|---|---|---|--|--------|--|---|---|---|---|--|

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD3,600 thousand, equivalent to NT\$112,559 thousand.

Note 4: The paid-in capital is CNY10,000 thousand.

Note 5: Gain/loss on investment is recognized based on the financial statements which were reviewed by the independent auditors of the parent company in Taiwan.

Note 6: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 7: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation and Gemvisoon Technology (Zhejiang) Limited is calculated as 60% of the net value of the recent financial statements reviewed by independent auditors of Pagavision Corporation.

Note 8: Transactions are eliminated upon preparation of consolidated financial statements.

Note 9: Pegavision Contact Lenses (Shanghai) Corporation recognized the profit/loss and carrying amount of Gemvisoon Technology (Zhejiang) Limited.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of March 31, 2020: Please refer to attachment 10 for details.

(b) Sale and balance of related accounts receivable as of March 31, 2020: Please refer to attachment 10 for details.

(c) Property transaction amounts and resulting gain or loss:

| Variety | Related parties | Carrying Value | Price | Gain on disposal | Reference basis for price decision |
|-----------|------------------------|----------------|---------|------------------|------------------------------------|
| Machinery | Kinsus Interconnect | | | | Negotiated price |
| | Technology Suzhou Corp | 247,416 | 285,972 | 38,556 | |
| | | | | (Note) | |

Note: For the three-month ended, March 31, 2020, the company wrote off NT\$38,556 thousand due to the unrealized gain on disposal of property, plant and equipment. As of March 31, 2020, unrealized gain on disposal of property, plant and equipment is NT\$35,313 thousand, that recongnized as the credit balance of investments accounted for using the equity method.

(d) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 10 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 10 for details.

(4) Information on major shareholders:

| Ownership of shares Name | Number of shares held (thousand shares) | Ownership ratio |
|--------------------------------|--|-----------------|
| Asus Investment Co., Ltd. | 60,128 | 13.33% |
| Asustek Investment Co., Ltd. | 58,233 | 12.91% |
| Asuspower Investment | 55,556 | 12.31% |

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has three reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

Optics: This segment produces, manufactures and sells contact lens.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1) Segment income (loss), assets and liabilities

For the three-month period ended March 31, 2020

| | IC Substrate (NT\$'000) | PCB (NT\$'000) | Optics (NT\$'000) | Elimination (NT\$'000) | Consolidated (NT\$'000) |
|-----------------------|----------------------------|-------------------|----------------------|---------------------------|----------------------------|
| External customer | 4,846,638 | 324,249 | 721,446 | - | 5,892,333 |
| Inter-segment | - | - | - | - | - |
| Total revenue | 4,846,638 | 324,249 | 721,446 | - | 5,892,333 |
| Segment income (loss) | 117,108 | (129,383) | 91,210 | - | 78,935 |

For the three-month period ended March 31, 2019

| | IC Substrate (NT\$'000) | PCB (NT\$'000) | Optics (NT\$'000) | Elimination (NT\$'000) | Consolidated (NT\$'000) |
|-----------------------|----------------------------|-------------------|----------------------|---------------------------|----------------------------|
| External customer | 3,452,699 | 706,753 | 759,619 | - | 4,919,071 |
| Inter-segment | - | - | - | - | - |
| Total revenue | 3,452,699 | 706,753 | 759,619 | - | 4,919,071 |
| Segment income (loss) | (710,190) | (142,384) | 103,398 | - | (749,176) |

Details of assets and liabilities under the Group's operating segments are as follows:

| <u>Segment assets</u> | IC Substrate (NT\$'000) | PCB (NT\$'000) | Optics (NT\$'000) | Elimination (NT\$'000) | Consolidated (NT\$'000) |
|----------------------------|----------------------------|-------------------|----------------------|---------------------------|----------------------------|
| As of 03/31/2020 | 33,306,802 | 2,333,024 | 5,295,262 | - | 40,935,088 |
| As of 12/31/2019 | 33,650,864 | 2,742,781 | 5,309,700 | - | 41,703,345 |
| As of 03/31/2019 | 33,823,239 | 3,152,128 | 5,355,878 | - | 42,331,245 |
| <u>Segment liabilities</u> | IC Substrate (NT\$'000) | PCB (NT\$'000) | Optics (NT\$'000) | Elimination (NT\$'000) | Consolidated (NT\$'000) |
| As of 03/31/2020 | 9,830,510 | 1,484,200 | 1,272,709 | - | 12,587,419 |
| As of 12/31/2019 | 9,838,047 | 1,771,598 | 1,256,000 | - | 12,865,645 |
| As of 03/31/2019 | 8,206,807 | 1,776,785 | 3,243,278 | - | 13,226,870 |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the three-month period ended March 31, 2020

Attachment I

(In Thousands of Foreign Currency / New Taiwan Dollars)

| Endorsement/ Guarantee Provider | | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee secured by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowed | Endorsement provided by parent company to subsidiaries | Endorsement provided by subsidiaries to parent company | Endorsement provided to entities in China |
|---------------------------------|--------------------------------------|------------------------------------|--|--|-------------------------------------|-------------------------------------|-----------------------|--|--|---|--|--|---|
| No. (Note 1) | Name | Name | Nature of Relationship | | | | | | | | | | |
| 0 | Kinsus Interconnect Technology Corp. | Piotek Computer (Suzhou) Co., Ltd. | The Company directly and indirectly hold more than 50% of the voting shares. | The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. \$5,039,063. | \$462,718 USD 15,300 (Note 2) | \$462,718 USD 15,300 (Note 2) | \$28,920 | \$- | 1.84% | Shall not exceed 50% of the net worth in the current financial statements. \$12,597,659 | Y | N | Y |

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

Note 3: The endorsement and guaranteed amount of the Company and the consolidated subsidiary is NT\$79,806 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of March 31, 2020

Attachment 2

(In Thousands of New Taiwan Dollars)

| Name of Held Company | Type and Name of Marketable Securities | Relationship with the Issuer | Financial Statement Account | March 31, 2020 | | | Fair Value (Note) | Note |
|--------------------------------------|---|------------------------------|---|----------------|-----------------|----------------|-------------------|------|
| | | | | Shares / Units | Carrying Amount | Shareholding % | | |
| Kinsus Interconnect Technology Corp. | Money market funds: | | | | | | | |
| | Taishin Ta Chong Money Market Fund | - | Financial assets at fair value through profit or loss | 18,812,748 | \$255,796 | -% | \$268,644 | |
| | FSITC Money Market Fund | - | Financial assets at fair value through profit or loss | 1,168,258 | 200,000 | -% | 209,502 | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss | 21,355,432 | 257,509 | -% | 269,258 | |
| | Jih Sun Money Market | - | Financial assets at fair value through profit or loss | 17,776,549 | 255,443 | -% | 264,840 | |
| | Subtotal | | | | 968,748 | | \$1,012,244 | |
| | Add: Valuation adjustments of financial assets at fair value through profit or loss | | | | 43,496 | | | |
| | Total | | | | \$1,012,244 | | | |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the three-month period ended March 31, 2020

Attachment 3

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/ Accounts Payable or Receivable | | Note |
|--------------------------------------|---|---|---------------------|-----------|------------|---|--|---|---------------------------------------|------------|------|
| | | | Purchase/ Sale | Amount | % to Total | Payment/ Collection Term | Unit Price | Payment/ Collection Term | Ending Balance | % to Total | |
| Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | Investee accounted for using equity method indirectly | Purchase | \$680,402 | 28.49% | Payment within 30 days from the end of delivery month | Specs of goods purchased are different from others. Cannot be reasonably compared. | Other vendors also enjoy payment within 30-90 days from the end of delivery month | Accounts payable \$(270,968) | (16.61)% | Note |

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of March 31, 2020

Attachment 4

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Ratio | Overdue | | Amount Received in Subsequent Periods | Loss Allowance |
|--------------------------------------|---|---|----------------------------------|----------------|---------|--------------|---------------------------------------|----------------|
| | | | | | Amount | Action Taken | | |
| Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | Investee accounted for using equity method indirectly | \$144,177 (Note 1 and Note 2) | - | \$- | - | \$- | \$- |

Note 1: Other receivable.

Note 2: Transactions are eliminated when preparing the consolidated financial statements.

| Investor | Investee | Business Location | Main Business and Product | Original Investment Amount | | Ending balance | | | Net Income (Loss) of the Investee | Share of Income (Loss) of the Investee | Note |
|--------------------------------------|---------------------------------|------------------------|---|----------------------------|-------------------------|----------------|---------|----------------|-----------------------------------|--|------|
| | | | | As of March 31, 2019 | As of March 31, 2020 | Shares | % | Carrying Value | | | |
| Kinsus Interconnect Technology Corp. | KINSUS CORP. (USA) | CA U.S.A. | Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology | USD500 | USD500 | 500,000 | 100.00% | \$55,789 | \$2,010 | \$2,010 | Note |
| Kinsus Interconnect Technology Corp. | KINSUS HOLDING (SAMOA) LIMITED | Samoa | Investing activities | USD166,309 | USD166,309 | 166,308,720 | 100.00% | \$1,899,724 | \$37,962 | \$37,962 | Note |
| Kinsus Interconnect Technology Corp. | Kinsus Investment Co., Ltd. | Taoyuan City | Investing activities | \$1,600,000 (Note 1) | \$1,600,000 (Note 1) | 160,000,000 | 100.00% | \$2,296,833 | \$(5,269) | \$(5,269) | Note |
| Kinsus Investment Co., Ltd. | Pegavision Corporation | Taoyuan City | Manufacturing medical equipment | \$252,455 (Note 2) | \$252,455 (Note 2) | 21,233,736 | 30.33% | \$1,204,095 | \$91,210 | \$27,668 | Note |
| Kinsus Investment Co., Ltd. | FuYang Technology Corp. | Hsinchu County | Electronic Parts and Components Manufacturing | \$929,422 | \$929,422 | 64,176,872 | 35.65% | \$506,943 | \$(92,859) | \$(33,108) | |
| KINSUS HOLDING (SAMOA) LIMITED | KINSUS HOLDING (CAYMAN) LIMITED | Cayman Islands | Investing activities | USD72,000 | USD72,000 | 72,000,000 | 100.00% | USD 49,497 | USD 3,441 | USD 3,441 | Note |
| KINSUS HOLDING (SAMOA) LIMITED | PIOTEK HOLDINGS LTD. (CAYMAN) | Cayman Islands | Investing activities | USD94,309 | USD94,309 | 95,755,000 | 51.00% | USD 13,318 | USD (4,284) | USD (2,185) | Note |
| PIOTEK HOLDINGS LTD. (CAYMAN) | PIOTEK HOLDING LIMITED | British Virgin Islands | Investing activities | USD139,841 | USD139,841 | 139,840,790 | 100.00% | USD 26,114 | USD (4,284) | USD (4,284) | Note |
| PIOTEK HOLDING LIMITED | PIOTEK (H.K.) TRADING LIMITED | Hong Kong | Trading activities | USD26 | USD26 | 200,000 | 100.00% | USD 2,621 | USD (28) | USD (28) | Note |
| Pegavision Corporation | PEGAVISION HOLDINGS CORPORATION | Samoa | Investing activities | USD3,630 | USD3,630 | 3,630,000 | 100.00% | \$23,133 | \$5,310 | \$5,310 | Note |
| Pegavision Corporation | PEGAVISION JAPAN INC. | JAPAN | Selling Medical facility | JPY 9,900 | JPY 9,900 | 198 | 100.00% | \$29,188 | \$2,782 | \$2,782 | Note |

Note: Transactions are eliminated when preparing the consolidated financial statements.

Note 1: The Company's original investment in Kinsus Investment Co., Ltd. was NT\$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT\$102,000 thousand to offset deficits in 2013, And increased capital by NT\$602,000 thousand and NT\$600,000 thousand in 2016 and 2017, respectively. After the increases, the Company's investment amount increased to NT\$1,600,000 thousand.

Note 2: Kinsus Investment Co., Ltd. invested Pegavision Corporation in cost of NT\$286,418 thousand.

As Pegavision Corporation has become a listed company since October, 2019, Kinsus Investment Co., Ltd decreased its investment by NT\$33,963 thousand in selling 855 thousand shares.

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of March 31, 2020 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of March 31, 2020

Attachment 6

| Name of Held Company | Type and Name of Marketable Securities | Relationship with the Issuer | Financial Statement Account | As of March 31, 2019 | | | | (In Thousands of New Taiwan Dollars) Guarantee, Pledge or Other Restricted Conditions | | |
|-----------------------------|--|------------------------------|---|----------------------|-----------------|-------|------------|--|-----------------|------|
| | | | | Shares (Unit) | Carrying Amount | % | Fair Value | Shares | Carrying Amount | Note |
| | | | | | | | | | | |
| Kinsus Investment Co., Ltd. | Money market funds: | | | | | | | | | |
| | Taishin Ta Chong Money Market Fund | - | Financial assets at fair value through profit or loss | 829,070 | \$11,315 | -% | \$11,839 | - | \$- | |
| | Valuation adjustments of financial assets held for trading | | | | 524 | | | | | |
| | Total | | | | \$11,839 | | | | | |
| Pegavision Corporation | Money market funds: | | | | | | | | | |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss | 6,452,592 | \$98,108 | -% | \$98,136 | - | \$- | |
| | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss | 6,541,462 | 107,064 | -% | 107,223 | - | - | |
| | Valuation adjustments of financial assets held for trading | | | | 187 | | | | | |
| | Total | | | | \$205,359 | | \$205,359 | | \$- | |
| Kinsus Investment Co., Ltd. | Stocks: | | | | | | | | | |
| | Yi-Shuo Creative Co., Ltd. | - | Measured at fair value through other comprehensive income | 5,000,000 | \$50,000 | 7.49% | \$50,000 | - | \$- | |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Individual Securities acquired and disposed of with accumulated amount of least NT\$300 Million or 20% of The Paid-In Capital

For the three-month period ended March 31, 2020

Attachment 7

(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|------------------------|--|---|---------------|------------------------|-------------------|-----------|--------------|-----------|--------------|-----------|----------------|-----------------------|----------------|----------|
| | | | | | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Amount | Carrying Value | Gain/Loss on Disposal | Shares/Units | Amount |
| Pegavision Corporation | Stock: Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss | - | - | 11,778,166 | \$179,017 | 11,964,030 | \$182,000 | 17,289,604 | \$263,000 | \$262,909 | \$91 | 6,452,592 | \$98,108 |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

As of March 31, 2020

Attachment 8

(In Thousands of US/NTD Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | Note |
|-------------------------|-----------------------|------------------------|---------------------|------------|------------|---|---|---|--------------------------------------|------------|------|
| | | | Purchase/ Sale | Amount | % to Total | Payment/ Collection Term | Unit Price | Payment/ Collection Term | Ending Balance | % to Total | |
| Kinsus Interconnect | Kinsus Interconnect | Parent company | Sales | USD 22,726 | 82.89% | Payment within 30 days from the end of delivery month | Specs of goods sold are different from others. Cannot be reasonably compared. | No non-related parties to be compared with. | Accounts receivable USD 9,637 | 78.28% | Note |
| Technology Suzhou Corp. | Technology Corp. | | | | | | | | | | |
| Pegavision Corporation | Pegavision Japan Inc. | Subsidiary | Sales | \$272,043 | 37.56% | Payment within 90 days from the end of delivery month | Similar to those to third party customers. | Payment within 90 days from telegraphic transfer. | Accounts receivable \$142,810 | 35.09% | Note |
| | | | | | | | | | Contract liabilities (\$21,177) | 37.12% | Note |

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of March 31, 2020

Attachment 9

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Ratio | Overdue | | Amount Received in Subsequent Periods | Loss Allowance |
|---|--|------------------------|---------------------------------|----------------|---------|--------------|---------------------------------------|----------------|
| | | | | | Amount | Action Taken | | |
| Kinsus Interconnect Technology Suzhou Corp. | Kinsus Interconnect Technology Corp. | Parent company | USD 9,637 (Note and Note 1) | 9.95 | \$- | - | \$- | \$- |
| Pegavision Corporation | Pegavision Japan Inc. | Subsidiary | \$142,810 (Note and Note 1) | 7.51 | \$- | - | \$77,833 | \$- |
| Pegavision Corporation | Pegavision Contact Lenses (SHANGHAI) Corporation | Subsidiary | \$145,265 (Note and Note 1) | 3.85 | \$- | - | \$- | \$- |

Note: Accounts receivable.

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

(In Thousands of Foreign Currency / New Taiwan Dollars)

| No. (Note 1) | Company Name | Counter-Party | Nature of Relationship (Note 2) | Intercompany Transaction | | | |
|-----------------|--|--|------------------------------------|-----------------------------------|-----------|---|---|
| | | | | Financial Statement Account | Amount | Terms | Percentage to Consolidated Net Revenue or Total Assets (Note 3) |
| 0 | 2020.03.31 Kinsus Interconnect Technology Corp. | KINSUS CORP. (USA) | 1 | Accrued expense | \$3,422 | Payment within 30 days from the end of delivery month by TT | 0.01% |
| 0 | Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | 1 | Accounts payable | \$270,968 | Payment within 30 days from the end of delivery month | 0.66% |
| 0 | Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | 1 | Other receivables | \$144,177 | - | 0.35% |
| 0 | Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | 1 | Purchase | \$680,402 | Payment within 30 days from the end of delivery month | 11.55% |
| 0 | Kinsus Interconnect Technology Corp. | KINSUS CORP. (USA) | 1 | Commission expense | \$10,201 | Payment within 30 days from the end of delivery month by TT | 0.17% |
| 0 | Kinsus Interconnect Technology Corp. | KINSUS CORP. (USA) | 1 | Travel expense | \$20 | Payment within 30 days from the end of delivery month by TT | -% |
| 0 | Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | 1 | Sales revenue | \$9,283 | Payment within 30 days from the end of delivery month | 0.16% |
| 0 | Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | 1 | Other income | \$286 | - | -% |
| 0 | Kinsus Interconnect Technology Corp. | Kinsus Interconnect Technology Suzhou Corp. | 1 | Manufacturing overhead-outsourced | \$610 | Payment within 60 days from the end of delivery month | 0.01% |
| 0 | Kinsus Interconnect Technology Corp. | PIOTEK (H.K.) TRADING LIMITED | 1 | Other income | \$375 | - | 0.01% |
| 1 | Piotek Computer (Suzhou) Co., Ltd. | PIOTEK (H.K.) TRADING LIMITED | 3 | Sales revenue | USD 1,307 | Payment within 60-90 days from the end of delivery month | 0.67% |
| 1 | Piotek Computer (Suzhou) Co., Ltd. | PIOTEK (H.K.) TRADING LIMITED | 3 | Accounts receivable | USD 672 | Payment within 60-90 days from the end of delivery month | 0.05% |
| 1 | Piotek Computer (Suzhou) Co., Ltd. | Kinsus Interconnect Technology Suzhou Corp. | 3 | Sales revenue | RMB 4 | Payment within 60-90 days from the end of delivery month | -% |
| 1 | Piotek Computer (Suzhou) Co., Ltd. | Kinsus Interconnect Technology Suzhou Corp. | 3 | Other receivables | RMB 4 | Payment within 60-90 days from the end of delivery month | -% |
| 2 | Xiang-Shuo (Suzhou) Trading Limited | Piotek Computer (Suzhou) Co., Ltd. | 3 | Accounts receivable | RMB 91 | Payment within 60 days from the end of delivery month | -% |
| 3 | Pegavision Corporation | Pegavision Japan Inc. | 1 | Sales revenue | \$272,043 | Payment within 90 days from the end of delivery month | 4.62% |
| 3 | Pegavision Corporation | Pegavision Japan Inc. | 1 | Accounts receivable | \$142,810 | Payment within 90 days from the end of delivery month | 0.35% |
| 3 | Pegavision Corporation | Pegavision Japan Inc. | 1 | Contract liabilities | \$21,177 | - | 0.05% |
| 3 | Pegavision Corporation | PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION | 1 | Sales revenue | \$2,728 | Payment within 180 days from the end of delivery month | 0.05% |
| 3 | Pegavision Corporation | GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED | 1 | Sales revenue | \$94,638 | Payment within 180 days from the end of delivery month | 1.61% |
| 3 | Pegavision Corporation | GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED | 1 | Accounts receivable | \$145,265 | Payment within 180 days from the end of delivery month | 0.35% |
| 4 | PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION | GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED | 1 | Sales revenue | \$12,687 | Payment within 180 days from the end of delivery month | 0.22% |
| 4 | PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION | GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED | 1 | Accounts receivable | \$14,121 | Payment within 180 days from the end of delivery month | 0.03% |

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.