

**Acter Group Corporation Limited and Subsidiaries
Consolidated Financial Statements**

**With Independent Auditors' Review Report
for the Three Months Ended**

March 31, 2020 and 2019

Translated by Acter Group Co., Ltd., note for reader please see page 3-1.

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Independent Auditors' Review Report

The Board of Directors
Acter Group Corporation Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of the Acter Group Corporation Limited and its subsidiaries (the "Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and 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 Standards ("IASs") 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 review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards 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 stated in Note 4[b], the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$2,331,266 thousand and NT\$2,302,935 thousand, constituting 20% of consolidated total assets as of March 31, 2020 and 2019, respectively, total liabilities amounting to NT\$845,639 thousand and NT\$1,108,221 thousand, constituting 13% and 18% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and total comprehensive income(loss) amounting to NT\$28,077 thousand and NT\$41,890 thousand, constituting 12% and 13% of consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Furthermore, as stated in Note 6[h], the equity accounted investments of the Group in its investee companies of NT\$0 thousand as of March 31, 2019, respectively, and shares of loss of associates and joint ventures accounted for using equity method NT\$61 thousand for the three months ended March 31, 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Acter Group Corporation Limited and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

May 7, 2020

Note to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations, and cash flows in accordance with 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors’ review report and the accompanying 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’ review report and consolidated financial statements, the Chinese version shall prevail.

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

Acter Group Corporation Limited and Subsidiaries
Consolidated Balance Sheets
March 31, 2020, and 2019
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2020		December 31, 2019		March 31, 2019		Liabilities and Equity	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets:							Current Liabilities:						
1100 Cash and cash equivalents (Note 6(a) and (x))	\$ 3,518,228	30	3,874,953	32	4,133,223	35	2100 Short-term loans (Note 6(m) and (x))	\$ 90,708	1	136,609	1	90,417	1
1110 Current financial assets at fair value through profit or loss (Note 6(b) and (x))	268,938	2	172,400	1	330,401	3	2130 Contract liabilities-current (Note 6(u))	1,150,706	10	1,224,181	10	1,574,675	14
1140 Contract Assets – current (Note 6(u))	1,670,475	14	1,496,769	13	1,057,253	10	2150 Notes payable (Note 6(x))	78,874	1	63,637	1	175,576	1
1150 Notes receivable, net (Note 6(d) and (x))	354,011	3	453,149	4	183,884	2	2170 Trade payable (Note 6(x))	2,892,183	25	3,110,389	26	2,525,010	22
1170 Trade receivable, net (Note 6(d) - (u) and (x))	3,246,942	29	3,480,867	30	3,312,267	28	2180 Trade Payables to related parties (Note 6(x) and 7)	512	-	313	-	156	-
1200 Other receivables (Note 6(e) and (x))	16,850	-	20,424	-	27,963	-	2201 Accrued salaries and bonuses (Note 6(x))	158,902	1	341,137	3	139,192	1
1220 Current income tax assets	4,155	-	2,305	-	320	-	2216 Dividends payables (Note 6(s))	812,801	7	-	-	-	-
1310 Inventories, net (Note 6(f))	563,055	5	484,731	4	472,883	4	2230 Current tax liabilities	139,582	1	154,619	1	208,642	2
1476 Other financial assets – current (Note 8)	302,131	3	390,060	3	597,176	5	2250 Provisions – current (Note 6(o))	326,787	2	322,699	3	366,354	3
							2280 Lease liabilities (Note 6(n))	33,293	-	35,299	-	32,661	-
1479 Other current assets	581,645	5	430,050	4	613,156	5	2399 Other current liabilities (Note 9)	291,311	2	325,730	3	297,329	3
								<u>5,975,659</u>	<u>50</u>	<u>5,714,613</u>	<u>48</u>	<u>5,410,012</u>	<u>47</u>
	<u>10,526,430</u>	<u>91</u>	<u>10,805,708</u>	<u>91</u>	<u>10,728,526</u>	<u>92</u>	Non-current liabilities:						
Non-current assets:							2570 Deferred tax liabilities	623,581	5	594,441	5	475,505	4
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(c))	129,530	1	130,000	1	3,800	-	2580 Lease obligations-non-current (Note 6(n))	68,622	1	74,965	1	76,788	1
1600 Property, plant and equipment (Note 6(j))	469,586	4	463,872	4	431,667	4	2640 Accrued pension liabilities	59,706	1	59,869	-	49,508	-
1755 Right-of-use asset (Note 6(k))	129,332	1	138,875	1	142,561	1	2645 Guarantee deposit received	150	-	150	-	150	-
1760 Investment property, net (Note 6(l))	240,145	2	240,767	2	242,633	2		<u>752,059</u>	<u>7</u>	<u>729,425</u>	<u>6</u>	<u>601,951</u>	<u>5</u>
1840 Deferred tax assets	166,412	1	173,994	1	137,694	1	Total Liabilities	<u>6,727,718</u>	<u>57</u>	<u>6,444,038</u>	<u>54</u>	<u>6,011,963</u>	<u>52</u>
1990 Other non-current assets (Note 8)	42,066	-	39,864	-	37,405	-	Equity Attributable to Shareholders of the parent company (Note 6(r)):						
	<u>1,177,071</u>	<u>9</u>	<u>1,187,372</u>	<u>9</u>	<u>995,760</u>	<u>8</u>	3100 Common stock	541,868	5	541,868	5	542,028	5
							3200 Capital surplus	1,392,119	12	1,392,119	11	1,393,239	12
							3300 Retained earnings	2,103,265	18	2,698,781	22	2,717,140	22
							3400 Other equity interest	(152,895)	(1)	(129,185)	(1)	(43,451)	-
								<u>3,884,357</u>	<u>34</u>	<u>4,503,583</u>	<u>37</u>	<u>4,608,956</u>	<u>39</u>
							Total Equity attributable to the parent of company						
							36xx Non-controlling interests	1,091,426	9	1,045,459	9	1,103,367	9
							Total Equity	<u>4,975,783</u>	<u>43</u>	<u>5,549,042</u>	<u>46</u>	<u>5,712,323</u>	<u>48</u>
							Total Liabilities And Equity	<u>\$ 11,703,501</u>	<u>100</u>	<u>11,993,080</u>	<u>100</u>	<u>11,724,286</u>	<u>100</u>
Total Assets	\$ 11,703,501	100	11,993,080	100	11,724,286	100							

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

Acter Group Corporation Limited and Subsidiaries
Consolidated Statements Of Comprehensive Income
For The Three Months Ended March 31, 2020 And 2019

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

		For the Three Months ended March 31			
		2020		2019	
		Amount	%	Amount	%
Operating revenues:					
4521	Construction revenue (Note 6(u))	\$ 3,018,534	98	2,672,173	97
4529	Less: allowances	(2,086)	-	(1,960)	-
		<u>3,016,448</u>	<u>98</u>	<u>2,670,213</u>	<u>97</u>
4110	Sales	35,157	1	55,171	2
4800	Other operating revenue	<u>28,352</u>	<u>1</u>	<u>32,361</u>	<u>1</u>
		3,079,957	100	2,757,745	100
Operating cost:					
5520	Construction cost(Note 6(f) 、(n) 、(p) 、(v) and 7(b))	2,521,152	82	2,127,391	77
5110	Cost of goods sold	29,503	1	39,382	2
5800	Other operating cost	<u>19,038</u>	<u>1</u>	<u>3,718</u>	<u>-</u>
		<u>2,569,693</u>	<u>84</u>	<u>2,170,491</u>	<u>79</u>
Gross profit		<u>510,264</u>	<u>16</u>	<u>587,254</u>	<u>21</u>
Operating expenses (Note 6(n) 、(p) and (v)):					
6100	Selling	28,619	1	32,868	1
6200	General and administrative	133,669	4	143,195	6
6300	Research and development	36,811	1	30,309	1
6450	Expected credit loss(Note 6 (d))	<u>(40,552)</u>	<u>(1)</u>	<u>5,749</u>	<u>-</u>
		<u>158,547</u>	<u>5</u>	<u>212,121</u>	<u>8</u>
Operating income		<u>351,717</u>	<u>11</u>	<u>375,133</u>	<u>13</u>
Non-operating income and expenses:					
7050	Finance costs	(1,282)	-	(1,701)	-
7010	Other income (Note 6(w))	24,445	1	27,872	1
7060	Share of Profit of Associates Accounted for Using Equity Method(Note 6 (h))	-	-	(61)	-
7020	Other gains and losses, net (Note 6(w))	<u>(5,637)</u>	<u>-</u>	<u>14,883</u>	<u>1</u>
		<u>17,526</u>	<u>1</u>	<u>40,993</u>	<u>2</u>
Profit before tax		369,243	12	416,126	15
7950	Income tax expense (Note 6(q))	<u>105,008</u>	<u>3</u>	<u>121,781</u>	<u>4</u>
Profit for the year		<u>264,235</u>	<u>9</u>	<u>294,345</u>	<u>11</u>
8300	Other comprehensive income, net of tax:				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(470)	-	623	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>(470)</u>	<u>-</u>	<u>623</u>	<u>-</u>
8360	Items that will be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(39,884)	(2)	44,591	1
8399	Less: income tax relating to components of other comprehensive (Note 6(q))	<u>9,758</u>	<u>-</u>	<u>(11,584)</u>	<u>-</u>
		<u>(30,126)</u>	<u>(2)</u>	<u>33,007</u>	<u>1</u>
8300	Other comprehensive income, net	<u>(30,596)</u>	<u>(2)</u>	<u>33,630</u>	<u>1</u>
8500	Comprehensive income	<u>\$ 233,639</u>	<u>7</u>	<u>\$ 327,975</u>	<u>12</u>
Profit attributable to :					
8610	Shareholders of the parent	217,285	7	233,695	9
8620	Non-controlling interests	<u>46,950</u>	<u>2</u>	<u>60,650</u>	<u>2</u>
		<u>\$ 264,235</u>	<u>9</u>	<u>\$ 294,345</u>	<u>11</u>
Comprehensive income attributable to :					
8710	Shareholders of the parent	193,575	6	259,054	9
8720	Non-controlling interests	<u>40,064</u>	<u>1</u>	<u>68,921</u>	<u>3</u>
		<u>\$ 233,639</u>	<u>7</u>	<u>\$ 327,975</u>	<u>12</u>
Earnings per share ((attributable to shareholders of the parent)) (Note 6(t))					
9750	Basic earnings per share	<u>\$ 4.01</u>		<u>\$ 4.33</u>	
9850	Diluted earnings per share	<u>\$ 3.98</u>		<u>\$ 4.23</u>	

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

Acter Group Corporation Limited and Subsidiaries
Consolidated Balance Sheets
March 31, 2020, and 2019
(In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity					
	Retained earnings						Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others	Total Other equity	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
Balance, January 1, 2019	<u>\$ 542,028</u>	<u>1,393,239</u>	<u>512,938</u>	<u>56,560</u>	<u>1,913,947</u>	<u>2,483,445</u>	<u>(63,237)</u>	<u>(5,573)</u>	<u>(776)</u>	<u>(69,586)</u>	<u>1,032,386</u>	<u>5,381,512</u>
Profit for the period	-	-	-	-	233,695	233,695	-	-	-	-	60,650	294,345
Other comprehensive income for the period	-	-	-	-	-	-	24,736	623	-	25,359	8,271	33,630
Total comprehensive income	-	-	-	-	233,695	233,695	24,736	623	-	25,359	68,921	327,975
Share-based payment transaction	-	-	-	-	-	-	-	-	776	776	-	776
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,060	2,060
Balance, March 31, 2019	<u>\$ 542,028</u>	<u>1,393,239</u>	<u>512,938</u>	<u>56,560</u>	<u>2,147,642</u>	<u>2,717,140</u>	<u>(38,501)</u>	<u>(4,950)</u>	<u>-</u>	<u>(43,451)</u>	<u>1,103,367</u>	<u>5,712,323</u>
Balance, January 1, 2020	<u>\$ 541,868</u>	<u>1,392,119</u>	<u>617,840</u>	<u>68,809</u>	<u>2,012,132</u>	<u>2,698,781</u>	<u>(123,035)</u>	<u>(6,150)</u>	<u>-</u>	<u>(129,185)</u>	<u>1,045,459</u>	<u>5,549,042</u>
Appropriation and distribution of retained earnings:												
Cash dividends	-	-	-	-	(812,801)	(812,801)	-	-	-	-	-	(812,801)
Profit for the period	-	-	-	-	217,285	217,285	-	-	-	-	46,950	264,235
Other comprehensive income for the period	-	-	-	-	-	-	(23,240)	(470)	-	(23,710)	(6,886)	(30,596)
Total comprehensive income	-	-	-	-	217,285	217,285	(23,240)	(470)	-	(23,710)	40,064	233,639
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	5,903	5,903
Balance, March 31, 2020	<u>\$ 541,868</u>	<u>1,392,119</u>	<u>617,840</u>	<u>68,809</u>	<u>1,416,616</u>	<u>2,103,265</u>	<u>(146,275)</u>	<u>(6,620)</u>	<u>-</u>	<u>(152,895)</u>	<u>1,091,426</u>	<u>4,975,783</u>

**Reviewed only, not audited in accordance with the generally accepted auditing standards.
Acter Group Corporation Limited and Subsidiaries**

Consolidated Statements Of Cash Flows

For The Three Months Ended March 31, 2020 And 2019

(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Three months Ended March 31	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 369,243	416,126
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation(Including investment property)	18,415	15,842
Amortization	2,490	1,563
Excepted credit loss(gain)	(40,552)	5,749
Net loss on financial assets or liabilities at fair value through profit or loss	-	(4,509)
Interest income	(7,961)	(10,997)
Interest expense	1,282	1,701
Compensation cost arising from employee stock options	-	776
Shares of loss of associates and joint ventures accounted for using equity method	-	61
Loss (gain) on disposal of property, plant and equipment	67	(83)
Gain on disposal of non-current assets held for sale	-	(19,515)
Other	-	(220)
Total adjustments to reconcile profit (loss)	(26,259)	(9,632)
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in current financial assets at fair value through profit or loss	(96,538)	(15,635)
(Increase) decrease in current contract assets	(173,706)	22,691
Decrease in notes receivable	99,138	139,613
Decrease (increase) in trade receivable	275,911	(177,990)
Increase in inventories	(78,324)	(151,568)
Increase in other financial assets	(59,782)	(2,717)
Total changes in operating assets	(33,301)	(185,606)
Changes in operating liabilities		
Decrease in current contract liabilities	(73,475)	(144,255)
Increase in notes payable	15,237	212
Decrease in trade payable	(218,206)	(236,459)
Increase in provisions	6,641	10,724
Decrease in other current liabilities	(217,361)	(173,747)
Total changes in operating liabilities	(487,164)	(543,525)
Total adjustments	(546,724)	(738,763)
Cash inflow generated from operations	(177,481)	(322,637)
Interest received	7,913	13,026
Interest paid	(539)	(1,219)
Income taxes paid	(88,317)	(31,528)
Net cash flows from operating activities	(258,424)	(342,358)
Cash flows from (used in) investing activities:		
Proceeds from disposal of non-current assets held for sale	-	72,627
Acquisition of property, plant and equipment	(15,835)	(17,271)
Proceeds from disposal of property, plant and equipment	17	102
Acquisition of right-of-use assets	(374)	-
Increase in other non-current assets	(5,062)	(515)
Net cash flows used in investing activities	(21,254)	54,943
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(46,000)	(46,918)
Increase in guarantee deposits received	-	66
Payment of lease liabilities	(9,451)	(7,992)
Change in non-controlling interests	7,750	2,060
Net cash used in financing activities	(47,701)	(52,784)
Effect of exchange rate changes on cash and cash equivalents	(29,346)	48,691
Net decrease in cash and cash equivalents	(356,725)	(291,508)
Cash and cash equivalents at beginning of period	3,874,953	4,424,731
Cash and cash equivalents at end of period	\$ 3,518,228	4,133,223

Reviewed only, not audited in accordance with the generally accepted auditing standards.
ACTER GROUP CORPORATION LIMITED 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) Organization and business scope

ACTER GROUP CORPORATION LIMITED (the “Company”) was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company’s registered office address is located at 19F-1, No.201, Sec.2, Wenxin Road, Xitun District., Taichung City, Taiwan (R.O.C.).The consolidated financial statements of the Company as of and for the year ended March 31, 2020 comprised the Company and its subsidiaries (together referred to as the “Group”). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the rest of the Group entities are described in Notes 4 (b). Acter’s common shares were publicly listed on the Taipei Exchange (“TPEX”) on November 10, 2010.

(2) Approval date and procedures of the consolidated financial Statements

The consolidated financial statement were authorized for issuance by the Board of Directors on May 7, 2020.

(3) New standards and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has prepared its consolidated financial statements in conformity with the new standards, interpretations and amendments of IFRSs which have been endorsed by the FSC and are effective for annual period beginning on or after January 1, 2020 as follows:

New Revised or Amended Standards and Interpretations	Effective date per IASB
• Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
• Amendments to IFRS 9, IAS 39 and IFRS 7 “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 above IFRSs 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 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2022

Those which may be relevant to the Group are set out below:

Issue Dates	New Standards and Amendments	Main Amendments
January 23,2020	Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>

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

(4) Summary of significant accounting policies:

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect 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 and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies (c) and (d) mentioned below, the significant accounting policies adopted in the consolidated 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 preparation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Notes
			March 31, 2020	December 31, 2019	March 31, 2019	
(1)The Company	Nova Technology Corp. (Nova Tech)	Wholesale of electronic and chemical equipment	62.19	62.19	62.19	
	Her Suo Engineering Co., Ltd. (Her Suo)	Construction and set-up of freezing equipment	100	100	100	Note 5
	Enrich Tech Co., Ltd. (Enrich Tech)	Comprehensive construction company	56.94	56.94	56.94	Note 5
	Sheng Huei International Co., Ltd. (Sheng Huei International)	Investment holding company	100	100	100	
(2)Nova Tech	Winmax Technology Corp. (Winmax)	Design and manufacture of air containers and liquid containers	100	100	100	
	Winmega Technology Corp. (Winmega)	Wholesale of electronic and chemical engineering equipment	100	100	100	
	Suzhou Winmax Technology Corp. (Suzhou Winmax)	Design and manufacture of air containers and liquid containers	100	100	100	Note 6
	Novatech Engineering & Construction Pte., Ltd. (NTEC)	Chemical supply system business	100	100	100	Note 5
(3)Sheng Huei International	Acter Technology Integration Group Co. Ltd	Construction and set-up of electronic equipment and air conditioners	86.66	86.66	86.66	Note 2
	New Point Group Ltd.(New Point)	Investment holding company and trading of equipment	100	100	100	Note 5
(4)NTS	Nova Technology Malaysia Sdn. Bhd. (NTM)	Investment holding company	100	100	100	Note 5
	PT. Novamex Indonesia (NMI)	Equipment trading and set-up	100	100	100	Note 5
	Acter Engineering Co., Ltd.(Acter Engineering)	Construction and setup of electronic equipment and air conditioners	-	-	-	Note 1
	Acter Technology Co., Ltd. (Acter Technology)	Set-up of electronic protection systems and central air conditioners	98	98	-	Note3 Note5
(5)Acter Technology Integration	Shenzhen Dingmao Trade Co., Ltd.(Shenzhen Dingmao)	Electronic equipment and machinery trading	100	100	100	Note 5
	Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	Construction and set-up of electronic equipment and air conditioners	100	100	100	Note 5
	Acter International Ltd. (Acter International)	Investment holding company and trading of clean rooms and air conditioners	100	100	100	Note 5
	Nova Technology Singapore Pte., Ltd. (NTS)	Investment holding company	100	100	100	Note 5
(6)New Point	Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. (Fuyu)	Agent for electronic equipment importing and exporting	100	100	100	Note 5
(7)Acter International	Sheng Huei Engineering Technology Co., Ltd. (Sheng Huei Engineering)	Set-up of electronic protection systems and central air conditioners	100	100	100	Note 5
	Space Engineering Co., Ltd.(Space Engineering)	Investment holding company and trading of equipment	49	49	-	Note4 Note5

Note 1: The ownership of Acter Engineering in NTS and Sheng Huei International consisted of 99% and 1%, respectively. Acter Engineering had been liquidated in March, 2019.

Note 2: Sheng Huei (Suzhou) Engineering Co., Ltd. changed its name to Acter Technology Integration Group Co., Ltd. in July 2019.

Note 3: NTS established a new subsidiary Acter Technology Co., Ltd. in October 2019. The

ownership of Acter Technology Co., Ltd. in NTS and Space Engineering consisted of 49% respectively.

Note 4: Acter International established a new subsidiary Space Technology in November 2019.

Note 5: Companies are non-significant and their financial statements have not been reviewed.

Note 6: The financial statement of three months ended March 31, 2020 were reviewed by independent auditors. The financial statement of three months ended March 31, 2019 have not been reviewed by independent auditors and this is a non-significant subsidiary

(ii) Subsidiaries excluded from the consolidated financial statement: None.

(c) Income taxes

The preparation of the consolidated interim financial statements in conformity with IAS 34 “Interim financial reporting” paragraph B12 measurement and disclosure of income tax expense for the interim period.

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management. This is recognized and allocated to current and deferred taxes proportionately.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

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 effective tax rate at the time of realization or liquidation, and recognized directly in equity or other comprehensive income as tax expense.

(d) Employee 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 prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in conformity with the Regulations and 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 policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Petty cash and cash on hand	\$ 1,217	1,362	1,001
Checking and demand deposits	1,705,413	2,241,349	1,958,693
Time deposits	1,504,654	1,596,284	1,860,755
Cash equivalent - repurchased commercial paper	306,944	35,958	312,774
	<u>\$ 3,518,228</u>	<u>3,874,953</u>	<u>4,133,223</u>

The repurchased commercial paper rate as of March 31, 2020, December 31, 2019 and March 31, 2019 were 0.45%~2.2%, 0.5% and 0.45%~2.7%, respectively, with maturity dates from April 20 to April 27, 2020, from January 2, 2020 and from April 1 to April 26, 2019, respectively.

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary securities - open-end funds	<u>\$ 268,938</u>	<u>172,400</u>	<u>330,401</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Equity investments at fair value through other comprehensive income			
Holy Stone Healthcare Co., Ltd.	\$ 2,130	2,600	3,800
Waste Recovery Technology Inc.	<u>127,400</u>	<u>127,400</u>	<u>-</u>
	<u>\$ 129,530</u>	<u>130,000</u>	<u>3,800</u>

(i) Equity investments at fair value through other comprehensive income

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

No strategic investments were disposed as of March 31, 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(ii) For credit risk and market risk; please refer to Note 6(x).

(iii) The aforesaid financial assets were not pledged.

(d) Note and trade receivables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Note receivables from operating activities	\$ 354,011	453,149	183,884
Trade receivables – measured as amortized cost	3,362,079	3,637,989	3,517,523
Less: Allowance for impairment	<u>(115,137)</u>	<u>(157,122)</u>	<u>(205,256)</u>
Total	<u>\$ 3,600,953</u>	<u>3,934,016</u>	<u>3,496,151</u>

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

The loss allowance provision was determined as follows:

	March 31, 2020		
Aging of Receivables	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 3,165,068	-	-
121 to 180 days	156,366	0.50%	782
181 to 360 days	228,218	1%	2,282
361 to 540 days	91,566	40%~50%	37,201
More than 541 days	74,872	100%	74,872
Total	\$ 3,716,090		115,137
	December 31, 2019		
Aging of Receivables	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 3,361,226	-	-
121 to 180 days	249,591	0.50%	1,248
181 to 360 days	225,288	1%	2,253
361 to 540 days	180,797	40%~50%	79,385
More than 541 days	74,236	100%	74,236
Total	\$ 4,091,138		157,122
	March 31, 2019		
Aging of Receivables	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 3,081,857	-	-
121 to 180 days	119,880	0.50%	599
181 to 360 days	254,079	1%	2,540
361 to 540 days	72,607	40%~50%	29,133
More than 541 days	172,984	100%	172,984
Total	\$ 3,701,407		205,256

The movement in the allowance for notes and trade receivable was as follows:

	For the three months ended March 31	
	2020	2019
Balance, January 1	\$ 157,122	195,727
Impairment losses recognized (reversed)	(40,552)	5,749
Foreign exchange gains (losses)	(1,433)	3,780
Balance, March 31	\$ 115,137	205,256

- (i) Trade receivable includes retained construction receivable, which amounted to \$69,551 thousand, \$53,776 thousand and \$44,205 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- (ii) The notes and trade receivable are not pledged.

(e) Other receivables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other accounts receivable	\$ 16,850	20,424	41,981
Less: Loss allowance	-	-	(14,018)
	<u>\$ 16,850</u>	<u>20,424</u>	<u>27,963</u>

For further credit risk information, please refers to Note 6(x).

(f) Inventories

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Finished goods and merchandise	\$ 15,535	8,182	13,058
Work in process and semi-finished goods	289,670	230,893	135,864
Raw materials	270,607	256,614	343,819
	575,812	495,689	492,741
Less: provision for inventory devaluation	(12,757)	(10,958)	(19,858)
	<u>\$ 563,055</u>	<u>484,731</u>	<u>472,883</u>

For the three months ended March 31, 2020 and 2019, the write-down of inventories amounted to \$1,942 thousand and \$1,769 thousand. The write-downs are included in cost of goods sold.

No inventories were pledged as collaterals.

(g) Non-current assets held for sale

On December 24, 2018, the Board of Directors of the Company resolved to sell the property, plant and equipment, which were located at Zhongming S. Rd., with selling price of \$74,250 thousand (taxed); therefore, entered into an agreement with the buyer at the end of December 2018. The property rights transfer registration was completed in March 2019, and recognized the gain on disposal of non-current assets held for sale \$19,515 thousand was recognized. The relevant price has been fully collected with the contract

(h) Investments in equity-accounted investees

<u>Associates</u>	<u>Relationship with the Company</u>	<u>Percentage of ownership and voting share</u>	
		<u>Main Business Location/Registered Country</u>	<u>March 31, 2019</u>
Global One Source Life Sciences Company Ltd.	Service for project management and consulting of techniques and design for pharmacy and medical facilities, which is the Group's investment	Hong Kong	-

(i) Associated

The Group's equity-accounted investment in all individually immaterial associates and the Group's share of the operating results are summarized below:

	For the three months ended March 31, 2019
Profit attributable to the Group:	
Loss from continuing operation	\$ (61)
Comprehensive income	\$ (61)

- (ii) In March 2019, the Group sold its 40% shares of Global OneSource Lite Sciences Company Ltd., and ceased the significant influence on the company, the disposal price was \$747 thousand, and the price was received in full.
- (iii) The investments accounted for using equity method was not pledged.
- (iv) The investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(i) Significant subsidiaries of non-controlling interest

No-controlling interests of subsidiaries of the Group that are significant to the Group are as follows:

Subsidiaries	Main Business Location/Registered Country	Percentage of ownership and voting share		
		March 31, 2020	December 31, 2019	March 31, 2019
Nova Tech	R.O.C.	37.81%	37.81%	37.81%
Enrich Tech	R.O.C.	43.06%	43.06%	43.06%
Acter Technology Integration	China	13.34%	13.34%	13.34%

The following information of the aforementioned subsidiaries has been prepared in accordance with IFRS endorsed by the FSC. Included in these information are adjustment made about the fair value and relevant difference in accounting principles between the Company and its subsidiary as at acquisition date. Intra-Group transactions were not eliminated in this information.

(i) Information regarding of Nova Tech:

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 1,796,520	1,782,632	1,886,716
Non-current assets	1,606,397	1,536,730	1,578,091
Current liabilities	(799,802)	(807,470)	(727,957)
Non-current Liabilities	(280,249)	(265,131)	(252,857)
Net assets	\$ 2,322,866	2,246,761	2,483,993

	For the three months ended March 31	
	2020	2019
Operating revenue	<u>\$ 524,570</u>	<u>427,306</u>
Net income for the period	\$ 91,900	156,583
Other comprehensive income(loss)	(15,796)	21,599
Comprehensive income	<u>\$ 76,104</u>	<u>178,182</u>
Cash flows from operating activities	\$ (42,214)	108,330
Cash flows from investing activities	(335)	(50)
Cash flows from financing activities	(1,329)	(10,827)
Net increase (decrease) in cash and cash equivalents	<u>\$ (43,878)</u>	<u>97,453</u>

(ii) Information regarding of Enrich Tech:

	March 31,2020	December 31,2019	March 31,2019
Current assets	\$ 270,625	275,387	236,192
Non-current assets	8,699	9,129	9,733
Current liabilities	(137,881)	(149,829)	(94,281)
Non- Current liabilities	(849)	(1,015)	(715)
Net assets	<u>\$ 140,594</u>	<u>133,672</u>	<u>150,929</u>

	For the three months ended March 31	
	2020	2019
Operating revenue	<u>\$ 131,736</u>	<u>62,937</u>
Net income for the period	6,921	(7,643)
Other comprehensive income	-	-
Comprehensive income	<u>\$ 6,921</u>	<u>(7,643)</u>
Cash flows from operating activities	\$ 53,845	(53,889)
Cash flows from investing activities	(1)	(313)
Cash flows from financing activities	(26,491)	(340)
Net increase (decrease) in cash and cash equivalents	<u>\$ 27,353</u>	<u>(54,542)</u>

(iii) Information regarding of Acter Technology Integration:

	March 31,2020	December 31,2019	March 31,2019
Current assets	\$ 1,824,178	1,855,538	1,646,566
Non-current assets	748,790	737,514	538,936
Current liabilities	(1,431,401)	(1,502,606)	(1,418,671)
Non- Current liabilities	(52,031)	(51,775)	(24,073)
Net assets	<u>\$ 1,089,536</u>	<u>1,038,671</u>	<u>742,758</u>

	For the three months ended March 31	
	2020	2019
Operating revenue	<u>\$ 675,212</u>	<u>427,712</u>
Net income for the period	\$ 71,157	35,465
Other comprehensive income(loss)	(6,848)	779
Comprehensive income	<u>\$ 64,309</u>	<u>36,244</u>

	For the three months ended March 31	
	2020	2019
Cash flows from operating activities	\$ (97,311)	34,351
Cash flows from investing activities	(49,997)	(44,311)
Cash flows from financing activities	(975)	(48,087)
Effect of movements in exchange rates	(2,151)	8,293
Net decrease in cash and cash equivalents	<u>\$ (150,434)</u>	<u>(49,754)</u>

(j) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptanc</u>	<u>Total</u>
Book values:					
Balance on January 1, 2020	<u>\$ 176,502</u>	<u>237,996</u>	<u>49,374</u>	<u>-</u>	<u>463,872</u>
Balance on March 31, 2020	<u>\$ 176,502</u>	<u>233,157</u>	<u>48,207</u>	<u>11,720</u>	<u>469,586</u>
Balance on January 1, 2019	<u>\$ 176,502</u>	<u>155,811</u>	<u>55,958</u>	<u>28,957</u>	<u>417,228</u>
Balance on March 31, 2019	<u>\$ 176,502</u>	<u>155,752</u>	<u>55,142</u>	<u>44,271</u>	<u>431,667</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the three months ended March 31 2020 and 2019. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(k) of the 2019 annual consolidated financial statements for other related information.

(k) Right-of-use asset

The movements in the cost and depreciation of the leased land, building and construction and facility were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Facilities</u>	<u>Total</u>
Cost:				
Balance on January 1, 2020	\$ 31,769	86,356	57,291	175,416
Additions	-	1,247	822	2,069
Disposals	-	(982)	(168)	(1,150)
Effect of movements in exchange rates	(385)	(757)	(327)	(1,469)
Balance on March 31, 2020	<u>\$ 31,384</u>	<u>85,864</u>	<u>57,618</u>	<u>174,866</u>
Cost:				
Balance on January 1, 2019	\$ 33,028	68,533	42,628	144,189
Additions	-	3,080	2,766	5,846
Effect of movements in exchange rates	732	300	491	1,523
Balance on March 31, 2019	<u>\$ 33,760</u>	<u>71,913</u>	<u>45,885</u>	<u>151,558</u>
Depreciation				
Balance on January 1, 2020	\$ 796	18,135	17,610	36,541
Depreciation for the year	200	5,550	4,816	10,566
Disposals	-	(982)	(168)	(1,150)
Effect of movements in exchange rates	(13)	(260)	(150)	(423)
Balance on March 31, 2020	<u>\$ 983</u>	<u>22,443</u>	<u>22,108</u>	<u>45,534</u>

	<u>Land</u>	<u>Building and construction</u>	<u>Facilities</u>	<u>Total</u>
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	211	4,919	3,854	8,984
Effect of movements in exchange rates	-	6	7	13
Balance on March 31, 2019	<u>\$ 211</u>	<u>4,925</u>	<u>3,861</u>	<u>8,997</u>

Book values:

Balance on January 1, 2020	<u>\$ 30,973</u>	<u>68,221</u>	<u>39,681</u>	<u>138,875</u>
Balance on March 31, 2020	<u>\$ 30,401</u>	<u>63,421</u>	<u>35,510</u>	<u>129,332</u>
Balance on January 1, 2019	<u>\$ 33,028</u>	<u>68,533</u>	<u>42,628</u>	<u>144,189</u>
Balance on March 31, 2019	<u>\$ 33,549</u>	<u>66,988</u>	<u>42,024</u>	<u>142,561</u>

(l) Investment Property

Investment property comprises office buildings that are leased to third parties under operating leases, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 1 year. For all investment property leases, the rental income is fixed under the contracts.

	<u>Land</u>	<u>Building and construction</u>	<u>Facilities</u>	<u>Total</u>
Book values:				
Balance on January 1, 2020	<u>\$ 139,922</u>	<u>100,830</u>	<u>15</u>	<u>240,767</u>
Balance on March 31, 2020	<u>\$ 139,922</u>	<u>100,209</u>	<u>14</u>	<u>240,145</u>
Balance on January 1, 2019	<u>\$ 139,922</u>	<u>103,317</u>	<u>15</u>	<u>243,254</u>
Balance on March 31, 2019	<u>\$ 139,922</u>	<u>102,697</u>	<u>14</u>	<u>242,633</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2020 and 2019. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(m) of the 2019 annual consolidated financial statements for other related information.

The fair value of investment property was no significant different from Note 6(m) of the 2019 annual consolidated financial statements.

(m) Short-term loans

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Secured bank loans	\$ 90,708	116,609	90,417
Unsecured bank loans	\$ -	20,000	-
	<u>\$ 90,708</u>	<u>136,609</u>	<u>90,417</u>
Unused facilities	<u>\$ 7,906,381</u>	<u>5,908,253</u>	<u>6,760,719</u>
Interest rate	<u>1.87%~2.25%</u>	<u>1.3%~2.15%</u>	<u>3.09%~5%</u>

(i) Issues and Repayments of Short-term loans

There is no new issue loan for the three months ended March 31, 2020 and 2019. The repayment amounted to \$46,000 thousand and \$46,918 thousand for the three months ended March 31, 2020 and 2019, respectively.

(ii) Assets pledged for bank loans

The details of the related assets pledged for bank loans, please refer to Note 8.

(n) Leases liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Current	<u>\$ 33,293</u>	<u>35,299</u>	<u>32,661</u>
Non-current	<u>\$ 68,622</u>	<u>74,965</u>	<u>76,788</u>

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

The amounts recognized in profit or loss was as follows:

	For the three months ended March 31 ,2020	For the three months ended March 31 ,2019
Interest on lease liabilities	<u>\$ 616</u>	<u>612</u>
Expenses relating to short-term leases	<u>\$ 8,502</u>	<u>9,938</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,014</u>	<u>616</u>

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

	For the three months ended March 31 ,2020	For the three months ended March 31 ,2019
Total cash outflow for leases	<u>\$ 19,583</u>	<u>19,158</u>

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of office space typically run for a period of three to five years.

(ii) Other leases

The Group leases vehicles, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group leases working offices, staff dormitory and business equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Provisions

	March 31, 2020	December 31, 2019	March 31, 2019
Provisions	<u>\$ 326,787</u>	<u>322,699</u>	<u>366,354</u>

The Group's warranty provision is estimated based on historical data of the construction contract. Most liabilities are expected to occur during the warranty period that is mentioned in the contract since completion of the construction.

There were no significant fluctuation of provisions for the three months ended March 31, 2020 and 2019. Please refer to Note 6(p) of the 2019 annual consolidated financial statements for other related information.

(p) Employee benefits

(i) Defined benefit plans

Due to there are no significant market volatility, significant reduction, settlement or other significant one-time events after the end of previous financial year, the Group adopts the actuarial decision cost on December 31, 2019 and 2018 to measure and disclose pension cost during the period.

The Group's pension expenses recognized in profit or loss were as follows:

	For the three months ended March 31	
	2020	2019
Operating cost	\$ 50	37
Operating expense	266	113
	\$ 316	150

(ii) Defined contribution plans

The Group's pension expenses recognized in profit or loss were as follows:

	For the three months ended March 31	
	2020	2019
Operating cost	\$ 4,394	4,169
Operating expense	1,800	1,933
	\$ 6,194	6,102

The company, HerSuo Engineering, Nova Tech, Enrich and Winmega have deposited the retirement amount to Bureau of Labor and the overseas subsidiaries have deposited the retirement amount to local social insurance institutes base on the local regulation.

(q) Taxes

The amount of income tax expense were as follows:

	For the three months ended March 31	
	2020	2019
Current income tax expense:		
Current period	\$ 59,308	69,400
Deferred tax expense:		
Origination and reversal of temporary differences	45,700	52,381
Income tax expense	\$ 105,008	121,781

The amount of tax income expense (benefit) recognized in other comprehensive income were as follows:

	For the three months ended March 31	
	2020	2019
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences — foreign operations	\$ (9,758)	11,584

The income tax return of the Company has been examined by the tax authorities through year 2017.

(r) Capital and other equity

Except as described below, no significant changes in the Group capital and other equity for the three months ended March 31, 2020 and 2019. The related information, please refer to Note 6(s) of the Group financial statements for the year ended December 31, 2019.

(i) Retained earnings

According to Company's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside and the remaining balance is partially reserved depending on the business environment, growth status, and long-term finance planning. After deducting the aforementioned partially reserve, the remaining balance, plus, any unappropriated earnings in previous years shall be used for distribution of stockholders' bonuses by the Board of Directors, depending on the capital status and economic development in the current year. Cash bonuses should not be less than 10% of the total shareholders' bonuses, and they will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distribute.

(2) Special reserve

In Accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, the difference between the total net reduction of other shareholders' equity and the carrying amount of special earnings reserve as stated above shall be reclassified as a special earnings reserve during earnings distribution. Other prior accumulated debit balance of shareholders' equity was recognized as additional special reserve from prior undistributed earnings since distributions were prohibited. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

The appropriation of 2019 earnings was approved by the Board of Directors on February 27, 2020, and the appropriation of 2018 earnings was approved by the meeting of shareholders on May 29, 2019, respectively.

The relevant dividend distributions to shareholders were as follows:

	<u>2019</u>	<u>2018</u>
Dividends per share:		
Cash	\$ <u>812,801</u>	<u>813,042</u>

(ii) Other equity interest (net of tax)

	Foreign currency translation differences for foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Other Equity- Unearned employee benefit	Total
Balance, January1, 2020	\$ (123,035)	(6,150)	-	(129,185)
Foreign currency translation differences (net of tax)	(23,240)	-	-	(23,240)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(470)	-	(470)
Unearned employee benefit	-	-	-	-
Balance, March 31, 2020	<u>\$ (146,275)</u>	<u>(6,620)</u>	<u>-</u>	<u>(152,895)</u>
Balance, January1, 2019	\$ (63,237)	(5,573)	(776)	(69,586)
Foreign currency translation differences (net of tax)	24,736	-	-	24,736
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	623	-	623
Unearned employee benefit	-	-	776	776
Balance, March 31, 2019	<u>\$ (38,501)</u>	<u>(4,950)</u>	<u>-</u>	<u>(43,451)</u>

(s) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2020 and 2019. For the related information, please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

(t) Earnings per share ("EPS")

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Profit attributable to common shareholders	<u>\$ 217,285</u>	<u>233,695</u>
Weighted average number of common shares (In thousand shares)	<u>54,187</u>	<u>53,912</u>
Basic Earnings per share (In New Taiwan Dollars)	<u>\$ 4.01</u>	<u>4.33</u>
Profit attributable to common shareholders	<u>\$ 217,285</u>	<u>233,695</u>
Weighted average number of common shares (In thousand shares)	54,187	53,912
Add: effect on dilutive potential common stock		
Employee bonuses (In thousand shares)	381	366
Restricted stocks to employees(In thousand shares)	-	994
Diluted weighted average number of common shares (In thousand shares)	<u>54,568</u>	<u>55,272</u>
Diluted Earnings per share (In New Taiwan Dollars)	<u>\$ 3.98</u>	<u>4.23</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

<u>Primary geographical markets</u>	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Taiwan	\$ 1,353,687	1,405,632
China	1,481,318	1,260,040
Other countries	244,952	92,073
	<u>\$ 3,079,957</u>	<u>2,757,745</u>
<u>Major products</u>		
Cleanroom electromechanical integration engineering	\$ 1,773,452	1,209,982
Water gasification supply integration engineering	906,425	1,178,398
Consumer industry electromechanical integration engineering	132,290	162,924
Biomedical integration engineering	204,281	118,909
High-tech equipment and materials sales and services	63,509	87,532
	<u>\$ 3,079,957</u>	<u>2,757,745</u>

(ii) Contract balances

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Trade receivables	\$ 3,362,079	3,637,989	3,517,523
Less: allowance for impairment	(115,137)	(157,122)	(205,256)
	<u>\$ 3,246,942</u>	<u>3,480,867</u>	<u>3,312,267</u>
Contract assets-Construction and equipment	\$ 1,721,000	1,547,000	1,102,732
Less: allowance for impairment	(50,525)	(50,231)	(45,479)
	<u>\$ 1,670,475</u>	<u>1,496,769</u>	<u>1,057,253</u>
Contract liabilities-Construction and equipment	\$ 1,147,788	1,224,181	1,572,132
Contract liabilities- Advance sales receipts	2,918	-	2,543
	<u>\$ 1,150,706</u>	<u>1,224,181</u>	<u>1,574,675</u>

For details on trade receivables and allowance for impairment, please refer to Note 6(d).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There is no other majority change for the three months ended March 31, 2020 and 2019.

(v) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 3% shall be distributed as employee remuneration, and a maximum of 5% as remuneration to directors and supervisors.

For the three months ended March 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$16,928 and \$17,264, and directors' and supervisors' remuneration amounting to \$8,464 and \$8,632, respectively. 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 recognized under operating costs or expenses for each period. If the actual amounts differ from the estimated amount, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year.

For the year ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$79,943 and \$81,757, and directors' and supervisors' remuneration amounting to \$39,972 and \$40,879, respectively. There is no different between estimation and paid. The information is available on the Market Observation Post System website.

(w) Non-operating income and expenses

(i) Other revenue

	For the three months ended March 31	
	2020	2019
Interest income	\$ 7,961	10,997
Rental income	406	452
Others and government subsidy	16,078	16,423
	<u>\$ 24,445</u>	<u>27,872</u>

(ii) Other income and losses

	For the three months ended March 31	
	2020	2019
Exchange loss on foreign currency	\$ (2,094)	(10,997)
Gain on disposal of non-current assets held for sale	-	19,515
Gains(loss) on disposals of property, plant and equipment	(67)	83
Net gain (loss) on financial assets at fair value through profit or loss	(3,476)	4,509
Others	-	1,773
	<u>\$ (5,637)</u>	<u>14,883</u>

(x) Financial Instruments

Except as described below, there were no significant changes in the fair value of financial instruments and the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments, please refer to Note 6(y) of the Group's financial statements for the year ended December 31, 2019.

(i) Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(2) Concentration of credit risk

As of March 31, 2020, December 31 and March 31, 2019, concentration of credit risk deriving from the Group's top customer did not constitute more than 13%, 19% and 9%, respectively, of the Group's receivables while those deriving from the Group's other top four customers did not constitute more than 22%, 17% and 24%, respectively, of the Group's receivables.

(3) Receivables

For credit risk exposure of note and trade receivables, please refer to Note 6 (d).

Other financial assets measured at amortized cost include other receivables and other financial assets.

All of these financial assets are considered to have low risk, and thus, the

impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4 (g) of the Group's financial statements for the year ended December 31, 2019.

The loss allowance provision as for the three months ended March 31, 2020 and 2019 were determined as follows:

	<u>Other receivables</u>	<u>Other financial assets (guarantee deposits paid)</u>
Balance on January 1,2020	\$ -	21,576
Foreign exchange losses	-	(261)
Balance on March 31,2020	<u>\$ -</u>	<u>21,315</u>
Balance on January 1,2019	17,612	22,431
Amount written off	(3,973)	-
Foreign exchange gains	379	498
Balance on March 31,2019	<u>\$ 14,018</u>	<u>22,929</u>

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5years</u>	<u>More than 5 years</u>
March 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 90,708	90,849	90,849	-	-	-
Notes payable	78,874	78,874	78,874	-	-	-
Accounts payable (including related parties)	2,892,695	2,892,695	2,585,076	195,498	112,121	-
Accrued salaries and bonuses	158,902	158,902	158,902	-	-	-
Other accrued expenses	230,428	230,428	219,803	-	-	10,625
Leases liabilities (current and non-current)	<u>101,915</u>	<u>108,006</u>	<u>35,259</u>	<u>29,970</u>	<u>30,850</u>	<u>11,927</u>
	<u>\$ 3,553,522</u>	<u>3,559,754</u>	<u>3,168,763</u>	<u>225,468</u>	<u>142,971</u>	<u>22,552</u>
December 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 136,609	136,725	136,725	-	-	-
Notes payable	63,637	63,637	63,637	-	-	-
Accounts payable (including related parties)	3,110,702	3,110,702	2,819,069	168,467	101,259	21,907
Accrued salaries and bonuses	341,137	341,137	341,137	-	-	-
Other accrued expenses	282,048	282,048	271,292	-	-	10,756
Lease liabilities	<u>110,264</u>	<u>113,799</u>	<u>36,934</u>	<u>32,097</u>	<u>32,841</u>	<u>11,927</u>
	<u>\$ 4,044,397</u>	<u>4,048,048</u>	<u>3,668,794</u>	<u>200,564</u>	<u>134,100</u>	<u>44,590</u>
March 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 90,417	91,221	91,221	-	-	-
Notes payable	175,576	175,576	175,576	-	-	-
Accounts payable (including related parties)	2,525,166	2,525,166	2,289,314	136,427	99,399	26
Accrued salaries and bonuses	139,191	139,191	139,191	-	-	-
Other accrued expenses	243,752	243,752	232,095	-	-	11,657
Lease liabilities	<u>109,449</u>	<u>112,654</u>	<u>34,628</u>	<u>24,618</u>	<u>36,815</u>	<u>16,593</u>
	<u>\$ 3,283,551</u>	<u>3,287,560</u>	<u>2,962,025</u>	<u>161,045</u>	<u>136,214</u>	<u>28,276</u>

The Group is not expecting that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

(1) Foreign currency risk

The Group's significant exposures to foreign currency risk were 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
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 45,130	30.236	1,364,564	58,719	30.203	1,773,479	64,086	30.8560	1,977,451
CNY	629,496	4.2629	2,683,477	732,007	4.3152	3,158,756	460,969	4.5857	2,113,865
SGD	3,759	21.1189	79,378	4,347	22.3114	96,977	2,984	22.7644	67,918
JPY	26,518	0.2777	7,364	113,561	0.2723	30,923	4,334	0.2803	1,215
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	5,195	30.236	157,061	5,718	30.203	172,711	14,033	30.8560	432,996
CNY	233,038	4.2629	993,416	282,477	4.3152	1,218,946	250,228	4.5857	1,147,470
SGD	61	21.1189	1,289	274	22.3114	6,118	20	22.7644	454
JPY	27,275	0.2777	7,574	142,912	0.2723	38,915	16,063	0.2803	4,503

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 receivables, other receivables, financial assets at fair value through other comprehensive income, loans, trade payables and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of March 31, 2020 and 2019 would have increased or decreased the before-tax net income by \$29,755 thousand and \$25,750 thousand, respectively. The analysis is performed on the same basis for both periods.

As the Group transacts in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2020 and 2019, the foreign exchange gains or losses, including both realized and unrealized, amounted to \$(2,094) thousand and \$(10,997) thousand, respectively.

(2) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk on the derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Group management's assessment of the reasonably possible interest rate change-

If the interest rate increases or decreases by 1%, the Group's net income will decrease/increase by \$907 thousand and \$904 thousand for the three months ended March 31, 2020 and 2019, respectively, assuming all other variable factors

remain constant. This is mainly due to the Group's borrowing in variable rate.

(3) Other market price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	2020Q1		2019Q1	
	Other comprehensive income before-tax	Net income	Other comprehensive income before-tax	Net income
Increasing 3%	\$ 3,886	8,068	114	9,912
Decreasing 3%	\$ (3,886)	(8,068)	(114)	(9,912)

(iv) Fair value of financial instruments

(1) The kinds of financial instruments and fair value

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and leases liabilities disclosure of fair value information is not required :

	March 31 ,2020				
	Book value	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	\$ 268,938	268,938	-	-	268,938
Financial assets at fair value through other comprehensive income					
Emerging Stock	2,130	2,130	-	-	2,130
Unlisted stock	127,400	-	-	127,400	127,400
Subtotal	129,530	2,130	-	127,400	129,530
Financial assets at amortized cost					
Cash and cash equivalents	3,518,228	-	-	-	-
Contract Assets	1,670,475	-	-	-	-
Notes receivable	354,011	-	-	-	-
Trade receivable	3,246,942	-	-	-	-
Other receivable	16,850	-	-	-	-
Other financial assets	302,131	-	-	-	-
Total	\$ 9,507,105	271,068	-	127,400	398,468
Financial liabilities at amortized cost					
Short-term loans	\$ 90,708	-	-	-	-
Notes payable	78,874	-	-	-	-
Trade payable (including related parties)	2,892,695	-	-	-	-
Accrued salaries and bonuses	158,902	-	-	-	-
Other accrued expenses	230,428	-	-	-	-
Leases liabilities (current and non-current)	101,915	-	-	-	-
Total	\$ 3,553,522	-	-	-	-

December 31, 2019					
Book value	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	\$ 172,400	172,400	-	-	172,400
Financial assets at fair value through other comprehensive income					
Emerging Stock	2,600	2,600	-	-	2,600
Unlisted stock	127,400	-	-	127,400	127,400
Subtotal	130,000	2,600	-	127,400	130,000
Financial assets at amortized cost					
Cash and cash equivalents	3,874,953	-	-	-	-
Contract Assets	1,496,769	-	-	-	-
Notes receivable	453,149	-	-	-	-
Trade receivable	3,480,867	-	-	-	-
Other receivables	20,424	-	-	-	-
Other current financial assets	390,060	-	-	-	-
Total	<u>\$ 10,018,622</u>	<u>175,000</u>	<u>-</u>	<u>127,400</u>	<u>302,400</u>
Financial liabilities at amortized cost					
Short-term loans	\$ 136,609	-	-	-	-
Notes payable	63,637	-	-	-	-
Trade payable (including related parties)	3,110,702	-	-	-	-
Accrued salaries and bonuses	341,137	-	-	-	-
Other accrued expenses	282,048	-	-	-	-
Leases liabilities (current and non-current)	110,264	-	-	-	-
Total	<u>\$ 4,044,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

March 31, 2019					
Book value	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	\$ 330,401	330,401	-	-	330,401
Financial assets at fair value through other comprehensive income					
Emerging Stock	3,800	3,800	-	-	3,800
Financial assets at amortized cost					
Cash and cash equivalents	4,133,223	-	-	-	-
Contract Assets	1,057,253	-	-	-	-
Notes receivable	183,884	-	-	-	-
Trade receivable	3,312,267	-	-	-	-
Other receivable	27,963	-	-	-	-
Other current financial assets	597,176	-	-	-	-
Total	<u>\$ 9,645,967</u>	<u>334,201</u>	<u>-</u>	<u>-</u>	<u>334,201</u>
Financial liabilities at amortized cost					
Short-term loans	\$ 90,417	-	-	-	-
Notes payable	175,576	-	-	-	-
Trade payable (including related parties)	2,525,166	-	-	-	-
Accrued salaries and bonuses	139,192	-	-	-	-
Other accrued expenses	243,753	-	-	-	-
Leases liabilities (current and non-current)	109,449	-	-	-	-
Total	<u>\$ 3,283,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on the run bonds from Taipei Exchange can be used as basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or regulators and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid ask spreads is an indication of non-active market.

The Group's financial instruments are classified by their category, and the attributes of their fair value are as follows if such financial instruments are traded in active markets: beneficiary securities—open end fund and emerging stock, whose fair value was determined based on market quoted prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

When the financial instrument of the Group is not traded in an active market, its fair value is determined as follows:

- The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

4) Transfers between Level 1 and Level 2

- There were no transfers from one level to another for the three months ended March 31, 2020 and 2019.

5) Reconciliation of Level 3 fair values

	2020Q1
Opening balance, January 1, 2020	\$ 127,400
Total gains and losses recognized:	
In other comprehensive income	-
Ending Balance, March 31, 2020	<u>\$ 127,400</u>

6) 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 include "fair value through other comprehensive income – equity investments" .

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net asset value method	<ul style="list-style-type: none"> ◆ P/E multiplier (2020.03.31 was 25.36 ,and 2019.12.31 was 20.62) ◆ Discount for lack of marketability (Both 2020.03.31 and 2019.12.31 were 30%) 	<ul style="list-style-type: none"> ◆ The higher the price-equity ratio, the higher the fair value. ◆ The higher the discount for lack of marketability, The lower the fair value.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions by 10% to reflect reasonably possible alternative assumptions would have the following effects:

		Effects of changes in fair value on other comprehensive income		
		Inputs	Increase or decrease	Favorable Unfavorable
March 31, 2020				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	P/E ratio	10%	12,740	(12,740)
Equity investments without an active market	Discount for lack of marketability	10%	18,200	(18,200)
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	P/E ratio	10%	12,740	(12,740)
Equity investments without an active market	Discount for lack of marketability	10%	18,200	(18,200)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosure in Note 6(z) of the consolidated financial statements for the year ended December 31, 2019.

(z) Capital management

The objectives, policies and processes of capital management of the Group are in conformity with those disclosed in the consolidated financial statements for the year ended December 31, 2019. There were no significant changes on summary of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6(aa) of the Group financial statements for the year ended December 31, 2019.

(aa) 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:

For acquisition of right-of-use assets under operating lease, please refer to Note 6(k).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		March 31, 2020
			Foreign exchange movement	Increased	
Short-term loans	\$ 136,609	(46,000)	99	-	90,708
Lease liabilities	110,264	(9,451)	(593)	1,695	101,915
Guarantee deposit	150	-	-	-	150
Total liabilities from financing activities	<u>\$ 247,023</u>	<u>(55,451)</u>	<u>(494)</u>	<u>1,695</u>	<u>192,773</u>

	January 1, 2019	Cash flows	Non-cash changes		March 31, 2019
			Foreign exchange movement	Fair value Changes	
Short-term loans	\$ 135,278	(46,918)	2,057	-	90,417
Lease liabilities	111,162	(7,992)	433	5,846	109,449
Guarantee deposit	84	66	-	-	150
Total liabilities from financing activities	<u>\$ 246,524</u>	<u>(54,844)</u>	<u>2,490</u>	<u>5,846</u>	<u>200,016</u>

(7) Related party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Johnwell Ent Co.,Ltd	The key management personnel of the parent company's directors

(b) Other related party transactions

(i) Construction cost, and related assets and liabilities:

The amounts of significant purchase transactions and outstanding payables for goods and equipments between the Group and related parties were as follows:

	Purchases		Payables to Related Parties		
	For the three months ended		March 31, 2020	December 31, 2019	March 31, 2019
	2020	2019			
Entity under the key management's control	<u>\$ 452</u>	<u>137</u>	<u>512</u>	<u>313</u>	<u>156</u>

There were no differences in the purchase price and terms of payments offered to related parties and those of third-party vendors.

(c) Key management personnel compensation

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 26,386	37,215
Post-employment benefits	108	108
Share based payments	<u>-</u>	<u>363</u>
	<u>\$ 24,494</u>	<u>37,686</u>

For details of the related share based payments, please refer to Note 6(s).

(8) Pledged assets:

The Group's pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other financial assets – current:				
Demand deposit and time deposit	Construction contract fulfillment and warranty guarantee	\$ 35,105	273,864	126,210
Other non-current assets:				
Other non-current assets	warranty guarantee	<u>507</u>	<u>507</u>	<u>1,576</u>
		<u>\$ 35,612</u>	<u>274,371</u>	<u>127,786</u>

(9) Significant commitments and contingencies:

Significant commitments and contingencies for the Group as of March 31, 2020, and December 31, March 31, 2019 were as follows:

- (a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$1,359,810, \$1,374,175 and \$1,255,903, respectively.
- (b) The amounts pledged to the bank for engaging in construction contracts amounted to \$1,780,085, \$2,171,709 and \$1,619,213, respectively.
- (c) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for the competitive corporations amounted to \$348,000, \$361,642 and \$401,618, respectively.
- (d) For already-signed but not-yet-finished significant construction contracts, please refer to Note 6(u).
- (e) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore, filed a lawsuit to the Taipei District Court, claiming a compensation amounting to \$42,189 thousand in November, 2012. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company pay \$14,666 thousand to Walsin, which had been fully recognized as loss by the Company in 2015. The Company appealed to Taiwan High Court and sent identification data to the Architecture Construction. As of March 31, 2020, the compensation of \$8,376 thousand has been recognized as other current liabilities and accrued expenses.

- (f) The Company's subsidiary, Nova Tech entered into an agreement with Jing He Science Co., Ltd. (Jing He) for the construction and expansion of a new factory and gas factory, respectively, wherein Nova Tech is responsible for the installation process of the pipelines, as well as for purchasing the related equipment according to the design layout and purchase order provided by Jing He. However, Jing He made certain changes to its layout plan, which in turn, requires extra work; and for this reason, Nova Tech requested Jing He for an additional payment, in which Jing He argued that the contract is a lump-sum contract; therefore, refused to make any additional payment. Furthermore, it unilaterally terminated the agreement prior to the completion of the construction. Nova Tech then filed a lawsuit to the District Court against Jing He, demanding the amount of the contract to be paid in full. Nova Tech has also engaged a lawyer to defend its case. On the other hand, the District Court appointed Taiwan Association of Construction and Development, as well as Taiwan Professional Electrical Engineers Association, to estimate the value of the completed part of the new factory building, with both parties providing supplementary opinions for the preliminary valuation. The District Court has also appointed Taiwan Construction Research Institute (TCRI) to estimate the value of the expansion of the gas factory, wherein the estimated result turned out to be the same as that of which conducted by Nova Tech. As of the issuance date of this financial statements, the Court's decision has yet to be made, wherein it included the compensation amount of the damage resulting in a recognition of allowance for impairment incurred from the construction cost by Nova Tech in accordance with the related accounting standards. Nova Tech has estimated the maximum loss incurred from this lawsuit to be \$70,000 thousand. On February 5, 2018, Jing He had partially paid the amount of \$10,500 thousand (including interest) for the said construction.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

- (a) The employee benefits, depreciation and amortization expenses categorized by function were as follows:

<u>By item</u>	<u>For the three months ended March 31</u>					
	<u>2020</u>			<u>2019</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit						
Salary	\$ 154,397	112,448	266,845	160,942	124,141	285,083
Labor, health and social insurance	11,268	9,862	21,130	14,814	10,324	25,138
Pension	4,444	2,066	6,510	4,206	2,046	6,252
Other	3,326	6,712	10,038	4,386	5,435	9,821
Depreciation	2,707	15,086	17,793	4,231	10,989	15,220
Amortization	68	2,422	2,490	59	1,504	1,563

Note: Depreciation for investment property for the three months ended March 31, 2020 and 2019 both were \$622 thousand, and were recorded in non-operating expenses.

- (b) Operation of seasonal:
The Group's operations were not affected by seasonality or cyclicity factors.

(13) Segment information:

The Group's operating segment information and reconciliation are as follows:

For the three months ended March 31, 2020	Taiwan	Mainland China	Other Asian	Adjustments and Eliminations	Total
Revenue:					
Revenue from external customers	\$ 1,743,581	1,121,407	214,969	-	3,079,957
Intersegment revenues	<u>67,186</u>	<u>4,482</u>	<u>-</u>	<u>(71,668)</u>	<u>-</u>
Total revenue	<u>\$ 1,810,767</u>	<u>1,125,889</u>	<u>214,969</u>	<u>(71,668)</u>	<u>3,079,957</u>
Reportable segment profit or loss					<u>\$ 264,235</u>
For the three months ended March 31, 2019	Taiwan	Mainland China	Other Asian	Adjustments and Eliminations	Total
Revenue:					
Revenue from external customers	\$ 1,405,632	1,260,040	92,073	-	2,757,745
Intersegment revenues	<u>16,734</u>	<u>6,542</u>	<u>-</u>	<u>(23,276)</u>	<u>-</u>
Total revenue	<u>\$ 1,422,366</u>	<u>1,266,582</u>	<u>92,073</u>	<u>(23,276)</u>	<u>2,757,745</u>
Reportable segment profit or loss					<u>\$ 294,345</u>
Reportable segment asset	Taiwan	Mainland China	Other Asian	Adjustments and Eliminations	Total
March 31, 2020	<u>\$ 11,224,102</u>	<u>9,928,679</u>	<u>2,833,205</u>	<u>(12,282,485)</u>	<u>11,703,501</u>
December 31, 2019	<u>\$ 10,750,055</u>	<u>10,035,474</u>	<u>2,757,892</u>	<u>(11,550,341)</u>	<u>11,993,080</u>
March 31, 2019	<u>\$ 10,966,036</u>	<u>9,667,587</u>	<u>2,026,204</u>	<u>(10,935,541)</u>	<u>11,724,286</u>
Reportable segment liability	Taiwan	Mainland China	Other Asian	Adjustments and Eliminations	Total
March 31, 2020	<u>\$ 4,517,636</u>	<u>3,807,943</u>	<u>440,546</u>	<u>(2,038,407)</u>	<u>6,727,718</u>
December 31, 2019	<u>\$ 3,532,311</u>	<u>3,984,057</u>	<u>384,806</u>	<u>(1,457,136)</u>	<u>6,444,038</u>
March 31, 2019	<u>\$ 3,389,765</u>	<u>4,094,775</u>	<u>282,108</u>	<u>(1,754,685)</u>	<u>6,011,963</u>