

**Promate Electronic Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Promate Electronic Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Promate Electronic Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the 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". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$374,700 thousand and NT\$408,720 thousand, respectively, representing 3.57% and 4.32%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$138,261 thousand and NT\$217,943 thousand, respectively, representing 2.19% and 4.13%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2020 and 2019, the amounts of combined comprehensive income(loss) of these subsidiaries were NT\$3,297 thousand and NT\$(2,534) thousand, respectively, representing 2.1% and (1.89%), respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China

The engagement partners on the reviews resulting in this independent auditors’ review report are Li Huang Lee and Po Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 12, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 1,950,794	19	\$ 1,625,366	16	\$ 1,314,801	14
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	16,180	-	4,560	-	12,271	-
Financial assets at amortized cost - current (Notes 4, 9, 10, 32 and 34)	123,502	1	2,423	1	64,232	1
Notes receivable (Notes 4, 11 and 32)	74,448	1	70,548	1	55,982	1
Accounts receivable (Notes 4, 10, 11 and 32)	3,770,558	36	4,010,907	40	3,297,732	35
Accounts receivable from related parties (Notes 4, 11, 32 and 33)	689,890	6	666,208	7	398,356	4
Other receivables (Notes 4, 11 and 32)	115,997	1	66,693	1	97,297	1
Current tax assets (Notes 4 and 27)	31,775	-	31,894	-	184	-
Inventories (Notes 4 and 12)	2,896,645	28	2,721,980	27	3,339,157	35
Other current assets (Notes 18 and 33)	15,117	-	16,070	-	29,486	-
Total current assets	<u>9,684,906</u>	<u>92</u>	<u>9,216,649</u>	<u>92</u>	<u>8,609,498</u>	<u>91</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 32)	49,755	-	32,450	-	41,183	-
Investments accounted for using the equity method (Notes 4 and 14)	4,659	-	4,693	-	5,047	-
Property, plant and equipment (Notes 4, 15, 26, 30 and 34)	388,651	4	388,807	4	404,797	4
Right-of-use assets (Notes 4 and 16)	127,580	1	136,029	1	158,016	2
Other intangible assets (Notes 4, 17 and 26)	9,553	-	10,579	-	12,044	-
Deferred tax assets (Notes 4 and 27)	73,759	1	74,189	1	60,062	1
Other non-current assets (Notes 11, 18 and 32)	160,922	2	160,141	2	159,980	2
Total non-current assets	<u>814,879</u>	<u>8</u>	<u>806,888</u>	<u>8</u>	<u>841,129</u>	<u>9</u>
TOTAL	<u>\$ 10,499,785</u>	<u>100</u>	<u>\$ 10,023,537</u>	<u>100</u>	<u>\$ 9,450,627</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19, 31, 32 and 35))	\$ 2,813,930	27	\$ 2,712,284	27	\$ 1,849,979	20
Short-term bills payable (Notes 19, 30 and 32)	160,000	2	210,000	2	160,000	2
Contract liabilities - current (Notes 21 and 25)	125,639	1	104,410	1	124,646	2
Notes payable (Notes 20 and 32)	107	-	30	-	132	-
Accounts payable (Notes 20 and 32)	2,191,589	21	1,925,049	21	2,035,093	22
Accounts payable to related parties (Notes 20, 32 and 33)	24,639	-	24,035	-	12,860	-
Other payables (Notes 21 and 32)	346,955	4	365,797	4	312,606	3
Current tax liabilities (Notes 4 and 27)	91,558	1	28,879	1	192,581	2
Provisions- current (Notes 4 and 22)	5,268	-	11,164	-	15,204	-
Lease liabilities - current (Notes 4, 16 and 32)	30,454	-	30,538	-	29,643	-
Lease liabilities to related parties - current (Notes 4, 16, 32 and 33)	3,328	-	3,392	-	2,266	-
Current portion of long-term borrowings (Notes 19, 30, 32 and 34)	12,582	-	18,828	-	26,860	-
Other current liabilities (Note 21)	237,092	2	223,472	2	116,590	1
Total current liabilities	<u>6,043,141</u>	<u>58</u>	<u>5,657,878</u>	<u>58</u>	<u>4,878,460</u>	<u>52</u>
NON-CURRENT LIABILITIES						
Long-term borrowings, net of current portion (Notes 19, 31, 32 and 34)	-	-	-	-	12,582	-
Provisions- noncurrent (Notes 4 and 22)	3,256	-	6,960	-	9,541	-
Deferred tax liabilities (Notes 4 and 27)	87,608	1	110,529	1	52,380	1
Lease liabilities - noncurrent (Notes 4, 16 and 32)	84,242	1	92,198	1	110,008	1
Lease liabilities to related parties - noncurrent (Notes 4, 16, 32 and 34)	8,534	-	10,166	-	12,764	-
Net defined benefit liabilities - noncurrent (Notes 4 and 23)	47,142	-	47,419	-	45,769	-
Other non-current liabilities (Notes 21 and 32)	30,310	-	60,046	1	153,765	-
Total non-current liabilities	<u>261,092</u>	<u>2</u>	<u>327,318</u>	<u>3</u>	<u>396,809</u>	<u>2</u>
Total liabilities	<u>6,304,233</u>	<u>60</u>	<u>5,985,196</u>	<u>60</u>	<u>5,275,269</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 13, 24 and 29)						
Share capital						
Ordinary shares	1,790,452	17	1,790,452	18	1,790,452	19
Capital surplus	657,690	6	657,690	7	657,690	7
Retained earnings						
Legal reserve	771,714	7	771,714	8	719,517	7
Special reserve	4,789	-	4,789	-	4,544	-
Unappropriated earnings	608,986	6	468,168	4	636,587	7
Total retained earnings	1,385,489	13	1,244,671	12	1,360,648	14
Other equity	(17,325)	-	(15,205)	-	(3,711)	-
Total equity attributable to owners of the Company	3,816,306	36	3,677,608	37	3,805,079	40
NON-CONTROLLING INTERESTS	<u>379,246</u>	<u>4</u>	<u>360,733</u>	<u>3</u>	<u>370,279</u>	<u>4</u>
Total equity	<u>4,195,552</u>	<u>40</u>	<u>4,038,341</u>	<u>40</u>	<u>4,175,358</u>	<u>44</u>
TOTAL	<u>\$ 10,499,785</u>	<u>100</u>	<u>\$ 10,023,537</u>	<u>100</u>	<u>\$ 9,450,627</u>	<u>100</u>

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 32)				
Sales	\$ 5,573,049	100	\$ 4,825,822	100
OPERATING COSTS (Notes 4, 12, 26 and 32)				
Cost of sales	<u>(5,147,238)</u>	<u>(92)</u>	<u>(4,418,325)</u>	<u>(91)</u>
GROSS PROFIT	<u>425,811</u>	<u>8</u>	<u>407,497</u>	<u>9</u>
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing expenses	(166,428)	(3)	(165,505)	(3)
General and administrative expenses	(32,699)	(1)	(33,774)	(1)
Research and development expenses	<u>(20,553)</u>	<u>-</u>	<u>(21,271)</u>	<u>(1)</u>
Total operating expenses	<u>(219,680)</u>	<u>(4)</u>	<u>(220,550)</u>	<u>(5)</u>
OPERATING PROFIT	<u>206,131</u>	<u>4</u>	<u>186,947</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 14, 17, 26,29 and 34)				
Other income	2,038	-	2,798	-
Other gains and losses	15,958	-	12,407	-
Finance costs	(23,430)	-	(32,236)	-
Share of loss of associates	<u>(71)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>
Total non-operating income and expenses	<u>(5,505)</u>	<u>-</u>	<u>(17,105)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	200,626	4	169,842	4
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(40,525)</u>	<u>(1)</u>	<u>(37,223)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>160,101</u>	<u>3</u>	<u>132,619</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(5,975)	-	3,612	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(5,975)</u>	<u>-</u>	<u>3,612</u>	<u>-</u>

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PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 427	-	\$ (380)	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	2,744	-	(1,609)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(86)</u>	<u>-</u>	<u>76</u>	<u>-</u>
	<u>3,085</u>	<u>-</u>	<u>(1,913)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(2,890)</u>	<u>-</u>	<u>1,699</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 157,211</u>	<u>3</u>	<u>\$ 134,318</u>	<u>3</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 140,827	3	\$ 112,968	2
Non-controlling interests	<u>19,274</u>	<u>-</u>	<u>19,651</u>	<u>1</u>
	<u>\$ 160,101</u>	<u>3</u>	<u>\$ 132,619</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 138,698	3	\$ 114,122	2
Non-controlling interests	<u>18,513</u>	<u>-</u>	<u>20,196</u>	<u>1</u>
	<u>\$ 157,211</u>	<u>3</u>	<u>\$ 134,318</u>	<u>3</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 0.79</u>		<u>\$ 0.63</u>	
Diluted	<u>\$ 0.78</u>		<u>\$ 0.62</u>	

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

(Concluded)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity		Total	Noncontrolling Interests	Total Equity
	Issued Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operation	Unrealized Gain on financial Assets at Fair Value Through Other Comprehensive Income			
	Shares (Thousands)	Share Capital		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2019	179,045	\$ 1,790,452	\$ 657,809	\$ 719,517	\$ 4,544	\$ 523,543	\$ (910)	\$ (3,879)	\$ 3,691,076	\$ 350,190	\$ 4,041,266
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	(119)	-	-	-	-	-	(119)	(107)	(226)
Net profit for the three months ended March 31, 2019	-	-	-	-	-	112,968	-	-	112,968	19,651	132,619
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	(304)	1,458	1,154	545	1,699
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	112,968	(304)	1,458	114,122	20,196	134,318
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	76	-	(76)	-	-	-
BALANCE AT MARCH 31, 2019	<u>179,045</u>	<u>\$ 1,790,452</u>	<u>\$ 657,690</u>	<u>\$ 719,517</u>	<u>\$ 4,544</u>	<u>\$ 636,587</u>	<u>\$ (1,214)</u>	<u>\$ (2,497)</u>	<u>\$ 3,805,079</u>	<u>\$ 370,279</u>	<u>\$ 4,175,358</u>
BALANCE AT JANUARY 1, 2020	179,045	\$ 1,790,452	\$ 657,690	\$ 771,714	\$ 4,789	\$ 468,168	\$ (4,025)	\$ (11,180)	\$ 3,677,608	\$ 360,733	\$ 4,038,341
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	-	-	-	-	-
Net profit for the three months ended March 31, 2020	-	-	-	-	-	140,827	-	-	140,827	19,274	160,101
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	334	(2,463)	(2,129)	(761)	(2,890)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	140,827	334	(2,463)	138,698	18,513	157,211
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(9)	-	9	-	-	-
BALANCE AT MARCH 31, 2020	<u>179,045</u>	<u>\$ 1,790,452</u>	<u>\$ 657,690</u>	<u>\$ 771,714</u>	<u>\$ 4,789</u>	<u>\$ 608,986</u>	<u>\$ (3,691)</u>	<u>\$ (13,634)</u>	<u>\$ 3,816,306</u>	<u>\$ 379,246</u>	<u>\$ 4,195,552</u>

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 200,626	\$ 169,842
Adjustments for:		
Expected loss on credit impairment	(9,990)	(1,452)
Depreciation expenses	15,375	16,650
Amortization expenses	1,025	1,174
Finance costs	23,430	32,236
Share of profit (loss) of associates accounted for using the equity method	71	74
Interest income	(1,989)	(2,695)
Dividend income	(3)	-
Impairment loss (gain) on inventories	22,121	6,353
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	3,725	(602)
Net (gain) loss on foreign currency exchange	2,699	(210)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(15,345)	(8,188)
Notes receivable	(3,900)	(2,564)
Account receivables	253,084	(4,689)
Account receivables from related parties	(23,682)	(221,657)
Other receivables	(49,304)	(17,658)
Inventories	(196,784)	(481,631)
Other current assets	953	(13,054)
Contract liabilities	21,229	31,395
Notes payable	77	(131)
Account payables	266,540	242,179
Account payables to related parties	604	8,429
Other payables	(16,656)	(16,009)
Provisions	(9,600)	(2,270)
Net defined benefit liabilities	(277)	(236)
Other current liabilities	13,620	(14,379)
Cash generated from (used in) operations	497,649	(279,093)
Interest paid	(24,355)	(31,767)
Income tax paid	(304)	(869)
Net cash generated from (used in) operating activities	<u>473,010</u>	<u>(311,729)</u>

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PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (23,325)	\$ (35,514)
Proceeds from disposal of financial assets at fair value through other comprehensive income	45	688
Acquisition of financial assets at amortised cost	(302,918)	(249,357)
Proceeds from disposal of financial assets at amortised cost	182,593	185,120
Interest received	1,989	2,695
Other dividends received	3	-
Proceeds from capital reduction of investments accounted for using equity method	-	1,951
Acquisition of property, plant and equipment	(2,435)	(1,656)
Increase in prepayments for business facilities	(3,702)	(606)
Increase in refundable deposits	(1,224)	(44)
Net cash used in investing activities	<u>(148,974)</u>	<u>(96,723)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	97,677	-
Decrease in short-term loans	-	(136,258)
Increase in short-term notes and bills payable	-	90,000
Decrease in short-term notes and bills payable	(50,000)	-
Repayments of long-term debt	(6,246)	(6,125)
Increase in guarantee deposits received	-	14,073
Decrease in guarantee deposits received	(29,736)	-
Payments of lease liabilities	(10,501)	(10,310)
Changes in non-controlling interests	-	(226)
Net cash generated from financing activities	<u>1,194</u>	<u>78,154</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>198</u>	<u>(773)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(325,428)	(331,071)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,625,366</u>	<u>1,645,872</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,950,794</u>	<u>\$ 1,314,801</u>

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

(Concluded)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Promate Electronic Co., Ltd. (the “Company”) is a listed company that was established in May, 1986. The Company are mainly engaged in the distribution and sales of electronic/electrical components, sales of computer software and electrical products and sales of electronic/electrical components.

The Company conducted an IPO on the Taipei Exchange (TPEX) on September, 2002, and its common shares were listed on the Taiwan Stock Exchange (TWSE) since May, 2004.

As of August 1st, 2013, the Company is pleased to announce that this business unit will form an fully owned subsidiary under the name Promate Solutions Corporation.

After carefully evaluating the opportunities of the business unit as well as Promate Electronic as a whole, the Board of Directors concluded that creating a separate entity is the next logical step for the business. As two separate entities, both Promate Electronic and Promate Solutions will have the flexibility and agility necessary to pursue focused avenues of growth. Most importantly, this will enable each entity to more effectively service customers and deliver shareholder value.

The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on May 12, 2020

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies

- 1) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 and Table 5 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Other significant accounting policies

Except for the following, refer to significant accounting policies to the consolidated financial statements for the years ended December 31, 2019 and 2018.

1) Retirement benefits

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 for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

The impact of changes in tax rates due to tax law amendments in the interim period is consistent with the accounting treatment principles for transactions that result in taxation consequences, and is recognized once in profit or loss, other comprehensive profit or loss, or directly included in equity in the current period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

There were no significant uncertainties in the accounting policies, estimates and basic assumptions adopted by the Group after being evaluated by the management of the Group.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 1,588	\$ 1,547	\$ 1,629
Checking accounts and demand deposits	1,599,206	1,185,868	1,021,983
Cash equivalents (time deposits with original maturities less than three months)	<u>350,000</u>	<u>437,951</u>	<u>291,189</u>
	<u>\$ 1,950,794</u>	<u>\$ 1,625,366</u>	<u>\$ 1,314,801</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Demand deposits	0.001%-0.43%	0.001%-0.43%	0.001%-0.43%
Time deposits	0.59%-0.6%	0.59%-2.28%	0.59%-3.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Foreign quoted shares	\$ -	\$ -	\$ 2,113
Domestic quoted shares	<u>16,180</u>	<u>4,560</u>	<u>10,158</u>
	<u>\$ 16,180</u>	<u>\$ 4,560</u>	<u>\$ 12,271</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current</u>			
Investments in equity instruments	<u>\$ 49,755</u>	<u>\$ 32,450</u>	<u>\$ 41,183</u>

Investments in equity instruments at FVTOCI:

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current</u>			
Domestic investments			
Listed shares			
ITE Tech. Inc.	\$ 173	\$ 195	\$ 155
Wiwynn Corporation.	-	-	944
HIGGSTEC Inc.	47,637	30,310	38,139
Unlisted shares			
UPI Semiconductor Corp.	1,009	1,009	1,009
Medimaging Integrated Solution Inc.	<u>936</u>	<u>936</u>	<u>936</u>
	<u>\$ 49,755</u>	<u>\$ 32,450</u>	<u>\$ 41,183</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ 2,418	\$ 2,423	\$ 2,466
Less: Allowance for impairment loss	-	-	-
Foreign investments			
Repurchase agreements:			
Industrial and Commercial Bank of China Limited	-	-	30,820
Mizuho Bank, Ltd.	45,386	-	-
Standard Chartered PLC	15,203	-	-
Citigroup Inc.	30,270	-	-
Goldman Sachs Group Inc.	30,225	-	-
Macquarie Group Ltd.	<u>-</u>	<u>-</u>	<u>30,946</u>
	<u>\$ 123,502</u>	<u>\$ 2,423</u>	<u>\$ 64,232</u>

- a. For the years ended December 31, 2020 and 2019, the Group purchased repurchase agreements issued by International Bills Finance Corporation, with coupon rates ranging from 1.35% to 1.90% and 2.5% to 2.7%, respectively.
- b. Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

March 31, 2020

	At FVTOCI	At Amortized cost
Gross carrying amount	\$ 372,841	\$ 123,502
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	372,841	123,502
Fair value adjustment	<u>(4,088)</u>	<u>-</u>
	<u>\$ 368,753</u>	<u>\$ 123,502</u>

December 31, 2019

	At FVTOCI	At Amortized cost
Gross carrying amount	\$ 583,418	\$ 2,423
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	583,418	2,423
Fair value adjustment	<u>(6,832)</u>	<u>-</u>
	<u>\$ 576,586</u>	<u>\$ 2,423</u>

March 31, 2019

	At FVTOCI	At Amortized cost
Gross carrying amount	\$ 366,296	\$ 64,232
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	366,296	64,232
Fair value adjustment	<u>(5,223)</u>	<u>-</u>
	<u>\$ 361,073</u>	<u>\$ 64,232</u>

In order to minimize credit risk, the Group has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

March 31, 2020

Category	Expected Loss Rate	Gross Carrying Amount	
		At FVTOCI	At Amortized Cost
Normal	0%-0.01%	\$ <u>372,841</u>	\$ <u>123,502</u>

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount	
		At FVTOCI	At Amortized Cost
Normal	0%-0.01%	\$ <u>583,418</u>	\$ <u>2,423</u>

March 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount	
		At FVTOCI	At Amortized Cost
Normal	0%-0.01%	\$ <u>366,296</u>	\$ <u>64,232</u>

There was no change in the allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the three months ended March 31, 2020 and 2019.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable			
At amortized cost			
Gross carrying amount	\$ 74,448	\$ 70,548	\$ 55,982
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>74,448</u>	\$ <u>70,548</u>	\$ <u>55,982</u>
From operation	\$ <u>74,448</u>	\$ <u>70,548</u>	\$ <u>55,982</u>

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivables			
At amortized cost			
Gross carrying amount	\$ 3,416,805	\$ 3,459,312	\$ 2,959,765
Gross carrying amount- related parties	689,890	666,208	398,356
Less: Allowance for impairment loss	(15,000)	(24,991)	(23,106)
At FVTOCI	<u>368,753</u>	<u>576,586</u>	<u>361,073</u>
	<u>\$ 4,460,448</u>	<u>\$ 4,677,115</u>	<u>\$ 3,696,088</u>
Overdue receivables			
At amortized cost			
Gross carrying amount	\$ 13,969	\$ 13,969	\$ 13,969
Less: Allowance for impairment loss	<u>(13,969)</u>	<u>(13,969)</u>	<u>(13,969)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other receivables			
Tax refund receivables	\$ 107,836	\$ 59,475	\$ 77,674
Customs duty refund receivables	1,244	1,488	3,633
Others	<u>6,917</u>	<u>5,730</u>	<u>15,990</u>
	<u>\$ 115,997</u>	<u>\$ 66,693</u>	<u>\$ 97,297</u> (Concluded)

Notes Receivable and Accounts Receivables

a. At amortized cost

The average credit period of the sales of goods was 90-150 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual accounts debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivables and accounts receivable based on the Group's provision matrix.

March 31, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%-0.07%	0.00%-0.47%	0.00%-9.97%	0.00%-19%	2.04%-100.00%	
Gross carrying amount	\$ 3,884,267	\$ 242,149	\$ 37,495	\$ 7,379	\$ 9,853	\$ 4,181,143
Loss allowance (Lifetime ECL)	<u>(2,272)</u>	<u>(2,077)</u>	<u>(1,419)</u>	<u>(732)</u>	<u>(8,500)</u>	<u>(15,000)</u>
Amortized cost	<u>\$ 3,881,995</u>	<u>\$ 240,072</u>	<u>\$ 36,076</u>	<u>\$ 6,647</u>	<u>\$ 1,353</u>	<u>\$ 4,166,143</u>

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.04%-1.23%	0.26%-21.89%	0.38%-61.12%	2.52%-82.19%	2.38%-100.00%	
Gross carrying amount	\$ 3,791,883	\$ 336,655	\$ 52,983	\$ 4,270	\$ 10,277	\$ 4,196,068
Loss allowance (Lifetime ECL)	<u>(6,436)</u>	<u>(5,280)</u>	<u>(3,657)</u>	<u>(427)</u>	<u>(9,191)</u>	<u>(24,991)</u>
Amortized cost	<u>\$ 3,785,447</u>	<u>\$ 331,375</u>	<u>\$ 49,326</u>	<u>\$ 3,843</u>	<u>\$ 1,086</u>	<u>\$ 4,171,077</u>

March 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%-2.68%	0.00%-2.68%	0.00%-7.43%	0.20%-24.82%	0.20%-100.00%	
Gross carrying amount	\$ 3,152,374	\$ 190,867	\$ 47,250	\$ 1,194	\$ 22,418	\$ 3,414,103
Loss allowance (Lifetime ECL)	<u>(8,582)</u>	<u>(2,195)</u>	<u>(1,992)</u>	<u>(235)</u>	<u>(10,102)</u>	<u>(23,106)</u>
Amortized cost	<u>\$ 3,143,792</u>	<u>\$ 188,672</u>	<u>\$ 45,258</u>	<u>\$ 959</u>	<u>\$ 12,316</u>	<u>\$ 3,390,997</u>

The movements of the loss allowance of accounts receivables and overdue receivables were as follows:

	For the Three Months Ended March 31			
	2020		2019	
	Trade Receivables	Overdue Receivables	Trade Receivables	Overdue Receivables
Balance at January 1	\$ 24,991	\$ 13,969	\$ 24,466	\$ 13,969
Add: Amount of expected loss recognized	(9,990)	-	(1,452)	-
Foreign exchange gains and losses	<u>(1)</u>	<u>-</u>	<u>92</u>	<u>-</u>
Balance at March 31	<u>\$ 15,000</u>	<u>\$ 13,969</u>	<u>\$ 23,106</u>	<u>\$ 13,969</u>

Compared to the balance on January 1, 2020 and 2019, a decrease of \$9,990 thousand and a decrease of \$1,452 thousand in loss allowance were resulted from a decrease of \$14,925 thousand and an increase of \$128,799 thousand in the carrying amount of notes receivables and accounts receivables on March 31, 2020 and 2019, respectively.

Although the Company increased its accounts receivable and Notes receivable in 2019, but also strengthened the risk management of accounts receivable and increased credit insurance, the allowance loss did not increase significantly.

b. At FVTOCI

For accounts receivables that are probably factored, the Group will decide whether to sell these accounts receivables to banks without recourse based on their level of working capital. These accounts receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The credit risk management practices adopted by the Company for such accounts receivable are the same as the accounts receivable measured by amortized cost.

The following table details the loss allowance of accounts receivables based on the Group's allowance matrix.

March 31, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%-0.01%	-	-	-	-	
Gross carrying amount	\$ 368,753	\$ -	\$ -	\$ -	\$ -	\$ 368,753
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 368,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,753</u>

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%-0.01%	-	-	-	-	
Gross carrying amount	\$ 576,586	\$ -	\$ -	\$ -	\$ -	\$ 576,586
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 576,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,586</u>

March 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%-0.01%	-	-	-	-	
Gross carrying amount	\$ 361,073	\$ -	\$ -	\$ -	\$ -	\$ 361,073
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 361,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,073</u>

12. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials and work in process	\$ 202,866	\$ 148,102	\$ 203,963
Merchandise inventories	<u>2,693,779</u>	<u>2,573,878</u>	<u>3,135,194</u>
	<u>\$ 2,896,645</u>	<u>\$ 2,721,980</u>	<u>\$ 3,339,157</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019 was \$5,147,238 thousand and \$4,418,325 thousand, respectively.

The cost of goods sold included inventory write-downs of \$22,121 thousand and \$6,353 thousand, respectively.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2020	December 31, 2019	March 31, 2019	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Production and sale of electronic products	66.21%	66.21%	66.21%	a
	PROMATE INTERNATIONAL CO., LTD.	Investment	100%	100%	100%	b
	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Warehouse and logistic device	100%	100%	100%	c
	PROMATE ELECTRONICS COMPANY USA	Sales of electronic/electrical components	100%	100%	100%	d
PROMATE INTERNATIONAL CO., LTD.	Promate Electronic (Shenzhen) Co., Ltd.	International trade	100%	100%	100%	e
	Promate Electronic (Shanghai) Co., Ltd	International trade	100%	100%	100%	f
Promate Solutions Corporation.	Promate Japan Inc.	International trade	100%	100%	100%	g

Remarks:

- a. Promate Solutions Corporation. (Promate Solutions) was incorporated on May 29, 2000 in Taiwan.
- b. PROMATE INTERNATIONAL CO., LTD. (Promate International) was incorporated on October 4, 2000 in Hong Kong.
- c. HAPPY ON SUPPLY CHAIN MANAGEMENT LTD. (Happy on) was incorporated in February 2006 in Hong Kong.
- d. PROMATE ELECTRONICS COMPANY USA (PROMATE USA) was incorporated in November 2011 in California, U.S.A.

- e. Promate Electronic (Shenzhen) Co., Ltd. was incorporated in February 2009 in Shenzhen, China by PROMATE INTERNATIONAL, 100% shareholding. Main businesses include the import/export of electrical components, economic information consulting, and the development and transfer of electrical products.
- f. Promate Electronic (Shanghai) Co., Ltd. was incorporated in November 2009 in Shanghai, China. by PROMATE INTERNATIONAL, 100% shareholding. Main businesses include the import/export of electrical components and related services.
- g. Promate Japan Inc. was incorporated in March 2017 in Tokyo, Japan.
- b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	December 31,		
	March 31, 2020	2019	March 31, 2019
Promate Solutions and its subsidiaries	33.79%	33.79%	33.79%

See Table 5 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests		
	For the Three Months Ended March 31		March 31,	December 31,	March 31,
	2020	2019	2020	2019	2019
Promate Solutions and its subsidiaries	\$ 19,274	\$ 19,651	\$ 379,246	\$ 360,733	\$ 370,279

The summarized financial information below represents amounts before intragroup eliminations.

Promate Solutions and its subsidiaries

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 1,491,268	\$ 1,419,184	\$ 1,373,723
Non-current assets	176,035	173,042	198,272
Current liabilities	(472,166)	(439,908)	(377,188)
Non-current liabilities	<u>(72,777)</u>	<u>(84,745)</u>	<u>(98,983)</u>
Equity	\$ <u>1,122,360</u>	\$ <u>1,067,573</u>	\$ <u>1,095,824</u>
Equity attributable to:			
The Parent Company	\$ 743,114	\$ 706,840	\$ 725,545
Non-controlling interests of Promate Solutions	<u>379,246</u>	<u>360,733</u>	<u>370,279</u>
	\$ <u>1,122,360</u>	\$ <u>1,067,573</u>	\$ <u>1,095,824</u>

	For the Three Months Ended March 31	
	2020	2019
Revenue	<u>\$ 422,217</u>	<u>\$ 451,063</u>
Net income for the period	\$ 57,040	\$ 58,146
Other comprehensive income for the period	<u>(2,253)</u>	<u>1,614</u>
Total comprehensive income for the period	<u>\$ 54,787</u>	<u>\$ 59,760</u>
Net income attributable to:		
The Parent Company	\$ 37,766	\$ 38,495
Non-controlling interests of Promate Solutions	<u>19,274</u>	<u>19,651</u>
	<u>\$ 57,040</u>	<u>\$ 58,146</u>
Total comprehensive income (loss) attributable to:		
The Parent Company	\$ 36,274	\$ 39,564
Non-controlling interests of Promate Solutions	<u>18,513</u>	<u>20,196</u>
	<u>\$ 54,787</u>	<u>\$ 59,760</u>
Net cash flow from:		
Operating activities	\$ 96,797	\$ 113,143
Investing activities	(140,476)	(80,019)
Financing activities	(9,484)	(9,484)
Foreign exchange translation	<u>12</u>	<u>1</u>
Net cash inflow (outflow)	<u>\$ (53,151)</u>	<u>\$ 23,641</u>
Dividends paid to non-controlling interests		
Promate Solutions	<u>\$ -</u>	<u>\$ -</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Associates that are not individually material</u>			
Prosperity Venture Capital I, Limited	<u>\$ 4,659</u>	<u>\$ 4,693</u>	<u>\$ 5,047</u>

Name of Associate	Proportion of Ownership and Voting Rights Held by the Group		
	March 31, 2020	December 31, 2019	March 31, 2019
Prosperity Venture Capital I, Limited	21.62%	21.62%	21.62%

Refer to Table 5 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive loss of those investments were calculated based on the financial statements that have not been audited. Management believes that there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of investees that have not been audited

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purpose.

	March 31, 2020	December 31, 2019	March 31, 2019
Total assets	<u>\$ 21,387</u>	<u>\$ 21,542</u>	<u>\$ 23,190</u>
Equity	<u>\$ 21,387</u>	<u>\$ 21,542</u>	<u>\$ 23,190</u>
Proportion of the Group's ownership	21.62%	21.62%	21.62%
Equity attributable to the Group	\$ 4,624	\$ 4,658	\$ 5,012
Difference between previous year's investment cost and equity value	<u>35</u>	<u>35</u>	<u>35</u>
Carry amount	<u>\$ 4,659</u>	<u>\$ 4,693</u>	<u>\$ 5,047</u>
		For the Three Months Ended March 31	
		2020	2019
Revenue		<u>\$ -</u>	<u>\$ -</u>
Net loss for the period		\$ (330)	\$ (341)
Other comprehensive income for the period		<u>175</u>	<u>115</u>
Total comprehensive income for the period		<u>\$ (155)</u>	<u>\$ (226)</u>

15. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2020	December 31, 2019	March 31, 2019
Assets used by the Group	\$ 388,651	\$ 388,807	\$ 404,797
Assets leased under operating leases	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 388,651</u>	<u>\$ 388,807</u>	<u>\$ 404,797</u>

a. Assets used by the Group-2020

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 205,987	\$ 187,876	\$ 72,318	\$ 18,771	\$ 51,625	\$ 70,886	\$ 607,463
Additions	-	-	-	-	1,993	442	2,435
Disposals	-	-	-	-	(2,369)	-	(2,369)
Reclassifications	-	-	3,990	-	-	155	4,145
Effect of foreign currency	-	(136)	-	(11)	52	5	(90)
Balance at March 31, 2020	<u>\$ 205,987</u>	<u>\$ 187,740</u>	<u>\$ 76,308</u>	<u>\$ 18,760</u>	<u>\$ 51,301</u>	<u>\$ 71,488</u>	<u>\$ 611,584</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 64,239	\$ 44,389	\$ 16,361	\$ 41,919	\$ 51,748	\$ 218,656
Disposals	-	-	-	-	(2,369)	-	(2,369)
Depreciation expenses	-	1,637	1,626	168	881	2,359	6,671
Effect of foreign currency	-	(64)	-	(15)	47	7	(25)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 65,812</u>	<u>\$ 46,015</u>	<u>\$ 16,514</u>	<u>\$ 40,478</u>	<u>\$ 54,114</u>	<u>\$ 222,933</u>
Carrying amounts at March 31, 2020	<u>\$ 205,987</u>	<u>\$ 121,928</u>	<u>\$ 30,293</u>	<u>\$ 2,246</u>	<u>\$ 10,823</u>	<u>\$ 17,374</u>	<u>\$ 388,651</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 205,987</u>	<u>\$ 123,637</u>	<u>\$ 27,929</u>	<u>\$ 2,410</u>	<u>\$ 9,706</u>	<u>\$ 19,138</u>	<u>\$ 388,807</u>

b. Assets used by the Group-2019

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 205,987	\$ 189,231	\$ 71,238	\$ 18,099	\$ 49,113	\$ 66,754	\$ 600,422
Additions	-	-	-	-	415	1,241	1,656
Effect of foreign currency	-	722	2	120	15	1	860
Balance at March 31, 2019	<u>\$ 205,987</u>	<u>\$ 189,953</u>	<u>\$ 71,240</u>	<u>\$ 18,219</u>	<u>\$ 49,543</u>	<u>\$ 67,996</u>	<u>\$ 602,938</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 58,232	\$ 36,341	\$ 15,247	\$ 37,336	\$ 42,350	\$ 189,506
Depreciation expenses	-	1,658	2,136	690	1,351	2,410	8,245
Effect of foreign currency	-	283	1	95	9	2	390
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 60,173</u>	<u>\$ 38,478</u>	<u>\$ 16,032</u>	<u>\$ 38,696</u>	<u>\$ 44,762</u>	<u>\$ 198,141</u>
Carrying amounts at March 31, 2019	<u>\$ 205,987</u>	<u>\$ 129,780</u>	<u>\$ 32,762</u>	<u>\$ 2,187</u>	<u>\$ 10,847</u>	<u>\$ 23,234</u>	<u>\$ 404,797</u>

There was no indication of an impairment loss; therefore, the Group did not perform impairment assessment.

Operating leases relate to the office owned by the Group with lease period from March 1, 2017 to February 28, 2019. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings- Office in China	20 years
Buildings- Office in Taiwan	61 years
Buildings- Plant in Taiwan	25-30 years
Machinery Equipment	3-10 years
Transportation Equipment	3-10 years
Office Equipment	3-10 years
Miscellaneous Equipment	1-20 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 34.

16. LEASE ARRANGEMENTS

a. Right-of-use assets-2020

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amounts			
Buildings	\$ 124,352	\$ 132,322	\$ 156,234
Transportation equipment	<u>3,228</u>	<u>3,707</u>	<u>1,782</u>
	<u>\$ 127,580</u>	<u>\$ 136,029</u>	<u>\$ 158,016</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		\$ <u>-</u>	\$ <u>-</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 8,227	\$ 8,155
Transportation equipment		<u>477</u>	<u>250</u>
		<u>\$ 8,704</u>	<u>\$ 8,405</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2020 and 2019. Lease liabilities

b. Lease liabilities - 2020

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 33,782</u>	<u>\$ 33,930</u>	<u>\$ 30,939</u>
Non-current	<u>\$ 92,776</u>	<u>\$ 102,364</u>	<u>\$ 123,742</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Buildings	2.75%-6.40%	2.75%-6.40%	2.75%-6.40%
Transportation equipment	4.75%-5.69%	4.75%-5.69%	4.75%-5.69%

c. Material lease-in activities and terms

The Group leased a number of cars for use by business personnel or warehouse personnel in a period of 3 to 5 years. The lease contracts for these cars do not contain terms for the right of renewal or the right of purchase.

The Group also leased certain buildings for use as plant and office in a period of 5 years. The lease contracts for offices located in Taiwan specify that the lease payments will be adjusted by customer price index each year.

The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to low-value asset leases	<u>\$ 899</u>	<u>\$ 2,507</u>
Total cash outflow for lease	<u>\$ (11,400)</u>	<u>\$ (12,817)</u>

The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2019	\$ 27,404
Effect of foreign currency	<u>5</u>
Balance at March 31, 2019	<u>\$ 27,409</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ (14,188)
Amortization expenses	(1,174)
Effect of foreign currency	<u>(3)</u>
Balance at March 31, 2019	<u>\$ (15,365)</u>
Carrying amounts at March 31, 2019	<u>\$ 12,044</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 29,119
Disposals	(6,012)
Effect of foreign currency	<u>(1)</u>
Balance at March 31, 2020	<u>\$ 23,106</u>

(Continued)

	Computer Software
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ (18,540)
Amortization expenses	6,012
Disposals	(1,025)
Effect of foreign currency	<u>-</u>
Balance at March 31, 2020	<u>\$ (13,553)</u>
Carrying amounts at March 31, 2020	<u>\$ 9,553</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 10,579</u> (Concluded)

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows

Computer Software 3-10 years

	For the Three Months Ended March 31	
	<u>2020</u>	<u>2019</u>
Amortization expenses summarized by function:		
Operating Costs	\$ -	\$ -
Selling and marketing expenses	32	34
General and administrative expenses	851	997
Research and development expenses	<u>142</u>	<u>143</u>
	<u>\$ 1,025</u>	<u>\$ 1,174</u>

18. OTHER ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Prepayments	\$ 12,087	\$ 16,025	\$ 28,400
Others	<u>3,030</u>	<u>45</u>	<u>1,086</u>
	<u>\$ 15,117</u>	<u>\$ 16,070</u>	<u>\$ 29,486</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 3,582	\$ 4,025	\$ 606
Refundable deposits	157,340	156,116	159,374
Overdue receivables (Note 11)	13,969	13,969	13,969
Allowance for impairment loss - Overdue receivables (Note 11)	<u>(13,969)</u>	<u>(13,969)</u>	<u>(13,969)</u>
	<u>\$ 160,922</u>	<u>\$ 160,141</u>	<u>\$ 159,980</u>

19. BORROWINGS

a. Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Secured borrowings (Note 35)			
Bank loans (1)	\$ 1,930,422	\$ 1,805,538	\$ 1,330,454
Bank loans - letters of credit (2)	<u>883,508</u>	<u>906,746</u>	<u>519,525</u>
	<u>\$ 2,813,930</u>	<u>\$ 2,712,284</u>	<u>\$ 1,849,979</u>

1) The effective weighted average interest rates for bank loans ranged from 0.82%-0.49%, 0.85%-4.79% and 0.82%-4.785% per annum as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

2) The effective weighted average interest rate for letters of credit loans was 1.09%-2.55%, 1.09%-2.84% and 2.939%-3.2381% per annum as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

b. Short-term bills payable

	March 31, 2020	December 31, 2019	March 31, 2019
Commercial paper	\$ 160,000	\$ 210,000	\$ 160,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 160,000</u>	<u>\$ 210,000</u>	<u>\$ 160,000</u>

Outstanding short-term bills payable were as follows:

March 31, 2020

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value
Commercial papers			
China Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000
Taiwan Finance Corporation	40,000	-	40,000
International Bills Finance Corporation	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>

December 31, 2019

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value
Commercial papers			
China Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000
Taiwan Finance Corporation	40,000	-	40,000
International Bills Finance Corporation	60,000	-	60,000
KGI Bank	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>

March 31, 2019

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value
Commercial papers			
China Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000
Taiwan Finance Corporation	40,000	-	40,000
International Bills Finance Corporation	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>

The effective weighted average interest rates for commercial papers ranged from 1.008%-1.018%, 0.99%-1.008% and 1.038% per annum as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

c. Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured borrowings (Note 34)</u>			
Bank loans	\$ -	\$ 18,828	\$ 39,442
Less: Current portion	<u>-</u>	<u>(18,828)</u>	<u>(26,860)</u>
Long-term borrowing	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,582</u>

The weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and buildings (refer to Note 34) were 1.81% per annum as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively., and the principal and interests will be repayable monthly until September 30, 2020.

20. NOTES AND ACCOUNTS PAYABLE

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes payable</u>			
Non-trade	\$ <u>107</u>	\$ <u>30</u>	\$ <u>132</u>
<u>Accounts payable</u>			
Accounts payable	\$ 2,191,589	\$ 1,925,049	\$ 2,035,093
Accounts payable - related parties	<u>24,639</u>	<u>24,035</u>	<u>12,860</u>
	<u>\$ 2,216,228</u>	<u>\$ 1,949,084</u>	<u>\$ 2,047,953</u>
<u>Accounts Payable</u>			

The average credit period for purchases of certain goods was 30-120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Other payables			
Accrued commissions	\$ 25,587	\$ 26,470	\$ 25,000
Payables for salaries or bonuses	64,529	103,570	41,979
Payables for annual leave	13,700	17,000	13,125
Payables for compensation of employees and remuneration of directors	71,600	54,900	78,100
Subsidiaries' payables for compensation of employees and remuneration of directors	32,200	25,300	32,100
Accrued freights	37,338	34,787	28,107
Payables for dividends	519	519	519
Others	<u>101,482</u>	<u>103,251</u>	<u>93,676</u>
	<u>\$ 346,955</u>	<u>\$ 365,797</u>	<u>\$ 312,606</u>
Contract liability	<u>\$ 125,639</u>	<u>\$ 104,410</u>	<u>\$ 124,646</u>
Others			
Refund liability (1)	\$ 232,409	\$ 218,356	\$ 112,018
Others	<u>4,683</u>	<u>5,116</u>	<u>4,572</u>
	<u>\$ 237,092</u>	<u>\$ 223,472</u>	<u>\$ 116,590</u>
<u>Non-current</u>			
Other liabilities			
Guarantee deposits(2)	<u>\$ 30,310</u>	<u>\$ 60,046</u>	<u>\$ 153,765</u>

1) Refund liabilities is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the reporting period. Refund liabilities is recognized as a reduction of operating income in the periods in which the related goods are sold.

2) Guarantee deposits

Guarantee deposits are mainly collected from customers.

22. PROVISIONS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Warranties	<u>\$ 5,268</u>	<u>\$ 11,164</u>	<u>\$ 15,204</u>
<u>Non-current</u>			
Warranties	<u>\$ 3,256</u>	<u>\$ 6,960</u>	<u>\$ 9,541</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under sale of goods legislation. The estimate had been made on the basis of historic warranty trends, and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

23. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$125 thousand and \$165 thousand for the three months ended March 31, 2020 and 2019, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018.

24. EQUITY

a. Share capital

Common stock

	March 31, 2020	December 31, 2019	March 31, 2019
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>179,045</u>	<u>179,045</u>	<u>179,045</u>
Shares issued	<u>\$ 1,790,452</u>	<u>\$ 1,790,452</u>	<u>\$ 1,790,452</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends

Of the Company's authorized shares, 10,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	March 31, 2020	December 31, 2019	March 31, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 291,960	\$ 291,960	\$ 291,960
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal of acquisition	45,604	45,604	45,604
Conversion of employee stock options	66,208	66,208	66,208
Conversion of bonds	436,444	436,444	436,444
Less: transfer to capital	(267,199)	(267,199)	(267,199)
Less: cash dividends paid	(73,408)	(73,408)	(73,408)
Less: Treasury stock cancellation	<u>(9,461)</u>	<u>(9,461)</u>	<u>(9,461)</u>
	490,148	490,148	490,148
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	166,292	166,292	166,292
<u>May not be used for any purpose</u>			
Employee share options	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
	<u>\$ 657,690</u>	<u>\$ 657,690</u>	<u>\$ 657,690</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 26, f.

The Company's dividend policy is formulated according to the Company's capital budget, mid- and long-term operational planning and financial status, as well as by reference to the general level of dividends in the industry and capital markets as the basis for dividend policy. Related earnings can be distributed in the form of stock dividends or cash dividends. However, the percentage of cash dividends shall not be less than 20% of the total dividends. The percentage of cash dividends will be increased when future earnings and funds are more abundant.

A legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which have been approved in the shareholders' meetings on March 17, 2020 and June 14, 2019, respectively, were as follows:

	For the Three Months Ended March 31	
	2020	2019
Legal reserve	\$ 46,795	\$ 52,197
Special reserve	10,415	245
Cash dividends	408,223	470,889
Cash dividends per share (NT\$)	2.28	2.63

The appropriation of earnings for 2019 are subject to the resolution in the shareholders' meeting to be held on June 15, 2020.

d. Special reserves

	For the Three Months Ended March 31	
	2020	2019
Beginning at January 1	<u>\$ 4,789</u>	<u>\$ 4,544</u>
Balance at March 31	<u>\$ 4,789</u>	<u>\$ 4,544</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ (4,025)	\$ (910)
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign operations	<u>334</u>	<u>(304)</u>
Other comprehensive income recognized for the period	<u>334</u>	<u>(304)</u>
Balance at March 31	<u>\$ (3,691)</u>	<u>\$ (1,214)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ (11,180)	\$ (3,879)
Recognized for the period		
Unrealized gain (loss) - equity instruments	2,744	3,067
Net remeasurement of loss allowance	<u>(5,207)</u>	<u>(1,609)</u>
Other comprehensive income recognized for the period	<u>(2,463)</u>	<u>1,458</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>9</u>	<u>(76)</u>
Balance at March 31	<u>\$ (13,634)</u>	<u>\$ (2,497)</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 360,733	\$ 350,190
Share of profit (loss) for the period	19,274	19,651
Other comprehensive income during the period		
Exchange differences arising on translating the foreign operations	7	-
Unrealized gain on FVTOCI financial assets	(768)	545
Acquisition of non-controlling interests in subsidiary, Promate Solutions Corporation. (Note 30)	<u>-</u>	<u>(107)</u>
Balance at March 31	<u>\$ 379,246</u>	<u>\$ 370,279</u>

25. REVENUE

	For the Three Months Ended March 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	\$ 5,562,560	\$ 4,815,678
Revenue from NRE service	7,935	7,421
Revenue from repair	<u>2,114</u>	<u>1,517</u>
	<u>5,572,609</u>	<u>4,824,616</u>
Other operating income		
Service revenue	440	1,206
Commission revenue	<u>-</u>	<u>-</u>
	<u>440</u>	<u>1,206</u>
	<u>\$ 5,573,049</u>	<u>\$ 4,825,822</u>

a. Revenue from contracts with customers

Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components and the sale and manufacture of industrial computer monitors and customized products. Goods are categorized into electronic components (application-specific and LCD display products, linear/distributed components, application-specific and image processing ICs) as well as embedded control systems, medical displays, and application-specific display modules (e.g., medical, factory automation, military, outdoor use, and sports equipment). The Group sells goods at the agreed prices stipulated in contracts, quotations or orders.

Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

b. Contract balances

	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivables (Note 11)	\$ 4,534,896	\$ 4,747,663	\$ 3,752,070
Contract liabilities - current (Note 21)			
Sale of goods	\$ 125,639	\$ 104,410	\$ 124,646

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

c. Disaggregation of revenue

For the three months ended March 31, 2020

Types of goods or services	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
Revenue from the sale of goods	\$ 1,253,211	\$ 2,414,520	\$ 1,225,029	\$ 354,252	\$ 315,548	\$ 5,562,560
Service revenue	10,049	-	-	-	440	10,489
	<u>\$ 1,263,260</u>	<u>\$ 2,414,520</u>	<u>\$ 1,225,029</u>	<u>\$ 354,252</u>	<u>\$ 315,988</u>	<u>\$ 5,573,049</u>

For the three months ended March 31, 2019

Types of goods or services	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
Revenue from the sale of goods	\$ 1,336,254	\$ 1,873,466	\$ 965,057	\$ 378,635	\$ 262,266	\$ 4,815,678
Service revenue	8,938	-	-	-	1,206	10,144
	<u>\$ 1,345,192</u>	<u>\$ 1,873,466</u>	<u>\$ 965,057</u>	<u>\$ 378,635</u>	<u>\$ 263,472</u>	<u>\$ 4,825,822</u>

26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income

	For the Three Months Ended March 31	
	2020	2019
Rental income	\$ 46	\$ 46
Interest income		
Bank deposits	1,576	2,554
Financial assets at amortized cost	413	141
Deposits imputed interest	<u>-</u>	<u>-</u>
	<u>1,989</u>	<u>2,695</u>
Dividend income	<u>3</u>	<u>57</u>
	<u>\$ 2,038</u>	<u>\$ 2,798</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2020	2019
Gain (loss) on financial instruments		
Mandatorily measured at FVTPL	\$ (3,725)	\$ 602
Net foreign exchange gains (losses)	22,236	12,271
Bank charge	(2,777)	(2,257)
Others	<u>224</u>	<u>1,791</u>
	<u>\$ 15,958</u>	<u>\$ 12,407</u>

There was no interest capitalization in the Group for the three months ended March 31, 2020 and 2019.

c. Finance costs

	For the Three Months Ended March 31	
	2020	2019
Interest on bank loans	\$ 22,149	\$ 30,864
Interest on lease liabilities	<u>1,281</u>	<u>1,372</u>
	<u>\$ 23,430</u>	<u>\$ 32,236</u>

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2020	2019
An analysis of deprecation by function		
Operating costs	\$ 234	\$ -
Operating expenses	<u>15,141</u>	<u>16,650</u>
	<u>\$ 15,375</u>	<u>\$ 16,650</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>1,025</u>	<u>1,174</u>
	<u>\$ 1,025</u>	<u>\$ 1,174</u>

e. Employee benefits expense

	For the Three Months Ended March 31	
	2020	2019
Short-term benefits	\$ 132,753	\$ 120,513
Post-employment benefits (see Note 23)		
Defined contribution plans	4,410	5,210
Defined benefit plans	<u>125</u>	<u>165</u>
	<u>4,535</u>	<u>5,375</u>
Other employee benefits	<u>7,620</u>	<u>7,055</u>
Total employee benefits expense	<u>\$ 144,908</u>	<u>\$ 132,943</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 13,781	\$ 13,797
Operating expenses	<u>131,127</u>	<u>119,146</u>
	<u>\$ 144,908</u>	<u>\$ 132,943</u>

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at the rates 7.5%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

Employees' compensation and remuneration of directors for the three months ended March 31, 2020 and 2019 were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	\$ 13,700	\$ 10,900
Remuneration of directors	3,000	2,200

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate

The compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on March 17, 2020 and March 21, 2019, respectively.

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	\$ 45,700	\$ 54,200
Remuneration of directors	9,900	10,800

The difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018 were adjusted to profit or loss for the years ended December 31, 2020 and 2019.

	For the Year Ended December 31			
	2019		2018	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amount approved by the Company's board of directors	<u>\$ 45,700</u>	<u>\$ 9,900</u>	<u>\$ 54,200</u>	<u>\$ 10,800</u>
Amount recognized in the annual consolidated financial statements	<u>\$ 45,700</u>	<u>\$ 9,200</u>	<u>\$ 54,200</u>	<u>\$ 10,800</u>

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2020	2019
Foreign exchange gains	\$ 351,388	\$ 30,937
Foreign exchange losses	<u>(329,152)</u>	<u>(18,666)</u>
Net foreign exchange gains and losses	<u>\$ 22,236</u>	<u>\$ 12,271</u>

27. INCOME TAXES RELATING TO CONTINUING

a. Income tax recognized in profit or loss

Major components of tax expense (income) recognized in profit or loss are as follows:

	For the Three Months Ended March 31	
	2020	2019
Current tax		
In respect of the current period	\$ 63,611	\$ 44,094
Adjustment for prior years	<u>(509)</u>	<u>715</u>
	<u>63,102</u>	<u>44,809</u>
Deferred tax		
In respect of the current period	<u>(22,577)</u>	<u>(7,586)</u>
	<u>(22,577)</u>	<u>(7,586)</u>
Income tax expense recognized in profit or loss	<u>\$ 40,525</u>	<u>\$ 37,223</u>

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended March 31	
	2020	2019
<u>Deferred tax</u>		
In respect of current period		
Translating the financial statements of foreign operations	<u>\$ (86)</u>	<u>\$ 76</u>

c. Income tax assessments

The tax returns of the Company through 2016 have been assessed by the tax authorities.

The tax returns of Promate Solutions Corporation, through 2018 have been assessed and cleared by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2020	2019
Basic earnings per share	<u>\$ 0.79</u>	<u>\$ 0.63</u>
Diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.62</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended March 31	
	2020	2019
Income for the period attributable to owners of the Company	<u>\$ 140,827</u>	<u>\$ 112,968</u>
Earnings used in the computation of basic earnings per share	<u>\$ 140,827</u>	<u>\$ 112,968</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 140,827</u>	<u>\$ 112,968</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	179,045	179,045
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>1,964</u>	<u>2,073</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>181,009</u>	<u>181,118</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In January 2019, the Group acquired interest of Promate Solutions Corporation., thereby increasing its interest from 66.20% to 66.21%.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

	Promate Solutions Corporation For the Three Months Ended March 31	
	2019	2018
Cash consideration received (paid)	\$ -	\$ (226)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>-</u>	<u>107</u>
Differences recognized to equity transactions	<u>\$ -</u>	<u>\$ (119)</u>

Promate Solutions Corporation
For the Three Months Ended
March 31

2019 **2018**

Line items adjusted for equity transactions

Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition

\$ - \$ (119)

30. CASH FLOW INFORMATION

a. Non-cash transaction

For the three months ended March 31, 2020 and 2019, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- 1) The Group reclassified prepayments for equipment amounting to NT\$4,145 thousand and NT\$0 thousand to property, plant and equipment for the three months ended March 31, 2020 and 2019, respectively.
- 2) The Group reclassified long-term borrowings amounting to NT\$0 thousand and NT\$26,860 thousand to the current portion of long-term borrowings for the three months ended March 31, 2020 and 2019, respectively.

b. Reconciliation of liabilities arising from financing activities

For the three months ended March 31, 2020

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes Changes in Foreign Currency Exchange Rates	Others	Balance as of March 31, 2020
Short-term borrowings	\$ 2,712,284	\$ 97,677	\$ 3,969	\$ -	\$ 2,813,930
Short-term bills payable	210,000	(50,000)	-	-	160,000
Long-term borrowings	18,828	(6,246)	-	-	12,582
Guarantee deposits received	60,046	(29,736)	-	-	30,310
Lease liabilities	<u>136,294</u>	<u>(10,501)</u>	<u>(516)</u>	<u>1,281</u>	<u>126,558</u>
	<u>\$ 3,137,452</u>	<u>\$ 1,194</u>	<u>\$ 3,453</u>	<u>\$ 1,281</u>	<u>\$ 3,143,380</u>

For the three months ended March 31, 2019

	Balance as of January 1, 2019	Cash Flows	Non-cash Changes Changes in Foreign Currency Exchange Rates	Others	Balance as of March 31, 2019
Short-term borrowings	\$ 1,986,452	\$ (136,258)	\$ (215)	\$ -	\$ 1,849,979
Short-term bills payable	70,000	90,000	-	-	160,000
Long-term borrowings	45,567	(6,125)	-	-	39,442
Guarantee deposits received	12,692	141,073	-	-	153,765
Lease liabilities	<u>163,454</u>	<u>(10,310)</u>	<u>165</u>	<u>1,372</u>	<u>154,681</u>
	<u>\$ 2,278,165</u>	<u>\$ 77,200</u>	<u>\$ (50)</u>	<u>\$ 1,372</u>	<u>\$ 2,357,867</u>

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Group engages in overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Group.

The Group is not subject to any externally imposed capital requirements.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

March 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial liabilities at amortized cost:					
Foreign repurchase agreements	\$ 123,502	\$ -	\$ 123,502	\$ -	\$ 123,502
Notes, accounts receivables and other receivables	4,282,140	-	4,282,140	-	4,282,140
Refundable deposits	157,340	-	157,340	-	157,340
<u>Financial liabilities</u>					
Financial liabilities at amortized cost:					
Bank loans	2,986,512	-	2,986,512	-	2,986,512
Notes, accounts payables and other payables	2,563,290	-	2,563,290	-	2,563,290
Guarantee deposits	30,310	-	30,310	-	30,310

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Notes, accounts receivables and other receivables	\$ 4,237,770	\$ -	\$ 4,237,770	\$ -	\$ 4,237,770
Refundable deposits	156,116	-	156,116	-	156,116
<u>Financial liabilities</u>					
Financial liabilities at amortized cost:					
Bank loans	2,941,112	-	2,941,112	-	2,941,112
Notes, accounts payables and other payables	2,314,911	-	2,314,911	-	2,314,911
Guarantee deposits	60,046	-	60,046	-	60,046

March 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial liabilities at amortized cost:					
Foreign repurchase agreements	\$ 64,232	\$ -	\$ 64,232	\$ -	\$ 64,232
Notes, accounts receivables and other receivables	3,484,662	-	3,484,662	-	3,484,662
Refundable deposits	159,374	-	159,374	-	159,374
<u>Financial liabilities</u>					
Financial liabilities at amortized cost:					
Bank loans	2,049,421	-	2,049,421	-	2,049,421
Notes, accounts payables and other payables	2,370,320	-	2,370,320	-	2,370,320
Guarantee deposits	153,765	-	153,765	-	153,765

The Level 2 and Level 3 fair value measurements above are determined by discounted cash flow analysis based on the income approach. The significant unobservable inputs used in Level 3 fair value measurements reflect the discount rates of counterparty credit risk.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

March 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 16,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,180</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 47,810	\$ -	\$ -	\$ 47,810
Domestic unlisted shares and domestic emerging market shares	-	-	1,945	1,945
Investments in debt				
Factored accounts receivables	-	368,753	-	368,753
	<u>\$ 47,810</u>	<u>\$ 368,753</u>	<u>\$ 1,945</u>	<u>\$ 418,508</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ <u>4,560</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,560</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 30,505	\$ -	\$ -	\$ 30,505
Domestic unlisted shares and domestic emerging market shares	-	-	1,945	1,945
Investments in debt				
Factored accounts receivables	<u>-</u>	<u>576,586</u>	<u>-</u>	<u>576,586</u>
	<u>\$ 30,505</u>	<u>\$ 576,586</u>	<u>\$ 1,945</u>	<u>\$ 609,036</u>

March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ 10,158	\$ -	\$ -	\$ 10,158
Foreign listed shares	<u>2,113</u>	<u>-</u>	<u>-</u>	<u>2,113</u>
	<u>\$ 12,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,271</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 39,238	\$ -	\$ -	\$ 39,238
Domestic unlisted shares and Domestic emerging market shares	-	-	1,945	1,945
Investments in debt				
Factored accounts receivables	<u>-</u>	<u>361,073</u>	<u>-</u>	<u>361,073</u>
	<u>\$ 39,238</u>	<u>\$ 361,073</u>	<u>\$ 1,945</u>	<u>\$ 402,256</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2020

	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments
Balance at January 1, 2019	\$ 1,945
Provision for impairment loss	<u>-</u>
Balance at March 31, 2019	<u>\$ 1,945</u>

For the three months ended March 31, 2019

	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments
Balance at January 1, 2019	\$ 1,945
Provision for impairment loss	<u>-</u>
Balance at March 31, 2019	<u>\$ 1,945</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Input</u>
Factored accounts receivables	Discounted cash flow method: discounted at a discount rate that reflects the current borrowing rate at the end of the period.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Group measures the fair value of its investments on domestic unlisted shares by using the market approach. The judgment is based on the industry type, the evaluation of the same type of company and the company's operating situation.

c. Categories of financial instruments

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified as at FVTPL	\$ 16,180	\$ 4,560	\$ 12,271
Financial assets at amortized cost (Note 1)	6,513,776	6,021,675	5,023,069
Financial assets at FVTOCI			
Equity instruments	49,755	32,450	41,183
Debt instruments	368,753	576,586	361,073

Financial liabilities

Measured at amortized cost (Note 2)	5,580,112	5,316,068	4,573,506
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Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes and accounts payable, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, accounts receivables, accounts payables and borrowings. The Group's Corporate Treasury monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which was governed by the Group's policies

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 37.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pretax profit and other equity associated with the 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollar Impact	
	For the Three Months Ended	
	March 31	
	2020	2019
Profit or loss	\$ 21,913 (i)	\$ 14,309 (i)

- i. This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables and accounts payables, which were not hedged at the end of the reporting period

The Group's sensitivity to foreign currency increased during the current year mainly due to the increase of accounts receivable balance in the USD.

In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows.

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
Financial assets	\$ 473,502	\$ 440,374	\$ 355,421
Financial liabilities	160,000	210,000	160,000
Cash flow interest rate risk			
Financial assets	1,599,206	1,185,868	1,021,983
Financial liabilities	2,826,512	2,731,112	1,889,421

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for nonderivative instruments at the end of the year. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profits for the three months ended March 31, 2020 and 2019 would decrease/increase by NT\$1,534 thousand and NT\$1,084 thousand, respectively, mainly attributable to the Group's exposure to the floating-interest rates on bank borrowings and bank deposits

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and evaluate when it is necessary to increase the risk aversion position.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had fluctuated by 3%, the pre-tax profit for the three months ended March 31, 2020 and 2019 would have increased/decreased by 485 thousand and \$368 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three month ended March 31, 2020 and 2019 would have increase/decreased by \$1,493 thousand and \$1,235 thousand as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be mainly from the following:

- a) The carrying amount of the financial assets recognized in the balance sheets; and
- b) The maximum amount payable by the Group due to financial guarantees provided by the Group, regardless of possibility.

Financial assets are potentially affected by the failure of the Group's counterparties to fulfill their contractual obligations. The Group's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Group's counterparties are financial institutions and companies with sound credit ratings. The Group has a dedicated unit that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts.

The maximum credit exposure of the Group is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2020 and 2019, the Group's available unutilized bank loan facilities set out in section (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

To the extent that interest flows are floating, the undiscounted amount was derived from the yield curve at the end of the year.

March 31, 2020

	Less Than 1 Year	2-3 Years	4-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,850,481	\$ -	\$ -	\$ -
Short-term bills payable	160,000	-	-	-
Notes and accounts payables	2,216,335	-	-	-
Other payables	346,955	-	-	-
Lease liabilities	37,129	97,442	-	-
Refund liability	232,409	-	-	-
Long-term borrowings	<u>12,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,856,118</u>	<u>\$ 97,442</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less Than 1 Year	1-5 Years
Lease liabilities	<u>\$ 37,129</u>	<u>\$ 97,442</u>

December 31, 2019

	Less Than 1 Year	2-3 Years	4-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,752,723	\$ -	\$ -	\$ -
Short-term bills payable	210,000	-	-	-
Notes and accounts payables	1,949,114	-	-	-
Other payables	365,797	-	-	-
Lease liabilities	37,035	106,230	-	-
Refund liability	218,357	-	-	-
Long-term borrowings	<u>19,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,552,194</u>	<u>\$ 106,230</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less Than 1 Year	1-5 Years
Lease liabilities	<u>\$ 37,035</u>	<u>\$ 106,230</u>

March 31, 2019

	Less Than 1 Year	2-3 Years	4-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 1,883,179	\$ -	\$ -	\$ -
Short-term bills payable	160,000	-	-	-
Notes and accounts payables	2,079,729	-	-	-
Other payables	290,591	-	-	-
Lease liabilities	36,873	132,445	-	-
Refund liability	102,752	-	-	-
Long-term borrowings	<u>27,346</u>	<u>13,038</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,580,470</u>	<u>\$ 145,483</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less Than 1 Year	1-5 Years
Lease liabilities	<u>\$ 36,873</u>	<u>\$ 132,445</u>

b) Financing facilities

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank overdraft facilities			
Amount used	\$ 3,636,645	\$ 3,703,970	\$ 1,849,979
Amount unused	<u>4,295,713</u>	<u>4,207,643</u>	<u>5,058,121</u>
	<u>\$ 7,932,358</u>	<u>\$ 7,911,613</u>	<u>\$ 6,908,100</u>
Secured bank borrowings facility			
Amount unused	<u>\$ 12,582</u>	<u>\$ 18,828</u>	<u>\$ 39,442</u>

e. Transfers of financial assets

Factored accounts receivables were as follows:

March 31, 2020

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at March 31	Credit Lines
Bank SinoPac	\$ 227,376 (US\$ 7,672)	\$ 584,921 (US\$ 19,456)	\$ (64,811) (US\$ -2,154)	\$ (633,682) (US\$ -21,169)	\$ 113,804 (US\$ 3,805)	(US\$ 3,400)
Taishin International Bank	160,591 (US\$ 5,433)	539,093 (US\$ 17,901)	(52,827) (US\$ -1,755)	(502,818) (US\$ -16,752)	144,039 (US\$ 4,827)	\$ 1,283,000
Chang Hwa Bank	13,100 (US\$ 441)	94,831 (US\$ 3,149)	(10,721) (US\$ -357)	(87,291) (US\$ -2,902)	9,919 (US\$ 331)	(US\$ 3,300)
E.Sun Bank	71,980 (US\$ 2,427)	289,282 (US\$ 9,607)	(20,061) (US\$ -665)	(264,845) (US\$ -8,819)	76,356 (US\$ 2,550)	(US\$ 16,500)
HSBC Bank	103,539 (US\$ 3,487)	212,274 (US\$ 7,062)	(28,986) (US\$ -964)	(262,192) (US\$ -8,763)	24,635 (US\$ 822)	(US\$ 15,000)
	<u>\$ 576,586</u> <u>(US\$ 19,460)</u>	<u>\$ 1,720,401</u> <u>(US\$ 57,175)</u>	<u>\$ (177,406)</u> <u>(US\$ -5,895)</u>	<u>\$ (1,750,828)</u> <u>(US\$ -58,405)</u>	<u>\$ 368,753</u> <u>(US\$ 12,335)</u>	

December 31, 2019

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at March 31	Credit Lines
Bank SinoPac	\$ 90,717 (US\$ 2,954)	\$ 2,415,900 (US\$ 78,079)	\$ (233,598) (US\$ -7,558)	\$ (2,045,643) (US\$ -65,803)	\$ 227,376 (US\$ 7,672)	(US\$ 3,400)
Taishin International Bank	92,461 (US\$ 3,010)	2,299,881 (US\$ 74,342)	(225,095) (US\$ -7,301)	(2,006,656) (US\$ -64,618)	160,591 (US\$ 5,433)	\$ 1,283,000
Chang Hwa Bank	8,068 (US\$ 263)	262,114 (US\$ 8,467)	(26,267) (US\$ -851)	(230,815) (US\$ -7,438)	13,100 (US\$ 441)	(US\$ 3,300)
E.Sun Bank	13,164 (US\$ 429)	1,189,107 (US\$ 38,493)	(108,005) (US\$ -3,500)	(1,022,286) (US\$ -32,995)	71,980 (US\$ 2,427)	(US\$ 16,500)
HSBC Bank	61,776 (US\$ 2,011)	1,125,658 (US\$ 36,367)	(64,436) (US\$ -2,088)	(1,019,459) (US\$ -32,803)	103,539 (US\$ 3,487)	(US\$ 15,000)
	<u>\$ 266,186</u> <u>(US\$ 8,667)</u>	<u>\$ 7,292,660</u> <u>(US\$ 235,748)</u>	<u>\$ (657,401)</u> <u>(US\$ -21,298)</u>	<u>\$ (6,324,859)</u> <u>(US\$ -203,657)</u>	<u>\$ 576,586</u> <u>(US\$ 19,460)</u>	

March 31, 2019

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at March 31	Credit Lines
Bank SinoPac	\$ 90,717 (US\$ 2,954)	\$ 401,216 (US\$ 13,015)	\$ (58,382) (US\$ -1,896)	\$ (300,011) (US\$ -9,831)	\$ 130,742 (US\$ 4,242)	(US\$ 3,400)
Taishin International Bank	92,461 (US\$ 3,010)	422,195 (US\$ 13,700)	(61,303) (US\$ -1,988)	(331,434) (US\$ -10,972)	115,565 (US\$ 3,750)	\$ 1,213,000
Chang Hwa Bank	8,068 (US\$ 263)	26,657 (US\$ 864)	(6,407) (US\$ -208)	(17,416) (US\$ -634)	8,788 (US\$ 285)	(US\$ 3,300)
E.Sun Bank	13,164 (US\$ 429)	327,785 (US\$ 10,632)	(16,961) (US\$ -551)	(239,177) (US\$ -7,863)	81,567 (US\$ 2,647)	(US\$ 11,500)
HSBC Bank	61,776 (US\$ 2,011)	223,658 (US\$ 7,256)	(17,214) (US\$ -558)	(204,807) (US\$ -7,747)	29,634 (US\$ 962)	(US\$ 13,500)
	<u>\$ 266,186</u> <u>(US\$ 8,667)</u>	<u>\$ 1,401,511</u> <u>(US\$ 45,467)</u>	<u>\$ (160,267)</u> <u>(US\$ -5,201)</u>	<u>\$ (1,092,845)</u> <u>(US\$ -37,047)</u>	<u>\$ 366,296</u> <u>(US\$ 11,886)</u>	

The above credit lines may be used on a revolving basis.

The effective weighted average interest rates for factoring ranged from 1.6%-2.8524% for the three months ended March 31, 2020, 2.33%-3.875% for the year ended December 31, 2019, and 2.98%-3.87% for the three months ended March 31, 2019.

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by banks

Refer to Note 35 for information on the use of promissory notes provided by the Group as collateral for the sale of accounts receivable.

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Names and categories of related parties

Name	Related Party Categories
Weikeng Industrial Co., Ltd.	Substantive related party
Prosperity Venture Capital I, Limited	Substantive related party
CT Continental Corp.	Substantive related party

b. Sales of goods

Line Items	Related Party Categories/Name	For the Three months Ended March 31	
		2020	2019
Sales	Substantive related party	<u>\$ 2,769</u>	<u>\$ 1,940</u>

c. Purchases of goods

Related Party Categories/Name	For the Three months Ended March 31	
	2020	2019
Substantive related party	<u>\$ 18,705</u>	<u>\$ 12,590</u>

The related-party transactions were conducted under normal terms.

d. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories/Name	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	Substantive related party- others	\$ 2,689	\$ 1,718	\$ 1,938
	Substantive related party- CT Continental Corp.	<u>687,201</u>	<u>664,490</u>	<u>396,418</u>
		<u>\$ 689,890</u>	<u>\$ 666,208</u>	<u>\$ 398,356</u>

The revenue from sales to other customers through CT Continental Corp. for the three months ended March 31, 2020 and 2019 was NT\$397,704 thousand and NT\$275,952 thousand, respectively, and the accounts receivable at the end of the period were NT\$687,201 thousand and NT\$396,418 thousand, respectively.

e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories/Name	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payables	Substantive related party	<u>\$ 24,639</u>	<u>\$ 24,035</u>	<u>\$ 12,860</u>

The outstanding accounts payables to related parties are unsecured.

f. Lease arrangements - the Group is lessee

Acquisition of right-of-use assets

Related Party Categories/Name	For the Three months Ended March 31	
	2020	2019
<u>Acquisition of right-of-use assets</u>		
Substantive related party	<u>\$ 14,303</u>	<u>\$ 15,867</u>

Lessor	Location	Lease term and Payment Method
Weikeng Industrial Co., Ltd.	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2016 and ends on December 31, 2020. Rent is paid every six months, where the monthly rent is NT\$65,000.

Line Items	March 31, 2020	December 31, 2019	March 31, 2019
Lease liabilities - current	\$ 3,328	\$ 3,392	\$ 2,266
Lease liabilities - non-current	<u>8,534</u>	<u>10,166</u>	<u>12,764</u>
	<u>\$ 11,862</u>	<u>\$ 12,558</u>	<u>\$ 15,030</u>

Related Party Categories/Name	For the Three months Ended March 31	
	2020	2019
<u>Interest expense</u>		
Substantive related party	\$ <u>88</u>	\$ <u>112</u>

Lease expense

Lessor	Location	Lease Term and Payment Method	For the Three Months Ended March 31, 2019
CT Continental Corp	Office building on Huanshan Road, Neihu District	The lease term begins on March 1, 2017 and ends on February 28, 2019.	\$ <u>195</u>

g. Lease arrangements - the Group is lessor

Operating leases

Lessor	Location	Lease Term and Payment Method	For the Three Months Ended March 31, 2019
Prosperity Venture Capital I, Limited	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2016 and ends on February 28, 2019, and then begins on March 1, 2019 and ends on February 28, 2021. Rent is paid every six months.	\$ <u>12</u>

h. Other transactions with related parties

Line Items	Related Party Categories/Name	For the Three months Ended March 31	
		2020	2019
Research and development fee	Substantive related party	\$ 88	\$ 36
Commission expense	Substantive related party	<u>774</u>	<u>150</u>
		<u>\$ 862</u>	<u>\$ 186</u>

i. Compensation of key management personnel

Line Items	For the Three months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 12,200	\$ 15,575
Other long-term employee benefits	<u>205</u>	<u>203</u>
	<u>\$ 12,405</u>	<u>\$ 15,778</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 186,047	\$ 186,047	\$ 186,047
Buildings	97,633	98,838	120,963
Financial assets at amortized cost	<u>2,418</u>	<u>2,423</u>	<u>-</u>
	<u>\$ 286,098</u>	<u>\$ 287,308</u>	<u>\$ 307,010</u>

The land and buildings above have been pledged as collateral for bank loans. The Group may not use the pledged assets as collateral for other loans or sell them to other companies.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. Significant commitments

- 1) As of March 31, 2020, December 31, 2019, and March 31, 2019, unused letters of credit for purchases of inventories were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
USD	\$ 3,274	\$ 1,222	\$ 2,333
NTD	150,000	300,000	74,500

- 2) As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group had issued promissory notes for the facilities of bank loans, the facilities of accounts receivables factoring and for purchase of inventories amounted to \$756,000 thousand, \$753,000 thousand and \$1,153,000 thousand, respectively.
- 3) As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group has issued letters of guarantee for purchase of inventories amounted to \$264,670, \$219,015 thousand and \$200,760 thousand, respectively.

- 4) As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group has all issued letters of guarantee for tariff guarantee amounted to \$22,000 thousand.
- 5) As of March 31, 2020, December 31, 2019, and March 31, 2019, commitment for acquisition of property, plant and equipment were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Contract amount	\$ 9,457	\$ 12,897	\$ 1,887
Paid amount	<u>(3,582)</u>	<u>(4,025)</u>	<u>(606)</u>
Unpaid amount	<u>\$ 5,875</u>	<u>\$ 8,872</u>	<u>\$ 1,281</u>

b. Contingent liabilities: None

36. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: NONE

37. OTHERS

On December 20, 2019, the Company's board of directors entrusted Capital Securities Corporation to underwrite and issue the third domestic unsecured convertible corporate bonds. The upper limit of the par value of the issued bonds is NT\$100 million, and the actual amount of funds raised is determined by the auction results. The par value of each bond is NT\$10,000, while the actual issue price is set according to the auction results. The minimum bid cannot be lower than 101% of the par value of the bonds. The issue period is three years, and the coupon rate of the bonds is 0%.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 201,742	30.225 (USD:NTD)	\$ 6,097,646
CNY	1,790	4.255 (CNY:NTD)	7,617
CNY	1,737	0.141 (CNY:USD)	7,393
CNY	241	1.099 (CNY:HKD)	1,025
HKD	1,389	3.898 (HKD:NTD)	5,413
EUR	66	33.24 (EUR:NTD)	<u>2,190</u>
			<u>\$ 6,121,284</u>
Nonmonetary items			
Investments accounted for using the equity			
USD	154	30.225 (USD:NTD)	<u>\$ 4,659</u>
<u>Financial liabilities</u>			
Monetary items			
USD	124,079	30.225 (USD:NTD)	\$ 3,750,300
USD	5,165	7.075 (USD:CNY)	156,105
CNY	791	4.255 (CNY:NTD)	3,367
CNY	215	1.099 (CNY:HKD)	917
HKD	1,143	3.849 (HKD:NTD)	4,454
EUR	13	33.24 (EUR:NTD)	<u>441</u>
			<u>\$ 3,915,584</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 203,262	29.98 (USD:NTD)	\$ 6,093,806
CNY	1,428	4.305 (CNY:NTD)	6,146
CNY	1,727	0.144 (CNY:USD)	7,433
CNY	155	1.0989 (CNY:HKD)	667
HKD	904	3.899 (HKD:NTD)	3,479
EUR	119	33.59 (EUR:NTD)	3,998
GBP	86	39.36 (GBP:NTD)	<u>3,392</u>
			<u>\$ 6,118,921</u>

Nonmonetary items			
Investments accounted for using the equity			
USD	155	29.98 (USD:NTD)	<u>\$ 4,693</u>

Financial liabilities

Monetary items			
USD	116,482	29.98 (USD:NTD)	\$ 3,492,139
USD	3,722	6.964 (USD:CNY)	111,574
CNY	219	4.305 (CNY:NTD)	941
CNY	250	1.118 (CNY:HKD)	1,077
HKD	1,209	3.849 (HKD:NTD)	<u>4,652</u>
			<u>\$ 3,610,383</u>

March 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 140,847	30.82 (USD:NTD)	\$ 4,340,900
USD	330	6.73 (USD:CNY)	10,171
CNY	551	4.58 (CNY:NTD)	2,524
CNY	1,695	0.15 (CNY:USD)	7,763
HKD	771	3.93 (HKD:NTD)	3,028
EUR	30	34.61 (EUR:NTD)	1,038
GBP	305	40.11 (GBP:NTD)	<u>12,252</u>
			<u>\$ 4,377,676</u>

Nonmonetary items			
Investments accounted for using the equity			
USD	163	30.82 (USD:NTD)	<u>\$ 5,047</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 90,565	30.82 (USD:NTD)	\$ 2,791,225
USD	4,184	6.73 (USD:CNY)	128,947
CNY	235	1.17 (CNY:HKD)	1,074
HKD	1,094	3.93 (HKD:NTD)	<u>4,293</u>
			<u>\$ 2,925,539</u> (Concluded)

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Three Months Ended March 31				
2020			2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 22,001	1 (NTD:NTD)	\$ 9,564
CNY	4.255 (CNY:NTD)	241	4.58 (CNY:NTD)	2,406
HKD	3.898 (HKD:NTD)	<u>(6)</u>	3.93 (HKD:NTD)	<u>298</u>
		<u>\$ 22,236</u>		<u>\$ 12,271</u>

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

- 1) Financing provided to others. (None)
- 2) Endorsement/guarantee provided. (Table 1)
- 3) Marketable securities held. (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 - 9) Trading in derivative instruments. (None)
 - 10) Significant transactions between the Company and subsidiaries. (Table 4)
 - 11) Information of investees. (Table 5)
 - 12) Information of major shareholders (Table 8)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 7)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the area of operations. The Group’s segment information which is disclosed is as follows:

China region:

Manufacturing and distribution agents established in Mainland China and Hong Kong, including Happy On Supply Chain Management Limited, Promate Electronic (Shenzhen) Co., Ltd., and Promate Electronic (Shanghai) Company Limited.

Non-China region:

Manufacturing and distribution agents established outside Mainland China and Hong Kong, including the Company, Promate Solutions Corporation, Promate Japan Inc., and Promate Electronics Company USA.

The CODM considers manufacturing and distribution agent as a separate operating segment. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- a. These operating segments have customers with similar risks;
- b. These operating segments have the same method of product delivery to customers.

Segment Revenues and Operating Results

Analysis by reportable segment of revenues and operating results of continuing operations was as follows:

	For the Three Months Ended March 31, 2020		
	China Region	Non-China Region	Total
Segment revenue	<u>\$ 1,639,898</u>	<u>\$ 3,933,151</u>	<u>\$ 5,573,049</u>
Segment income	<u>\$ 41,379</u>	<u>\$ 164,752</u>	\$ 206,131
Interest income			1,989
interest expenses			(23,430)
Share of loss of associates			(71)
Net foreign exchange gains (losses)			22,236
Other gains and losses			<u>(6,229)</u>
Profit before income tax			<u>\$ 200,626</u>

	For the Three Months Ended March 31, 2019		
	China Region	Non-China Region	Total
Segment revenue	<u>\$ 1,321,867</u>	<u>\$ 3,503,955</u>	<u>\$ 4,825,822</u>
Segment income	<u>\$ 37,570</u>	<u>\$ 149,377</u>	\$ 186,947
Interest income			2,695
interest expenses			(32,236)
Share of loss of associates			(74)
Net foreign exchange gains (losses)			12,271
Other gains and losses			<u>239</u>
Profit before income tax			<u>\$ 169,842</u>

The above revenues were generated through transactions with external customers and among segments. The inter-segment revenues for the three months ended March 31, 2020 and 2019 had been adjusted and eliminated from the consolidated financial statements.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' and supervisors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Promate Electronic Co., Ltd. and subsidiaries	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	\$ 1,335,707	\$ 195,555	\$ 93,610	\$ 14,892	\$ -	2.45%	\$ 1,908,153	Y	N	Y
		Promate Electronic (Shanghai) Co., Ltd	Subsidiary	1,335,707	25,830	25,530	-	-	0.67%	1,908,153	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	1,335,707	25,830	25,530	25,530	25,530	0.67%	1,908,153	N	N	Y

Note: 1. 35% of the Company's net asset value. (\$3,816,306 thousand *35% = \$1,335,707 thousand).

2. 50% of the Company's net asset value. (\$3,816,306 thousand *50% = \$1,908,153 thousand).

3. The amounts are based on the exchange rate at the three months end of the period.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares ITE Tech. Inc	None	Financial assets at fair value through other comprehensive income - noncurrent	4,420	\$ 173	-	\$ 173	Publicly traded stocks
	Higgstec Inc	"	"	789,000	18,699	-	18,699	"
	LUXMILL ELECTRONIC COMPANY LIMITED	"	"	156,249	-	3.80	-	Non-publicly traded equity investments
	JAM TECHNOLOGIES, INC.	"	"	77,821	-	Preferred	-	"
	ALWAYS POSITIVE SOLAR SILICON, INC.	"	"	525,000	-	Preferred	-	"
	MiTAC Inc (CLARIDY SOLUTIONS, INC.)	"	"	18,140	-	0.07	-	"
	Youyouyun	"	"	8,889	-	12.70	-	"
	uPI Semiconductor Corp.,	"	"	56,080	1,009	-	1,009	"
	Medimaging Integrated Solution Inc.	"	"	52,000	936	-	936	"
Promate Solutions Corporation.	Higgstec Inc	"	"	1,221,000	28,938	-	28,938	Publicly traded stocks
					\$ 49,755			
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares: Chi Hua Fitness Co., Ltd.	None	Financial assets at fair value through profit or loss - current	30,000	\$ 1,254	-	1,254	Publicly traded stocks
	Jinan Acetate Chemical Co., LTD.	"	"	22,000	2,115	-	2,115	"
	Phison Electronics Corp.	"	"	5,000	1,240	-	1,240	"
	BIOTEQUE CORPORATION	"	"	30,000	2,850	-	2,850	"
Promate Solutions Corporation.	Great Tree Pharmacy Co., Ltd.	None	Financial assets at fair value through profit or loss - current	2,000	147	-	147	Publicly traded stocks
	SYNGEN BIOTECH CO., LTD.	"	"	4,000	342	-	342	"
	CHIAN HSING FORGING INDUSTRIAL CO., LTD.	"	"	6,000	190	-	190	"
	Jinan Acetate Chemical Co., LTD.	"	"	32,100	3,085	-	3,085	"
	BIOTEQUE CORPORATION	"	"	30,000	2,850	-	2,850	"
	MAXIGEN BIOTECH INC.	"	"	3,000	48	-	48	"
	Power Wind Health Industry Incorporated	"	"	1,197	159	-	159	"
M.J. International Co., Ltd.	"	"	5,000	303	-	303	"	

(Continued)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	BROGENT TECHNOLOGIES INC.	"	"	1,100	\$ 104	-	\$ 104	"
	Phison Electronics Corp.	"	"	5,000	1,240	-	1,240	"
	Jia Wei Lifestyle, Inc.	"	"	5,483	253	-	253	"
					<u>\$ 16,180</u>			
Promate Electronic Co., Ltd. and subsidiaries	Time deposit with an original maturity of more than three months	"	Financial assets at amortized cost - current	USD 80,000	\$ 2,418	-	\$ 2,418	
Promate Solutions Corporation.	Foreign debt instruments:							
	Mizuho Bank, Ltd.	"	"		\$ 45,386	-	\$ 45,386	
					(USD 1,502)	-	(USD1,502)	
	Standard Chartered PLC	"	"		15,203	-	15,203	
					(USD 503)	-	(USD503)	
	Citigroup Inc.	"	"		30,270	-	30,270	
					(USD 1,001)	-	(USD1,001)	
	Goldman Sachs Group Inc.	"	"		30,225	-	30,225	
					(USD 1,000)	-	(USD1,000)	
					<u>\$ 123,502</u>			

Note: Refer to Tables 6 and 7 for information on interests in subsidiaries, associates, and joint ventures.

(Concluded)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Promate Electronic Co., Ltd	CT Continental Corp	Substantive related party	Accounts receivable \$687,201	2.35	\$ -	-	\$ 42,039	\$ -

Note: The related party transaction of the group entity has been adjusted and written off.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			% to Total Sales or Assets (Note 3)
				Financial Statement Account	Amount (Note 4)	Payment Terms	
0	Promate Electronic Co., Ltd	Promate Solutions Corporation.	1	Sale	\$ 67,817	Transaction terms are not significantly different from those for third parties	1.22%
	"	"	1	Accounts receivable	50,480	"	0.48%
	"	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	1	Freight expenses	15,584	"	0.28%
	"	Promate Electronic (Shenzhen) Co., Ltd.	1	Sale	78,115	"	1.40%
	"	"	1	Accounts receivable	119,203	"	1.14%
	"	"	1	Service expenses	15,994	"	0.29%
	"	Promate Electronic (Shanghai) Co., Ltd	1	Sale	42,886	"	0.77%
	"	"	1	Accounts receivable	41,540	"	0.40%
	"	"					

Note 1: The parent company and its subsidiaries are numbered as follows:

- a. "0" for the parent company.
- b. Subsidiaries are numbered from "1".

Note 2: The flow of related-party transactions is as follows:

- a. From the parent company to its subsidiary.
- b. From the subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of March 31, 2020, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2020.

Note 4: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE THREE MONTHS ENDED MARCH 31, 2020
 (In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee)	Investment Gain (Loss) (Note)	Note
				March 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Promate Electronic Co., Ltd	<u>With control ability</u> Promate Solutions Corporation.	Taipei, Taiwan	Production and trade of electronic components	\$ 297,527	\$ 297,527	25,328	66.21	\$ 741,920	\$ 57,040	\$ 37,874	Subsidiary
	PROMATE INTERNATIONAL CO., LTD.	Hong Kong	General investment	52,101	52,101	12,360	100.00	42,963	3,628	3,628	Subsidiary
	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	31,602	315	315	Subsidiary
	PROMATE ELECTRONICS COMPANY USA	USA	General trade of electronic components	606	606	20	100.00	9,133	(665)	(665)	Subsidiary
Promate Electronic Co., Ltd	<u>Having significant influence</u> Prosperity Venture Capital I, Limited	Taipei, Taiwan	General investment	17,215	17,215	11	21.62	4,659	(330)	(71)	Equity method investee
Promate Solutions Corporation	<u>With control ability</u> PROMATE JAPAN Inc.	Japan	General trade of electronic components	2,791	2,791	100	100.00	2,612	9	9	Subsidiary

Note: Refer to Table 8 for information on investment in mainland China.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Repatriation of Investment Income as of March 31, 2020
					Outward	Inward						
Promate Electronic (Shenzhen) Co., Ltd.	International trade, entrepot trade, trade with companies and trading agents in free trade zones	\$ 6,782 (USD 200)	In Indirect (Note1)	\$ 6,782 USD 200	\$ -	\$ -	\$ 6,782 USD 200	\$ 2,740 (Note 2)	100	\$ 2,740 (Note 2)	\$ 8,095	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD 1,000)	Same as above	32,500 USD 1,000	-	-	32,500 USD 1,000	841 (Note 2)	100	841 (Note 2)	26,168	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$39,282 USD1,200	\$39,282 USD1,200	\$2,517,331

Note 1: Indirect investment in mainland China through holding companies - Promate International co., Ltd.

Note 2: The amount was recognized based on the audited financial statements of the investee company.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Relationship Between the Company and Related Party	Financial Statement Account	Amount	Unit Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gains or Losses
					Payment Terms	Compared to General Transactions	Ending Balance	% of Total	
Promate Electronic (Shenzhen) Co., Ltd.	Sub-subsidiary indirectly wholly owned by the Company	Sales	\$ 78,115	No significant difference	No significant difference	No significant difference	Accounts receivable \$119,203	2.63%	\$ 67
		Service expense	15,994	"	"	"			
Promate Electronic (Shanghai) Co., Ltd	Sub-subsidiary indirectly wholly owned by the Company	Sales	42,886	"	"	"	Accounts receivable \$41,540	0.92%	385
		Service expense	6,404	"	"	"			

1. Endorsements, guarantees or collateral directly and indirectly provided by investee companies in mainland China through businesses in a third area: Table 1.
2. Financial intermediation directly and indirectly provided by investee companies in mainland China through a third area: None.
3. Other transactions that have a material impact on current profit or loss or financial status: None.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
None	-	-

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.