

**NISHOKU TECHNOLOGY INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020 and 2019
(With Independent Auditors' Review Report Thereon)

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

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Independent Auditors' Review Report

To the Board of Directors of Nishoku Technology Inc.:

Introduction

We have reviewed the consolidated financial statements of Nishoku Technology Inc. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of March 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019. Management are 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 the International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued by the Financial Supervisory Commission of the Republic of China. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

Scope of Review

Except as described in basis of opinion, we conducted our reviews in accordance with Statement on Auditing Standard 65, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Group's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Basis of opinion

Included in the accompanying consolidated interim financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of \$887,387 thousand and \$620,546 thousand both constituting 12% and 8% of the Group's consolidated total assets as of March 31, 2020 and 2019, respectively; total liabilities of \$380,760 thousand and \$326,385 thousand both constituting 11% and 10% of the Group's consolidated total liabilities as of March 31, 2020 and 2019, respectively; comprehensive income of \$28,788 thousand and \$34,600 thousand constituting 36% and 11% of the Group's consolidated comprehensive income for the three months ended March 31, 2020 and 2019, respectively.

Conclusion

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of some equity method investees as described in basis of opinion above been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the Preparation

Notes to Readers

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

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of Financial Reports by Securities Issuers and the International Accounting Standard 34 “ Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditor’s report are Cheng-Chien Chen and Sheng-Ho Yu

KPMG

Taipei, Taiwan (Republic of China)

Apr. 30, 2020

Notes to Readers

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Reviewed only, not audited in accordance with generally accepted auditing standards
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income

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For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4110	Operation Revenues (note 6(q))	\$ 645,359	103	652,366	102
4170	Less: Sales returns and allowance	20,341	3	14,348	2
	Net Operating revenues	<u>625,018</u>	<u>100</u>	<u>638,018</u>	<u>100</u>
5000	Operating costs (notes 6(d), (f),(l) and 12)	512,467	82	589,681	92
	Gross profit from operations	<u>112,551</u>	<u>18</u>	<u>48,337</u>	<u>8</u>
6000	Operating expenses: (notes 6(c), (f), (l) ,(o) ,(r) and 12)				
6100	Selling expenses	15,445	2	14,360	2
6200	Administrative expenses	73,009	12	70,140	11
6300	Research and development expenses	18,343	3	22,733	4
6450	Expected Credit Loss	270	-	761	-
		<u>107,067</u>	<u>17</u>	<u>107,994</u>	<u>17</u>
	Net operating income (loss)	<u>5,484</u>	<u>1</u>	<u>(59,657)</u>	<u>(9)</u>
	Non-operating income and expenses:				
7010	Other income (notes 6(s))	24,469	4	16,889	3
7020	Other gains and losses, net (notes 6(t))	29,082	4	(22,194)	(4)
7050	Finance costs, net	(6,177)	(1)	(6,605)	(1)
	Total non-operating income and expenses	<u>47,374</u>	<u>7</u>	<u>(11,910)</u>	<u>(2)</u>
7900	Profit from continuing operations before tax	<u>52,858</u>	<u>8</u>	<u>(71,567)</u>	<u>(11)</u>
7950	Less: Tax expense (note 6(m))	14,032	2	(11,649)	(2)
	Profit (loss)	<u>38,826</u>	<u>6</u>	<u>(59,918)</u>	<u>(9)</u>
8300	Other comprehensive income (loss):				
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(30,467)	(5)	96,380	15
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(m))	6,093	(1)	(19,276)	3
8300	Other comprehensive income, net	<u>(24,374)</u>	<u>(4)</u>	<u>77,104</u>	<u>12</u>
8500	Total comprehensive income	<u>\$ 14,452</u>	<u>2</u>	<u>17,186</u>	<u>3</u>
	Profit, attributable to:				
8610	Profit (loss), attributable to owners of parent	<u>\$ 38,826</u>	<u>6</u>	<u>(59,918)</u>	<u>(9)</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	<u>\$ 14,452</u>	<u>2</u>	<u>17,186</u>	<u>3</u>
	Basic earnings per share				
9750	Basic earnings(loss) per share (NT dollars) (note 6(p))	<u>\$ 0.62</u>		<u>(0.96)</u>	
9850	Diluted earnings per share (NT dollars) (note 6(p))	<u>\$ 0.62</u>			

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital		Retained earnings			Total other equity interest Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2019	\$ 622,962	955,989	480,192	181,708	1,886,558	(199,839)	3,927,570	3,927,570
Profit (loss) for the period	-	-	-	-	(59,918)	-	(59,918)	(59,918)
Other comprehensive income	-	-	-	-	-	77,104	77,104	77,104
Total comprehensive income (loss)	-	-	-	-	(59,918)	77,104	17,186	17,186
Appropriation and distribution of retained earnings:								
Stock option compensation cost	-	1,033	-	-	-	-	1,033	1,033
Balance at March 31, 2019	\$ 622,962	957,022	480,192	181,708	1,826,640	(122,735)	3,945,789	3,945,789
Balance at January 1, 2020	\$ 622,962	955,124	504,367	199,839	1,994,985	(337,817)	3,943,460	3,943,460
Profit for the period	-	-	-	-	38,826	-	38,826	38,826
Other comprehensive income	-	-	-	-	-	(24,374)	(24,374)	(24,374)
Total comprehensive income (loss)	-	-	-	-	38,826	(24,374)	14,452	14,452
Appropriation and distribution of retained earnings:								
Stock option compensation cost	-	411	-	-	-	-	411	411
Balance at March 31, 2020	\$ 622,962	959,535	504,367	199,839	2,033,811	(362,191)	3,958,323	3,958,323

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2020	2019
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 52,858	(71,567)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	73,690	81,903
Expected credit loss	270	761
Interest expense	6,177	6,605
Interest income	(19,911)	(14,179)
Stock option compensation cost	411	1,033
Net loss (gain) on financial assets at fair value through profit or loss	2,730	(1,415)
Loss on disposal of property, plant and equipment	(686)	(2,071)
Recognition losses on inventory valuation and obsolescence	4,086	30,343
	<u>66,767</u>	<u>102,980</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(37,755)	(372,376)
Accounts receivable	419,539	415,401
Inventories	(16,335)	(45,163)
Other current assets and other financial assets	(14)	1,378
Total changes in operating assets	<u>365,435</u>	<u>(760)</u>
Changes in operating liabilities:		
Accounts payable	(193,477)	(115,398)
Other current liabilities	(22,001)	(20,308)
Total changes in operating liabilities	<u>(215,478)</u>	<u>(135,706)</u>
Total adjustments	<u>216,724</u>	<u>(33,486)</u>
Cash inflow(outflow) generated from operations	269,582	(105,053)
Interest received	21,272	14,179
Interest paid	(6,655)	(6,675)
Income taxes paid	(10,756)	(146)
Net cash flows from operating activities	<u>273,443</u>	<u>(97,695)</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(16,023)	(32,130)
Proceeds from disposal of property, plant and equipment	711	3,253
Increase Refundable deposits	(335)	(8,310)
Decrease in other non-current assets	(837)	(1,845)
Net cash flows used in investing activities	<u>(16,484)</u>	<u>(39,032)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	152,573	(199,160)
Increase (decrease) in short-term notes and bills payable	(150,000)	99,922
Increase in long-term debt	-	100,000
Increase (decrease) in guarantee deposits received	(222)	10
Payment of lease liabilities	(15,212)	(14,399)
Net cash flows used in financing activities	<u>(12,861)</u>	<u>(13,627)</u>
Effect of exchange rate changes on cash and cash equivalents	(47,284)	66,925
Net Increase (decrease) in cash and cash equivalents	196,814	(83,429)
Cash and cash equivalents at beginning of period	3,539,799	3,343,043
Cash and cash equivalents at end of period	<u>\$ 3,736,613</u>	<u>3,259,614</u>

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

NISHOKU TECHNOLOGY INC. (the “Company”) was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) primarily are involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export trade, please refer to note 14.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated interim financial statements were authorized for issuance by the board of directors on April 30, 2020.

(3) New standards, amendments and interpretations adopted:

- a. Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already taken effect.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020:

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

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- b. The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurances Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

(Continued)

Notes to the Consolidated Financial Statements

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

(4) Summary of significant accounting policies:**a. Statement of compliance**

The consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated interim financial statements, the Chinese version shall prevail.

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

b. Basis of consolidation

Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2019. The financial statements of insignificant consolidated subsidiaries, NISHOKU BOUEKI and NISHOKU VIETNAM, were not reviewed by independent accountants, and the financial statements of insignificant consolidated subsidiaries, SAME SRART (Anguilla), were reviewed by independent accountants.

c. Income Tax

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting

(Continued)

Notes to the Consolidated Financial Statements

policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

In addition to the following, there is no significant difference between the notes on the significant accounting items of the consolidated interim financial statements and the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash Equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash, and demand deposits	\$ 1,688,189	1,528,284	1,306,531
Time deposits	1,494,486	1,321,955	1,782,759
Bond acquired under repurchase agreement	553,938	689,560	170,324
Cash and cash equivalents in the Consolidated statement of cash flows	<u>\$ 3,736,613</u>	<u>3,539,799</u>	<u>3,259,614</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Mandatorily measured at fair value through profit or loss			
Fund investments	\$ 10,713	12,666	13,236
Principal guaranteed financial product	468,125	430,513	618,280
Overseas corporate bonds	5,616	6,250	6,165
Total	<u>\$ 484,454</u>	<u>449,429</u>	<u>637,681</u>

As of March 31, 2020, and December 31, 2019, and March 31, 2019, the Group did not provide any financial assets as collateral for its loans.

(c) Notes and accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 12,660	19,343	48,526
Accounts receivable	982,840	1,395,696	904,834
Less : allowance for impairment	(19,369)	(19,099)	(20,848)
	<u>\$ 976,131</u>	<u>1,395,940</u>	<u>932,512</u>

The Group measures the loss allowance for notes and accounts receivable using the simplified approach with the lifetime expected credit losses. To measure the expected credit losses, notes and accounts

(Continued)

Notes to the Consolidated Financial Statements

receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporate forward-looking information.

Analysis of expected credit losses was as follows:

	March 31, 2020		
	Carrying amount of accounts receivable	Expected loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 880,585	-%	-
Past due less than 120 days	80,593	0%~1%	22
Past due 121~270 days	3,027	0%~30%	712
Past due over 1 year	18,635	100%	18,635
Total	<u>\$ 982,840</u>		<u>19,369</u>

	December 31, 2019		
	Carrying amount of accounts receivable	Expected loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 1,339,320	-%	-
Past due less than 120 days	37,523	0%~1%	247
Past due 121~270 days	1	0%~30%	-
Past due over 1 year	18,852	100%	18,852
Total	<u>\$ 1,395,696</u>		<u>19,099</u>

	March 31, 2019		
	Carrying amount of accounts receivable	Expected loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 771,452	-%	-
Past due less than 120 days	113,377	0%~1%	843
Past due over 1 year	3,936	100%	3,936
Total	<u>\$ 888,765</u>		<u>4,779</u>

As of March 31, 2019 , after assessment, there is default risk on individual customer, and the gross carrying amount and loss allowance provision of the customer amounted to \$16,069 thousand.

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

(Continued)

Notes to the Consolidated Financial Statements

	Three months ended March 31,	
	2020	2019
Beginning balance (IAS 39)	\$ 19,099	23,892
Impairment loss	270	761
Amounts written off	-	(3,805)
Ending balance	<u>\$ 19,369</u>	<u>20,848</u>

(d) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 150,384	144,663	161,377
Work in process	217,793	219,691	256,175
Finished goods	119,700	111,274	95,788
	<u>\$ 487,877</u>	<u>475,628</u>	<u>513,340</u>

For the three months ended March 31, 2020 and 2019, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to \$512,467 thousand and \$589,681 thousand, respectively. For the three months ended March 31, 2020 and 2019, the Group recognized the losses (reversal) on inventory valuation and obsolescence as cost of goods sold amounting to \$4,086 thousand and \$30,343 thousand, respectively.

As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group did not provide any inventories as collateral.

(e) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group for the years ended March 31, 2020 and 2019, were as follows.

	Land	Building	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2020	\$ 179,672	920,762	2,016,688	476,633	101,928	3,695,683
Additions	-	-	1,694	2,103	15,810	19,607
Reclassifications	-	-	3,786	835	(4,849)	(228)
Disposals	-	-	(4,535)	(1,788)	-	(6,323)
Effect of movements in exchange rates	-	(4,989)	(15,557)	(4,753)	(1,251)	(26,550)
Balance on March 31, 2020	<u>\$ 179,672</u>	<u>915,773</u>	<u>2,002,076</u>	<u>473,030</u>	<u>111,338</u>	<u>3,682,189</u>
Balance on January 1, 2019	\$ 179,672	927,427	2,099,866	478,594	73,046	3,758,605
Additions	-	1,697	6,429	6,181	23,957	38,264
Reclassifications	-	-	36,152	11,543	(47,305)	390

(Continued)

Notes to the Consolidated Financial Statements

Disposals	-	-	(52,754)	(3,516)	-	(56,270)
Effect of movements in exchange rates	-	14,023	43,041	10,900	3,041	71,005
Balance on March 31, 2019	<u>\$ 179,672</u>	<u>943,147</u>	<u>2,132,734</u>	<u>503,702</u>	<u>52,739</u>	<u>3,811,994</u>

Depreciation and impairments loss:

Balance on January 1, 2020	\$ -	391,905	1,413,474	358,463	-	2,163,842
Depreciation for the period	-	12,079	32,574	12,087	-	56,740
Disposals	-	-	(4,535)	(1,763)	-	(6,298)
Effect of movements in exchange rates	-	(2,473)	(12,938)	(3,856)	-	(19,267)
Balance on March 31, 2020	<u>\$ -</u>	<u>401,511</u>	<u>1,428,575</u>	<u>364,931</u>	<u>-</u>	<u>2,195,017</u>
Balance on January 1, 2019	\$ -	354,265	1,406,257	348,728	-	2,109,250
Depreciation for the period	-	12,994	39,935	11,941	-	64,870
Reclassifications	-	-	-	390	-	390
Disposals	-	-	(51,648)	(3,440)	-	(55,088)
Effect of movements in exchange rates	-	5,730	28,663	7,915	-	42,308
Balance on March 31, 2019	<u>\$ -</u>	<u>372,989</u>	<u>1,423,207</u>	<u>365,534</u>	<u>-</u>	<u>2,161,730</u>

Carrying amounts:

Balance on March 31, 2020	<u>\$ 179,672</u>	<u>514,262</u>	<u>573,501</u>	<u>108,099</u>	<u>111,638</u>	<u>1,487,172</u>
Balance on January 1, 2020	<u>\$ 179,672</u>	<u>528,857</u>	<u>603,214</u>	<u>118,170</u>	<u>101,928</u>	<u>1,531,841</u>
Balance on March 31, 2019	<u>\$ 179,672</u>	<u>570,158</u>	<u>709,527</u>	<u>138,168</u>	<u>52,739</u>	<u>1,650,264</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the property, plant and equipment of the Group had not been pledged as collateral.

(f) Right-of-use assets

The Group leases many assets including land and buildings, vehicles and machinery equipment. Information about leases for which the Group as a lessee was presented below

	Buildings and structures	Machinery and equipment	Transporta tion equipment	Total
--	--------------------------------	-------------------------------	---------------------------------	-------

Carrying amount:

Balance on March 31, 2020	<u>\$ 103,046</u>	<u>11,528</u>	<u>4,106</u>	<u>118,680</u>
Balance on January 1, 2020	<u>\$ 114,456</u>	<u>15,550</u>	<u>4,964</u>	<u>134,970</u>

The amounts of depreciation expense for the three months ended March 31, 2020 and 2019 were \$14,970 thousand and \$14,267 thousand, respectively.

(g) Short-term borrowings

The details were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Credit loans, no pledge	<u>\$ 977,363</u>	<u>824,790</u>	<u>606,560</u>
Interest rate range	<u>0.78%~1.70%</u>	<u>0.90%~2.80%</u>	<u>0.99%~3.12%</u>

(Continued)

Notes to the Consolidated Financial Statements

(h) Short-term notes and bills payable

The details were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Commercial paper payable	\$ -	150,000	200,000
Less: Discount on short-term notes and bills payable	-	(6)	(93)
Total	<u>\$ -</u>	<u>149,924</u>	<u>199,907</u>
Interest rate range	<u>-</u>	<u>0.732%</u>	<u>0.650%~0.712%</u>

The repayment amounts for the three months ended March 31, 2020 were \$150,000 thousand, respectively.

(i) Long-term borrowings

The details were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured loans	<u>\$ 1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Interest rate range	<u>0.94%~1.18%</u>	<u>1.00%~1.19%</u>	<u>1.18%~1.20%</u>

(j) Lease liabilities

The details were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Lease liabilities - Current	<u>\$ 54,152</u>	<u>59,531</u>	<u>48,954</u>
Lease liabilities -Non-current	<u>\$ 64,813</u>	<u>75,586</u>	<u>19,890</u>

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

The amounts recognized in profit or loss was as follows:

	<u>For the year end March 31,2020</u>	<u>For the year end March 31,2019</u>
Interests of lease liabilities	<u>\$ 385</u>	<u>234</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 155</u>	<u>140</u>

(Continued)

Notes to the Consolidated Financial Statements

The amounts recognized in the statement of cash flows were as follows:

	For the year end	For the year end
	March 31,2020	March 31,2019
Total cash out flow of lease	\$ 15,752	14,773

(k) Operating lease

There were no significant changes in operating lease for the three months ended March 31,2019. Please refer to Note 6(k) of the consolidated financial statements for the year ended December 31, 2019 for other related information.

(l) Employee benefits

The pension costs incurred from the contributions to the Labor Insurance were as follows:

	For the three months	
	ended March 31,	
	2020	2019
Operating Costs	\$ 4,821	7,364
Operating Expenses	1,531	1,923
Total	\$ 6,352	9,287

(m) Income tax

(i) The amounts of tax expense (profit) for the three months ended March 31, 2020 and 2019 were \$14,032 thousand and (\$11,649) thousand, respectively.

(ii) The amount of income tax expense under other comprehensive income or loss for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months	
	ended March 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	\$ (6,093)	19,276

(iii) The Company and NISHOKU BOUEKI income tax returns have been examined by the tax authority through the years up to 2016 and 2018, respectively.

(Continued)

Notes to the Consolidated Financial Statements

(l) Employee benefits

The pension costs incurred from the contributions to the Labor Insurance were as follows:

	For the three months ended March 31,	
	2020	2019
Operating Costs	\$ 4,821	7,364
Operating Expenses	1,531	1,923
Total	\$ 6,352	9,287

(m) Income tax

- (i) The amounts of tax expense (profit) for the three months ended March 31, 2020 and 2019 were \$14,032 thousand and (\$11,649) thousand, respectively.
- (ii) The amount of income tax expense under other comprehensive income or loss for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	\$ (6,093)	19,276

- (iii) The Company and NISHOKU BOUEKI income tax returns have been examined by the tax authority through the years up to 2016 and 2018, respectively.

(n) Capital and other equity

In addition to the following, there is no material change in capital and other equity of the Group for the three months ended March 31, 2020 and 2019. For the related information, please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2019.

(i) Capital surplus

The balances of capital surplus as of March 31, 2020 and December 31, 2020, and March 31, 2019 were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-capital	\$ 949,944	949,944	949,944
Employee share options	9,591	9,180	7,078
Total	\$ 959,535	959,124	957,022

(Continued)

Notes to the Consolidated Financial Statements

(ii) Retained earnings

The Company's article of incorporation stipulate that, when allocating the profit for each fiscal year, the Company shall first offset its losses (including unappropriated retained earnings adjustment) in previous years. Of the remaining profit, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's paid-in capital. Aside from the aforesaid legal reserve, the Company shall appropriate or reverse another sum as special earnings reserve in accordance with relevant laws or regulations or requested by the authorities in charge. The remaining profit together with any undistributed retained earnings(including unappropriated retained earnings adjustment) shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the amendment of the of Article 240 and Article 241 of the ROC Company Act, the Company authorized the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution only if the current-year retained earnings available for distribution does not reach \$0.5 per share, the Company may decide not to distribute dividend. The dividend to be distributed may be in the form of cash and stock, and cash portion of the dividend, should not be less than 30% of the total distributed dividend.

Earnings distribution for 2020 and 2019 were decided via board of directors held on April 30, 2020, and June 18, 2019, respectively, and the approval of shareholders' meeting. The relevant dividend distributions to shareholders were as follow:

	2019		2018	
	Payout per share	Amount	Payout per share	Amount
Dividend to shareholders:				
Cash	\$ 4.0	<u>249,185</u>	\$ 3.0	<u>186,889</u>

(o) Share-based payment

For the three months ended March 31, 2020 and 2019, there were no significant changes in share-based payment except for the following: (Please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2019 for other related information).

(i) Information about the Company's outstanding employee stock options is described as follows:

Notes to the Consolidated Financial Statements

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Weighted-average Exercise Price(NT\$)	Number of Stock Options	Weighted-average Exercise Price(NT\$)	Number of Stock Options
Outstanding at beginning of the period	\$ 70.80(note)	440	99.75	560
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Outstanding at end of the period	70.80(note)	<u>440</u>	99.75(note)	<u>560</u>
Exercisable at end of the period		<u>-</u>		<u>-</u>
The weighted average price of the stock options		<u>\$ 18.15</u>		<u>18.15</u>

(Note) The Company adjusted the exercise price of stock options according to its requirements for issuance stock options.

The details of the stock options of the Group as of March 31, 2020 and December 31, 2019, and March 31, 2019 were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Weighted average of remaining contractual period (years)	2.32	2.57	3.32

(ii) The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	2017
Exercise price (in dollars)	81.80
Stock price of grant date (in dollars)	81.80
Expected dividends	-%
Expected price volatility	26.78%~27.89%
Risk-free interest rate	0.67%~0.73%
Exercise option life	5 years

(iii) For the years ended March 31, 2020 and 2019, the expenses attributable to share based payment amounted to \$411 thousand and \$1,033 thousand, respectively.

(p) Earnings per share

The calculation of basic earnings per share for the three months ended March 31, 2020 and 2019 were calculated as follows:

(Continued)

Notes to the Consolidated Financial Statements

	For the three months ended March 31,	
	2020	2019
Basic earnings (loss) per share:		
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>38,826</u>	\$ <u>(59,918)</u>
Weighted-average number of ordinary shares (thousand shares)	<u>62,296</u>	<u>62,296</u>
Basic earnings (loss) per share (NTD)	\$ <u>0.62</u>	\$ <u>(0.96)</u>

	For the three months ended March 31,	
	2020	2019
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>38,826</u>	
Weighted-average number of ordinary shares (thousand shares)	62,296	
Effect of employee stock bonus	442	
Weighted average number of ordinary shares (diluted) (thousand shares)	<u>62,738</u>	
Diluted earnings per share (NTD)	\$ <u>0.62</u>	

(q) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31,	
	2020	2019
<u>Primary geographical markets</u>		
United States	\$ 292,066	266,270
Asia	125,642	183,412
Euro	<u>207,310</u>	<u>188,336</u>
	\$ <u>625,018</u>	<u>638,018</u>
<u>Primary productions</u>		
Plastic injection mold	\$ 574,745	594,517
Tooling mold	49,736	43,361
Others	537	140
	\$ <u>625,018</u>	<u>638,018</u>

(ii) Contract balances

For details on accounts receivable, please refer to note 6 (c).

(Continued)

Notes to the Consolidated Financial Statements

(r) Employee, board of directors', and supervisors' compensation

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the three months ended March 31, 2020, the Company estimated its employee remuneration and supervisors' remuneration amounting to \$6,188 thousand and \$2,000 thousand. For the three months ended March 31, 2019, the Company has net loss and did not estimate employee, board of directors' and supervisors' remuneration. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating. If the Board of Directors decide to distribute compensation for employees by shares, the numbers of shares to be distributed would be calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors.

For the year ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$22,100 thousand and \$17,513 thousand, respectively, and directors' and supervisors' remuneration amounting to \$7,925 thousand and \$6,140 thousand respectively. There is no difference in the actual distribution situation, please refer to Market Observation Post System for further information.

(s) Other revenue

	For the three-months ended March 31,	
	2020	2019
Interest income	\$ 19,911	14,179
Others	4,558	2,710
Total other income	<u>\$ 24,469</u>	<u>16,889</u>

(t) Non-operating gains and losses

	For the three months ended March 31,	
	2020	2019
Foreign currency exchange gains (losses), net	\$ 31,603	(25,251)
Gains (losses) on valuation of financial assets	(2,730)	1,415
Gains on disposal of property, plant and equipment	686	2,071
Others	(477)	(429)
Net gains and losses	<u>\$ 29,082</u>	<u>(22,194)</u>

(Continued)

Notes to the Consolidated Financial Statements

(u) Financial Instruments

In addition to the following, there is no material change in financial instruments of the Group. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Credit risk exposure

As of March 31, 2020 and 2019, the Group's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the consolidated statements of financial position and amounted to \$5,205,785 thousand and \$4,837,618 thousand, respectively. The Groups had deposited these bank deposits in different financial institutions, and the Group believes that there is no significant credit risk from the above mentioned financial institutions.

2) Concentration of credit risk

The credit risk exposure of the Group comes from the credit of individual customers, and the industry of the customer also have effect on credit risk. For the years ended March 31, 2020 and 2019, sales to the individual customers whose revenue constituting over 10% of net revenue are 23% and 46% of total revenues respectively. As of March 31, 2020 and 2019, 16% and 54%, respectively, of accounts receivable were for those customers.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1-2 years	2-5 years
March 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 977,363	980,511	980,511	-	-
Long-term borrowings	1,000,000	1,015,591	10,483	1,005,108	-
Notes and accounts payable	410,901	410,901	410,901	-	-
Lease liabilities	118,965	118,965	54,152	64,813	-
Other financial liabilities	43,976	43,976	43,976	-	-
	<u>\$ 2,551,205</u>	<u>2,569,944</u>	<u>1,500,023</u>	<u>1,069,921</u>	<u>-</u>
December 31, 2019					
Non-derivative financial liabilities					
Short-term borrowings	\$ 824,790	830,154	830,154	-	-
Short-term notes and bills payable	149,994	150,000	150,000	-	-
Long-term borrowings	1,000,000	1,018,915	10,730	1,008,185	-
Notes and accounts payable	604,378	604,378	604,378	-	-
Lease liabilities	135,117	135,117	59,531	75,586	-
Other financial liabilities	45,478	45,478	45,478	-	-

(Continued)

Notes to the Consolidated Financial Statements

	<u>\$ 2,760,027</u>	<u>2,784,312</u>	<u>1,700,541</u>	<u>1,083,771</u>	<u>-</u>
March 31, 2019					
Non-derivative financial liabilities					
Short-term borrowings	\$ 606,560	609,249	609,249	-	-
Short-term notes and bills payable	199,907	200,000	200,000	-	-
Long-term borrowings	1,000,000	1,020,286	11,935	1,008,351	-
Notes and accounts payable	485,905	485,905	485,905	-	-
Lease liability	68,844	69,475	49,474	20,001	-
Other financial liabilities	41,154	41,154	41,154	-	-
	<u>\$ 2,402,370</u>	<u>2,426,069</u>	<u>1,397,717</u>	<u>1,028,352</u>	<u>-</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exchange rate risk

The Group significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary Items									
USD	\$ 68,419	30.225	2,067,960	81,104	29.980	2,431,483	51,097	30.820	1,574,802
CNY	9,904	4.255	42,142	16,029	4.305	69,005	15,540	4.580	71,174
Financial liabilities									
Monetary Items									
USD	1,235	30.225	37,342	1,394	29.980	41,795	1,183	30.820	36,460

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and CNY at March 31, 2020 and 2019, would have increased or decreased the net profit before tax by \$20,728 thousand and \$16,095 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions)

(Continued)

Notes to the Consolidated Financial Statements

amounted to \$31,603 thousand and (\$25,251) thousand, respectively.

2) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$354 thousand and \$85 thousand for the three months ended March 31, 2020 and 2019, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings and bank deposits at variable interest rates.

(iv) Fair value of financial instruments

1) Fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amounts	March 31, 2020			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 484,454	10,713	5,616	468,125	484,454
Financial assets carried at amortized cost					
Cash and cash equivalents	\$ 3,736,613				
Notes and accounts receivable, net	976,131				
Other financial assets-current	8,587				
Refundable deposits	25,825				
	<u>\$ 4,747,156</u>				
Financial liabilities carried at amortized cost					
Long and short term borrowings	\$ 1,977,363				
Notes and accounts payable	410,901				
Lease liability	118,965				
Other payables	162,941				
	<u>\$ 2,670,170</u>				

(Continued)

Notes to the Consolidated Financial Statements

	December 31, 2019				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 449,429	12,666	6,250	430,513	449,429
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,539,799				
Notes and accounts receivable, net	1,395,940				
Other financial assets-current	11,567				
Refundable deposits	25,490				
	<u>\$ 4,972,796</u>				
Financial liabilities carried at amortized cost					
Long and short term borrowings	\$ 1,824,790				
Short-term notes and bills payable	149,994				
Notes and accounts payable	604,378				
Lease liability	135,117				
Other payables	45,748				
	<u>\$ 2,760,027</u>				

(Continued)

Notes to the Consolidated Financial Statements

	Carrying amounts	March 31, 2019 Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>\$ 637,681</u>	<u>13,236</u>	<u>6,165</u>	<u>618,280</u>	<u>637,681</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,259,614				
Notes and accounts receivable, net	932,512				
Other financial assets-current	7,811				
Refundable deposits	<u>32,789</u>				
	<u>\$ 4,232,726</u>				
Financial liabilities carried at amortized cost					
Long and short term borrowings	\$ 1,606,560				
Short-term notes and bills payable	199,907				
Notes and accounts payable	485,905				
Lease liability	68,844				
Other payables	<u>41,154</u>				
	<u>\$ 2,402,370</u>				

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

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Notes to the Consolidated Financial Statements

	<u>At fair value through profit or loss</u>	
	<u>Derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>
	<u>For the three months ended March 31, 2020</u>	<u>For the three months ended March 31, 2019</u>
Opening Balance	\$ 430,513	245,966
Recognized in profit or loss	5,267	3,053
Purchase	340,454	618,280
Disposal	(308,109)	(249,019)
Ending balance	<u>\$ 468,125</u>	<u>618,280</u>

The aforementioned total gains and losses were recognized in “other income”.

There have been no transfers from each level for the three months ended March 31, 2020 and 2019.

- 4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value are “ financial assets measured at fair value through profit or loss – principal guaranteed financial instrument” and derivative financial assets. The financial assets’ fair value are using the prior transaction price before adjustments or third-party pricing information. The unobservable inputs are not set up as the Group measures fair value, so the quantified information of significant unobservable inputs are not disclosed.

- (v) Financial risk management

The Group’s risk management policies are no material change in financial instruments of the Group for the three months ended March 31, 2020 and 2019. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2019.

- (w) Capital management

As of March 31, 2020, there were no changes in the Group’s approach to capital management. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2019.

- (x) Investing and financing activities not affecting current cash flow

The Group’s investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2020 and 2019, were as follows:

- (i) For acquisition of right-of-use assets, please refer to note 6(f).
(ii) Reconciliation of liabilities arising from financing activities were as follows:

(Continued)

Notes to the Consolidated Financial Statements

	January 1,2020	Cash flows	Foreign exchange movement and others	March 31,2020
Short term borrowings	\$ 824,790	152,573	-	977,363
Short-term notes and bills payable	149,994	(150,000)	6	-
Long term borrowings	1,000,000	-	-	1,000,000
Lease liability	135,117	(15,212)	(940)	118,965
Total liabilities from financing activities	<u>\$ 2,109,901</u>	<u>(12,639)</u>	<u>(934)</u>	<u>2,096,328</u>

	January 1,2019	Cash flows	Foreign exchange movement and others	March 31,2019
Short term borrowings	\$ 805,720	(199,160)	-	606,560
Short-term notes and bills payable	99,985	99,922	-	199,907
Long term borrowings	900,000	100,000	-	1,000,000
Lease liability	80,887	80,887	2,356	68,844
Total liabilities from financing activities	<u>\$ 1,886,592</u>	<u>(13,637)</u>	<u>2,356</u>	<u>1,875,311</u>

(7) Related-party transactions:

(a) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2020	2019
Short-term employee benefits	\$ 11,094	5,670
Post-employment benefits	54	54
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 11,148</u>	<u>5,724</u>

(Continued)

Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2020	December 31, 2019	March 31, 2019
Demand deposits (classified under other current financial assets)	Guarantee for customs	\$ -	-	458
"	Guarantee for Carbon emission	24	25	26
"	Guarantee for litigation	4,649	4,703	3,206
		<u>\$ 4,673</u>	<u>4,728</u>	<u>3,690</u>

(9) Significant Commitments and contingencies:

(a) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Acquisition of property, plant and equipment	<u>\$ 75,135</u>	<u>75,657</u>	<u>63,036</u>

(b) For the necessary to bank loan and operating capital, the Company and its subsidiaries provide guarantee and endorsement for other parties were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Outstanding guarantee notes	\$ 1,257,843	1,628,960	1,672,640
Purchase guarantee	15,113	14,990	15,410
	<u>\$ 1,272,956</u>	<u>1,643,950</u>	<u>1,688,050</u>
Actual usage amount	<u>\$ 332,476</u>	<u>329,780</u>	<u>261,970</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

Notes to the Consolidated Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	Three months ended March 31,					
	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	126,654	48,469	175,123	134,960	48,093	183,053
Labor and health insurance	4,541	2,354	6,895	5,490	2,263	7,753
Pension	4,821	1,531	6,352	7,364	1,923	9,287
Others	5,301	6,694	11,995	3,967	4,530	8,497
Depreciation	57,964	13,746	71,710	63,731	15,406	79,137
Amortization	942	1,038	1,980	1,728	1,038	2,766

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Actual usage amount during the period	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	SAME START (Anguilla)	NISHOKU VIETNAM	Other accounts receivable	Yes	242,000	241,800	241,800	1.4%~2.96%	Necessary to loan other parties	-	Operating capital	-	-	-	1,565,436 (Note 1)	1,565,436 (Note 1)

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company’s net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company’s net worth in the last financial statement.

Note 2: Related transaction have been eliminated during the preparation of the consolidated financial statements.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

- (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SAME START (Anguilla)	3	1,187,497	514,250	120,900	-	-	3.05%	3,958,323	Y	N	N

(Continued)

Notes to the Consolidated Financial Statements

"	"	NISHOKU VIETNAM	2	1,187,497	1,036,718	1,036,718	317,363	-	26.19%	3,958,323	"	"	"
"	"	NISHOKU BOUEKI	2	1,187,497	130,500	100,225	-	-	2.53%	3,958,323	"	"	"
1	NISHOKU KUNSHAN PLASTIC	SAME START (Anguilla)	1	753,493	15,125	15,113	15,113	-	0.60%	2,512,045	N	"	"

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company's net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company's net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

- 1) Business relationship between the Company
- 2) The Company directly or indirectly holds over 50% of subsidiaries' shares;
- 3) The parent company and its subsidiaries hold over 50% of investees' shares;
- 4) A subsidiary jointed owned over 50% by the Company and the Company's directly-owned subsidiary.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
SAME START (Anguilla)	Bond of oversea	None	Financial assets at fair value through profit or loss	-	5,616	- %	5,616	
"	PineBridge preferred income fund	"	"	-	10,713	- %	10,713	
"	"	"	"	-	-	- %	-	
NISHOKU SHENZHEN	Principal guaranteed financial product	"	"	-	255,341	- %	255,341	
NISHOKU KUNSHAN PLASTIC	Principal guaranteed financial product	"	"	-	212,784	- %	212,784	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
NISHOKU KUNSHAN PLASTIC	Principal guaranteed financial product	Financial assets at fair value through profit or loss	Agricultural Bank of China	None	-	89,1035	-	85,113	-	172,259	171,216	1043	-	-
"	"	"	Wells Fargo Asset Management (Shanghai)	"	-	215,256	-	-	-	-	-	2,472	-	212,784
NISHOKU SHENZHEN	Principal guaranteed financial product	Financial assets at fair value through profit or loss	Wells Fargo Asset Management (Shanghai)	"	-	129,154	-	127,671	-	133,377	129,154	4,223	-	127,671
"	"	"	Bank of China	"	-	-	-	127,670	-	-	-	-	-	127,670

(Continued)

Notes to the Consolidated Financial Statements

"	"	"	1	Account Payable	22,365	"	-	%
1	NISHOKU BOUEKI	"	3	Sales	21,080	"		3%
"	"	"	3	Account receivable	26,028	"	-	%
"	"	NISHOKU KUNSHAN PLASTIC	3	Purchase	35,780	"		6%
"	"	"	3	Account Payable	35,327	"	-	%
"	"	"	3	Sales	147,506	"		23%
"	"	"	3	Account receivable	148,846	"		2%
2	SAME START (Anguilla)	NISHOKU VIETNAM	3	Sales	24,220	"		4%
"	"	"	3	Account receivable	24,482	"	-	%
"	"	"	3	Other receivables	242,897	Loans and interests		3%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The trading price and product that purchase or sale from related parties that did not purchase or sale from third parties, so can't be compared. The payments terms were 90 days for related parties.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	SUN NICE (SAMOA)	SAMOA	Holding	1,096,194	1,096,194	34,468	100%	5,278,031	72,462	73,235	
"	NISHOKU BOUEKI	Taiwan	Purchase and sales of plastic raws and parts	1,000	1,000	6,300	100%	139,678	6,968	7,092	
"	NISHOKU VIETNAM	Vietnam	Manufacture and sale of tooling and plastic products	508,434 (USD 16,500 thousands)	267,314 (USD 8,500 thousands)	-	100%	96,396	(21,820)	(21,743)	
SUN NICE (SAMOA)	SAME START (Anguilla)	Anguilla	Purchase and sale of mold and plastic products	-	-	-	100%	1,565,436	67,020	67,020	
"	NISHOKU HK	HK	Holding	1,800,361 (USD 57,915 thousands)	1,800,361 (USD 57,915 thousands)	62,298	100%	2,992,710	3,560	3,560	
"	SUNNICE (BVI)	BVI	"	585,292 (USD 17,948 thousands)	585,292 (USD 17,948 thousands)	15,697	100%	718,867	1,853	1,853	

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(Continued)

Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value (Note 1)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NISHOKU SHENZHEN	Manufacture and sale of mold and plastic products	USD23,288 thousands	Indirect investment through third area	703,870 (USD22,939 thousands)	-	-	703,870 (USD22,939 thousands)	(1,214)	100%	(1,214)	1,167,821	475,841
NISHOKU KUNSHAN PLASTIC	Manufacture and sale of mold and plastic products	USD53,310 thousands	"	1,674,270 (USD52,524 thousands)	-	-	1,674,270 (USD52,524 thousands)	6,700	100%	6,700	2,512,045	473,544

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,378,140	2,378,140	(Note 2)

Note 1: The above investment income (loss) in mainland China was based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start operating of its headquarters.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders :

Shareholding	Shares	Percentage
Shareholder's Name		
Ji Teng Investment Limited	4,500,000	7.22%
CTBC Bank Trusted Custody investment account _Gold Talent Co., Ltd.	3,897,856	6.25%
Jin Hong Investment Limited	3,600,000	5.77%
Chang ,Wen-Hsien	3,517,309	5.64%

Note 1: This table is based on the last business day at the end of each quarter, and calculates that the total number of ordinary shares and special shares registration of non-physical securities (including treasury shares) that have been reached more than 5%. As for the share capital recorded in the company's financial report and the number of shares registration of non-physical securities may be have variance due to different calculation basis.

(Continued)

Notes to the Consolidated Financial Statements

Note 2: The information that shareholders deliver shares to trust is disclosed by the individual trustee who set up the trust account. As for shareholders who handle the declaration of insider equity holdings of more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include the shares held by them plus their delivery to the trust and have the right to make decisions on trust property, etc. For information on insider equity declaration, please refer to Market Observation Post.

(14) Segment information:

The Group's identifies its operating segments based on decision of the chief operating decision maker (CODM). The Group's operating segments are in United States, Asia and Europe, etc. Those operating segments are reportable segments. The Revenue from manufacture and supply electronic parts to clients. Since the strategy of each segment is different, it is necessary to separate them for management.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies".

The Group's product revenues from geographical clients were as follows:

	Three months ended March 31, 2020				
	<u>United States</u>	<u>Asia</u>	<u>Europe</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	<u>\$ 292,066</u>	<u>125,642</u>	<u>207,310</u>	=	<u>625,018</u>
Reportable segment profit or loss	<u>\$ 38,534</u>	<u>(9,962)</u>	<u>(23,088)</u>	=	<u>5,484</u>
	Three months ended March 31, 2019				
	<u>United States</u>	<u>Asia</u>	<u>Europe</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	<u>\$ 266,270</u>	<u>183,412</u>	<u>188,336</u>	=	<u>638,018</u>
Reportable segment profit or loss	<u>\$ (7,205)</u>	<u>(29,773)</u>	<u>(22,679)</u>	=	<u>(59,657)</u>